

New Farm Bill Extends Menu

BY BETTY JOYCE NASH

It's hard to come up with an example of something in your life that the new farm bill won't affect in one way or another. Everybody eats at this table.

The Food, Conservation and Energy Act of 2008, passed despite a presidential veto in May, will require about \$307 billion to pay for its "programs, plans, institutes, partnerships, initiatives, assistance, authorities, grants, and opportunities." The biggest chunk, \$209 billion, will go toward nutrition programs. It tweaks the food stamp program and changes its name, provides fresh fruits and vegetables for poor children who receive government-funded school lunches, and doubles money for the federal purchase of commodities such as cheese.

There is \$35 billion for various supports to commodity farmers, keeping the 1930s-era subsidy structure mostly intact. And the bill authorizes \$25 billion for conservation, according to the Congressional Budget Office.

Farmers in the Fifth District raise livestock and grow cotton, soybeans, and corn, as well as a wide range of specialty crops like sweet potatoes. In North Carolina, livestock (broilers and hogs mostly) makes up two-thirds of all agricultural production. Horticulture and greenhouse production round out the state's agricultural picture.

For the first time, fruit and vegetable growers will get federal help with marketing efforts and the safe handling of products. The United States Department of Agriculture also will spend new money on fresh food from local farms for school lunches. There's also money in this bill to market local and organically grown food. In an example of how far the bill ranges beyond the farm, money will also go to install broadband in remote areas and to lend money to rural businesses.

The bill's continued subsidy system disappoints agricultural economists who track farm policy, like David Orden, of the Global Issues Initiative of Virginia Tech's Institute for Society, Culture and Environment. After all, the idea behind the 1996 "Agricultural Market Transition Act" was to reduce subsidies. Tobacco farmers' quotas were eventually bought out, ending that industry's federal support. (See *Region Focus*, summer 2005.)

"[It keeps] the direct payments, some \$5 billion in payments," Orden says. The payments are controversial because crop farmers are currently reaping high commodity prices. But livestock farmers, of course, face rising feed costs.

Current farm income is about 50 percent higher than its 10-year average, says agricultural economist Barry Goodwin of North Carolina State University. The value of agricultural assets has risen over the past decade, contributing to agricultural landowners' wealth. Average farm household net

worth was almost \$900,000 in 2006, yet there was no limit placed on adjusted gross income for payment eligibility, Goodwin notes. The Environmental Quality Incentives Program (EQIP) will get \$3.4 billion more, a 27 percent increase. The money goes to farmers who use environmentally safe practices. Chesapeake Bay farmers will receive \$88 million a year, double the current funding, for a wide range of conservation efforts to staunch runoff and its ensuing damage.

Other pieces of the bill include grants and loans for rural water and sewer systems, farmers markets, and agricultural research. And, for asparagus farmers, \$15 million to compensate for losses due to competition from imports.

The energy industry will burn through \$320 million in loan guarantees for biorefineries that use products such as switchgrass, corn husks, and cobs. While the bill reduced the tax credit for ethanol blenders by six cents, it extended the tariff on biofuel imports, like sugar-based ethanol from Brazil. There's even money to buy and store sugar from U.S. growers for biofuel — never mind that sugar could be bought for half the price if not for import barriers and domestic production controls.

Such provisions worry Orden because the bill contains little to position the United States favorably for a future Doha round of World Trade Organization talks, which broke down in July over tariff disputes. For instance, the WTO has challenged the direct payments program because it forbids farmers from planting fruits and vegetables on land removed from production. A recent ruling in a case brought by Brazil against the U.S. cotton program determined that such a prohibition was not consistent with WTO subsidy rules.

A new plan that covers commodity crops would cushion participating farmers against low yields and falling prices. But the plan, the Average Crop Revenue Election (ACRE), could prove expensive. It would pay out when revenues for a particular crop in a state fall below a trigger amount. That amount will be calculated based on a moving average of prior years using national-average prices and state-level yields. In 2006 and 2007, commodity prices reached record levels, so future payouts could be huge.

On the research side, the bill creates the National Institute of Food and Agriculture, and authorizes \$78 million to study organic food production. There's also \$22 million to help farmers switch to organic farming and money to train farmers and ranchers who are disadvantaged or just starting out.

It's a lavish soup-to-nuts buffet that expands the reach of traditional farm bills. Agricultural policy will never be just meat and potatoes again. **RF**