Strange bedfellows as EWG updates database

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If they want to get out in front of the debate, farmers should know that not only is jostling over the next farm bill beginning early, so is the building of coalitions that hope to influence the legislation's direction.

Proof of this came during a May Environmental Working Group (EWG) press conference — with representatives of the Center for Rural Affairs and, somewhat oddly, the libertarian **Cato Institute** in tow — to announce an update of its controversial farm subsidy database.

Updated database

The EWG database now contains traditional crop subsidy and crop insurance information from 2009.

"The upshot is that taxpayers have sent $245 billion in payments to participants in subsidy and crop insurance programs … between 1995 and 2009," said Craig Cox, head of agricultural programs for EWG. "Of that total, $213 billion is for a combination of commodity subsidies, disaster payments and crop insurance subsidies."

The 2009 data "reaffirm the heavily skewed distribution of payments we've come to expect year after year. Over the 15-year period (1995 to 2009), the top 10 percent of recipients got 74 of the subsidies. In 2009 alone, the top 10 percent got 61 percent of the subsidies — about the percentage it's been at for the last few years."

Heaping praise on the EWG database, **Sallie James**, policy analyst for the Cato Institute, said she "can't think of anything in the last decade, or so, that has changed the terms of the debate as much as the information in the (EWG) databases. … It's fantastic."

James, speaking "from the point of view of a limited government/free market/individual liberty perspective" said that agricultural subsidies "are fiscally irresponsible. That's certainly always true. But, right now, when the federal government is bleeding red ink, there are simply no excuses for these programs to go unreformed. … There's been no excuse for a long time."

Farm subsidies "stifle innovation in entrepreneurship and encourage farmers to farm to the program rather than to what the market says is warranted," continued James. "I can't think of any program in Washington that makes less sense to me than this one. As a libertarian, there are plenty of them that fit that description."

Despite EWG calling for a shift of subsidy funds to conservation efforts — not doing away with government spending — **James** said "this is a really good area for EWG and the Cato Institute, which may not seem like natural partners, to come together. Those of us in favor of limited government see this as a great area for reform." The subsidy database helps "us with those efforts."

James also said the Tea Party might be welcomed into the mix. The vocal movement "sweeping the nation talks about 'limited government' and 'get the government out of my business.' I would really hope that so-called conservatives and Republican leaders that talk about the need for government to get out of people's lives would agree that (reaches) to farm programs, as well as other areas."

While the jury "is still out on it as a broader phenomenon" James said it may help reform efforts to tell the Tea Party movement "that 'smaller government' means 'smaller government in all areas, not just areas that don't affect (you), personally.'"

While its representatives didn't shoot down James' inclusive leanings during the conference, EWG later released a document skeptical of Tea Party leaders who have accepted agricultural subsidies.

Rural revival?

Picking up on a theme being pushed by Agriculture Secretary Tom Vilsack (see http://deltafarmpress.com/legislative/next-farm-bill-new-emphasis-0423/index1.html), Chuck Hassebrook, executive director of the Center for Rural Affairs, said federal farm policy hasn't been effective in revitalizing family farming or rural communities. One reason is "essentially, we have a farm program that says 'the bigger you get without limit, the more money you get from the federal government.'

"As long as that's true, three other things can be true."

First, said Hassebrook, "the program will do at least as much to help the largest farms bid land away from smaller operations and drive their neighbors out of business as it does to keep family-sized farms on the land."

Second, "the federal government says to big, expansion-oriented farms, 'every time you add an acre to get more money from the government it virtually guarantees that … farm program benefits get bid into higher land prices.' At the end of the day, it's really not farm operators who benefit, but landowners. And, increasingly, the landowners are landlords who benefit in the form of higher cash rents."

Third, "when we spend this much money on such perverse purposes as subsidizing the biggest farms to drive their neighbors out of business, we don't have the money left to invest in the things that will create a better future in rural America."

Crop Insurance

Crop insurance is also an EWG target.

"Any small decreases in subsidy payments experienced because of high crop prices have essentially been wiped out by increases in the cost of crop insurance," said Cox. Those "go up when crop prices rise."

Congress has made crop insurance more attractive to producers in a number of ways. "Mostly, that's by making it less expensive for producers to participate in comparison to the benefits they may receive."

The government cost is tied to three things, claimed Cox.

"First, it's tied to the crop insurance premium paid by taxpayers instead of the farmer. Second, administrative subsidies go directly to crop insurance companies. Third, whatever share of the ultimate crop losses are the responsibility of the taxpayer rather than the crop insurance company."

All three "are largely tied to the price of the underlying commodity, or commodities, being insured. So, the run-up in crop prices has also contributed to the run-up in the cost of the insurance program."

As currently designed, crop insurance "has many of the same flaws as countercyclical programs. … It needs a very hard look. How much risk are taxpayers picking up? What are the implications of that? What sort of incentives does that create? Is this really a level playing field or is the way these insurance programs are structured inordinately subsidizing a handful of crops? Clearly they do — four major commodity crops account for 80 percent of the crop insurance subsidies."

Safety net

Is there any form of agriculture safety net acceptable to EWG?

"EWG has argued for years that there is a need for a safety net to tide farmers through bad times that occur through no fault of their own," said Cox. "We all know that farming is a risky business because of weather and pest problems and the potential for serious crop losses, no matter how good a manager a farmer is. We increasingly know that modern-day markets are much more volatile than they used to be — in large part because we've connected the price of commodities to the price of oil through our biofuels policy."

For those reasons, "we think there's a need for a legitimate risk-management tool that helps farmers through a bad patch. Our current maze of programs couldn't be farther away from what we see as a legitimate safety net. We want a net that doesn't favor one crop over another. We want a net that doesn't favor one type of farming operation — or one scale of operation — over another."

In regards to revenue assurance, "in some ways we're already there. In the crop insurance program, here were more acres under the revenue assurance option than under the yield option."

"Needless to say," said **James**, "I wouldn't support revenue assurance, either. We've seen through finance what happens when you socialize losses but privatize gains. Farming is a risky business, but so is hedge fund ownership — and I don't support a safety net for them, either."

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