

U.S. Agriculture and Nutrition Policy Statement: Transforming American Food and Agriculture Policy

A White Paper prepared for the 112th U.S. Congress

September 23, 2011

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Issued by The Chicago Council on Global Affairs

U.S. AGRICULTURE & FOOD POLICY PANEL

***NOTE:** This white paper is based on broad consultations with the following members of the U.S. Agriculture & Food Policy Panel. The conclusions and recommendations in this paper are the sole responsibility of the cochairs. The panel contributed to this paper, but individual members may not agree with every conclusion and proposal offered.*

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U.S. AGRICULTURE AND NUTRITION POLICY STATEMENT: TRANSFORMING AMERICAN FOOD AND AGRICULTURE POLICY

Bold realignment of U.S. agriculture, nutrition, and food policy is vital to respond to the new global food environment. Global food output must increase by 70 percent to feed a world population that is forecast to reach 9.5 billion by 2050.

U.S. farm policy is presently rooted in the food surpluses of the 20th century rather than the tight supplies and high, volatile prices of the 21st Century. A new approach is needed, both to encourage larger output and to meet the greatest risk to U.S. producers today, a ruinous drop in revenue.

The coincidence of the 2012 farm bill and the deficit-reduction goals of Congress creates an ideal time to adopt a new food and farm policy built on revenue assurance for all crops and livestock, that provides more and healthier food, focuses on stewardship of working land rather than land idling, improves food security overseas, reinvigorates the agricultural research system, invests in rural productivity, and provides U.S. leadership in agricultural trade.

This white paper is a proposal for how to bring about this change. **The projected federal savings for implementing the proposed recommendations are estimated at \$7.5 billion per year; \$75 billion over ten years.**

BOLD CHANGE IS NEEDED TO STRENGTHEN U.S. AGRICULTURE

American consumers have long taken for granted a diverse, plentiful supply of safe, nutritious, and affordable food. American farmers have enjoyed competitive advantages in food production, the resilience of U.S. natural resources, and a vibrant export trade.

Food policy is critical not simply to the farm community, but to the nation. Its economic impacts are far-reaching. It includes many of the nation's leading firms and agriculture has been a rare positive and enduring bright spot in the country's otherwise continuing negative balance of trade. Agriculture affects all regional and local food systems. Food policy affects our health, our safety, our environment, our culture, and our global relationships. Agricultural technical assistance, food aid, and trade can also become a catalyst for change in developing countries.

For all of its manifold achievements, change is needed to ensure America's agriculture and food sectors can meet the demands and growing challenges of the 21st century. American agriculture will need to:

- Reduce agriculture's cost to the tax payer, and spend budgeted more smartly – To address the U.S. deficit, all government programs will need to do more with less money. Agriculture and farm programs will need to lower costs, while still accomplishing key objectives. Remaining funds will need to be used wisely and effectively to sustain U.S. agriculture's competitive edge.
- Increase food production to feed a growing world sustainably - Out of the world's seven billion people, approximately one billion live on less than \$1/day and struggle to afford enough food. World population is expected to expand by 38 percent by 2050. Global

food production will need to increase by 70 percent to feed a growing and increasingly affluent population. Increases in production will need to use fewer resources in a higher-risk environment due to increasing frequency of extreme climatic events.

- Make nutrient-rich food more widely available – Two thirds of American adults are overweight or obese and the portion of obese children has tripled in a generation. Prevalence of obesity inhibits productivity of the US work force and threatens major health care cost increases if it remains unchecked. Moreover, the life expectancy of some of today’s children will be significantly shorter than their parents if current trends in poor diet continue. Diet is a major modifiable risk factor to obesity, nutrition-related chronic diseases, and under-nutrition. The agriculture and food sectors produce everything that people eat, and can help prevent and treat obesity and chronic disease by making healthy food more accessible.
- Guard against unexpected declines in revenue– As agriculture is a highly capital-intensive, debt-financed industry, significant losses in farm revenue can inhibit U.S. agricultural competitiveness over the long-term and risk reliability of the U.S. food supply. Government support is needed to minimize the impact of catastrophic revenue declines.

Current U.S. agriculture and food policy is outdated, duplicative, and financially unsustainable. The federal government’s approach to halt the very steep decline in already-low farm household incomes in the 1930s was both to support price and to constrain output, in hopes of bolstering farmer income through supporting the prices of cotton, grains, and dairy; and later soybeans and sugar. Although no longer relevant, those ideas – commodity-specific price supports and supply controls – guide farm programs today and overshadow modernizing reforms that began in 1990. The U.S. runs numerous farm support programs, many which touch the same farm or parcel of land. Although federal outlays for these programs have declined in recent years due to historically high commodity prices, grain, oilseed and cotton, were forecast to cost the government \$6 billion in fiscal 2011 and \$4.1 billion in fiscal 2012. USDA’s payments of premium on crop insurance policies cost approximately \$7 billion per year.

RECOMMENDATIONS: TRANSFORMING AMERICAN FOOD AND FARM POLICY

The following are recommendations for strengthening America’s agriculture, food, and nutrition sectors to meet the challenges outlined above. They also leverage America’s agricultural strengths to improve its international standing through advancing global food security. The proposal is designed to reduce taxpayer spending on agriculture, and invest budgeted monies to strengthen the sectors for a prosperous and sustainable future. This transformational approach to U.S. agriculture policy will:

- Assure crop and livestock producer revenue against catastrophic losses;
- Achieve conservation goals through a focus on stewardship of working lands rather than idling of productive land;
- Increase U.S. production and access to nutrient-dense food to promote better health for Americans;

- Advance U.S. leadership in global food security to alleviate global poverty and spur economic growth;
- Enhance the U.S. agriculture and food sectors' competitiveness by reinvigorating the public agricultural research system, revitalizing America's aging rural infrastructure (including broadband), and removing barriers to agricultural trade.

The estimated federal savings for implementing these recommendations is \$7.5 billion per year.

Five separate but inter-linked actions are recommended:

1. Modernize and streamline U.S. farm supports and conservation programs.
2. Increase access to healthy foods.
3. Redefine U.S. international aid promoting food security, while also making U.S. food aid more efficient and effective.
4. Demonstrate America's commitment to trade.
5. Invest in rural America.

The recommendations can be achieved through the detailed actions below:

RECOMMENDATION 1: Modernize and streamline U.S. farm supports and conservation programs. American farmers face escalating challenges: global competition, price volatility, increased costs of doing business, increased market opposition, and greater frequency of extreme climatic events. Farming is an inherently a volatile and risky business and the United States has protected its farmers' income through a series of risk management tools and programs. However, these farm programs, originating from the Great Depression era, are outdated, duplicative and benefit only a small percentage of U.S. farmers and commodities. A new U.S. farm program should be based on one, federally supported revenue assurance for all crops and livestock and on stewardship of working farm and ranch lands to enhance productivity while meeting high environmental standards.

Action 1a: Merge all farm support programs, including the subsidy for crop insurance premiums, into one federally supported revenue insurance program. The United States should consolidate duplicative farm support programs into one revenue insurance program for which all farmers and ranchers are eligible.

This revenue assurance program would shield farmer revenue from the adverse impact of low prices and/or poor yields by guaranteeing a certain percent of average past revenue. By consolidating farm support programs – direct payments, loan deficiency payments, counter-cyclical payments, the Average Crop Revenue Election (ACRE), and ad hoc disaster payments through the Supplemental Revenue Assistance (SURE) program - and replacing the current subsidy toward crop insurance premiums, this new program would be more comprehensive and equitable than those currently underway.

Studies by the University of Minnesota and USDA demonstrate revenue plans offer better protection to growers than traditional support programs. Under the revenue protection plans, there was less variability in farm revenue, which gives growers added security, and less variability in government costs, which allows better government

planning. Additionally, whole-farm revenue plans are also less expensive to taxpayers than traditional support programs. It can be expected to cost notably less than the combined price of farm support programs and the federal subsidies for crop insurance.

Summary of Savings

- **Current costs of farm support programs:** \$6 billion/ year
- **Current cost of subsidy towards crop insurance premiums:** \$7 billion/ year
- **Projected cost of proposed whole-farm revenue insurance program:** \$10.5 billion/year
- **Total savings: \$2.5 billion/year**

Action 1b: Consolidate conservation programs to increase efficiency. Farmers and ranchers are stewards of a significant portion of the America's land resources. Farm policy reform should emphasize environmental stewardship of working lands, through programs that share the cost of stewardship, such as reducing runoff, or offer easements to protect the land from damage or development. The more than fifteen existing programs should be combined into a broader program to reduce administrative costs.

Of the funds now being spent on environmental conservation programs, 50 percent are paid to farmers and ranchers to keep land out of production at a time when historically high market prices are signaling more commodities are needed. The government should bring lands that can be sustainably farmed or used for grazing back into production. A portion of the funds saved from bringing idle-lands back into production can be dedicated to working land conservation programs to maintain critical environmental benefits.

Summary of Savings

- **Current cost of Conservation Reserve Program (CRP):** \$2 billion/ year
- **Cost of proposed modifications to CRP:** \$1.5 billion/year
- **Savings from conservation programs' consolidation:** \$500 million/year
- **Total savings: \$1 billion/year**

RECOMMENDATION 2: Increase access to healthy foods.

Action 2a: Protect and sustain funding for hunger and nutrition safety nets, such as the Supplemental Nutrition Assistance Program (SNAP).

Maintaining the hunger and nutrition safety net is critical, with record numbers of Americans in poverty and some 46 million now accessing SNAP benefits, half of which are children. Deficit reduction should not come at the expense of the poor. These programs are also proven to offer an economic stimulus. Congress has exempted several safety net programs, such as SNAP, from sequestration should the Joint Committee process prove unsuccessful. The Joint Committee and the Agriculture

Committees should similarly exempt other key counter-cyclical nutrition and hunger alleviation safety nets, such as the Nutrition & Women, Infant, and Children (WIC) program.

SNAP, which helps poor people buy food, is also due for renewal in the 2012 farm law. Lawmakers should maintain benefits and eligibility rules at current levels, given that enrollment is at record highs due to persistently high jobless rates. However, USDA should be far more creative with testing of new approaches. The poverty rate in 2010 was the highest since 1993. An estimated 20.5 million people experienced deep poverty last year, with SNAP being the only cushion between them and destitution.

Action 2b: Incorporate greater nutritional considerations into the Supplemental Nutrition Assistance Program (SNAP). Because of the sharp increase in obesity in the past two decades, the government should support efforts to increase consumption of nutritious foods through SNAP. The government should examine place of sugary drinks and foods in the program, aggressively testing to see if adjustments will improve nutrition. Low-income Americans get nearly nine percent of their calories from sugary drinks, twice the rate of the affluent. USDA should also support nutrition incentive pilot programs to test food selection options. Programs are being tested at approximately 300 farmers markets and show early positive response rates. In addition, USDA should actively test appropriate standards for the variety of foods stores must offer in order to be eligible SNAP retailers.

In addition, SNAP benefits should be released on a staggered basis, so that one-fourth of recipients receive their monthly allotment in each week of the month. This would smooth out customer flow in stores and make it easier for smaller retailers in poorer areas to stock fresh produce and other healthy perishables throughout the month.

Summary of Savings

No new funds expended; no monies saved. Potential savings to Medicaid over time, if decreased in availability sugary drinks and foods and increased access to fruits and vegetables results in declines in obesity rates.

RECOMMENDATION 3: Redefine U.S. international aid promoting food security, while also making U.S. food aid more efficient and effective.

Action 3a: Increase or sustain current funding levels for the *Feed the Future* initiative. The U.S. has the opportunity to leverage its domestic agricultural success and expertise to show international leadership on agricultural development. A pivotal way to accomplish this objective is by setting agricultural development in low-income countries as a high and central priority of the U.S. development assistance and increase or sustain the present funding for *Feed the Future* (currently funded at ~\$1 billion/year). Global agricultural output must increase by 70 percent by 2050 to accommodate increases in population and rising incomes in middle- and low-income countries. A significant portion of this increase in production will need to occur in the developing world.

Feed the Future is supporting a broader international, multi-lateral commitment to support the development of agriculture and food systems in developing countries. The U.S. has emerged as an international leader promoting food security and can continue to build friendships internationally by supporting this initiative.

Beside its own efforts, the United States should support a robust international commitment to agricultural and rural development, including other foreign aid donors, the World Bank and other international development banks, and the governments of low-income countries themselves. The U.S. has an especially strong comparative advantage in strengthening agricultural research, extension and teaching systems abroad, especially through its land-grant university system. In addition, America should call for a review of the effectiveness of the international food security network to ensure maximum efficiency among international organizations.

Action 3b: Improve America's food aid policies. The United States is the world's largest donor of food aid to help hungry people. However, America does not get enough payoff from its large investment because of several long-standing practices in the way the aid is given. To make food aid more effective, the U.S. should transition to a primarily cash-based food aid system, except in certain situations of emergency. The U.S. should also end monetization.

In most cases, locally purchased food is a much more efficient and cost-effective way to give food aid than shipping U.S.-grown food to low-income countries. Buying food closer to the aid's destination stimulates local markets, supports local production, and ensures more timely delivery. It also offsets transport costs, which are estimated to make up approximately 50 percent of the total food aid budget. Donations of U.S.-purchased food aid should still be made in emergencies and times of crisis, when local supplies are inadequate or nutritionally fortified foods are not readily available. When the U.S. ships food to a foreign port, sells it in the market, and gives the proceeds to an NGO, the proceeds are 50 to 70 cents on the dollar for what taxpayers are spent, and local markets are impacted negatively. Instead, the U.S. should give funds directly to NGOs.

Summary of Savings

No new funds expended; no monies saved.

RECOMMENDATION 4: Renew America's commitment to trade.

Sweeping U.S. agricultural reform through replacing the entire array of agricultural support programs with a non-trade distorting whole farm revenue insurance program would signal a recommitment by the U.S. to a rules based international trading system. The United States should be a vigorous participant in discussions for a Trans Pacific Partnership, a potential regional agreement.

Congress should act quickly to approve the already negotiated free trade agreements (FTA) with South Korea, Colombia and Panama. The United States has dawdled over the pending FTAs while competitors such as Canada and the European Union are moving ahead. To assist U.S. negotiators, Congress should renew trade promotion

authority, which assures a prompt vote on proposed trade pacts without any amendments. The guarantee of a single up-or-down vote would encourage more trading partners.

U.S. export promotion programs should be combined as much as possible to create a uniform platform out of a jumble of programs with similar goals but different rules. The network of U.S. agricultural attaches and agricultural trade offices around the world is an important source of information on crops, markets and government policies. The data and critical analysis generated by these teams assists U.S. agricultural estimates and deepens trade policy discussions. Despite fiscal austerity, funding for the network should be maintained.

Summary of Savings

No new funds expended; no monies saved.

RECOMMENDATION 5: Invest in rural America.

Action 5a. Support agricultural research through reinvesting a portion of monies saved through streamlining crop supports and conservation programs.

A balancing is needed between public and private investments in agricultural research. Agricultural research will be critical to increasing productivity sustainably, and ensuring the global competitiveness of the US agriculture. More research is needed, but public investment in research at the federal level is stagnant and investments at the state level are declining. A modest investment in agricultural research will yield significant economic benefits; each \$1 investment in agricultural research yields \$10 returns.

Action 5b. Support investments in transport and informational infrastructure.

Rural infrastructure is less maintained and more deficient than infrastructure in urban areas. The availability and easy accessibility to transportation network – highway, rail and river, in rural areas are one of the most commonly cited requirements of manufacturing and commercial establishments. Agriculture is the largest user of freight transportation, claiming 31 percent of all ton-miles transported in the United States in 2007.

Moreover, high-speed internet access is vital for long-distance commerce. No industry can be competitive without broadband; the Internet offers a quick way for small business to expand sales. Education and health care are enhanced by high-speed connections.

Federal incentives to offer rural broadband access everywhere must be maintained. Some 68 percent of American households have broadband connections but there is a 10 percent urban-rural disparity persists.

Federal reports on agricultural production and usage may become less accurate or non-existent if budget cuts damage the data collection work of federal agencies. U.S. government reports are valued for their impartial presentation of salient facts of agricultural and manufacturing industries.

Action 5c. End the tax break for ethanol.

Biofuels are a rural success story; they are one of the best examples to date of finding a new and value-added market for crops. When the tax break was initiated, it was intended to offer nascent, not long-term, support as the industry was brought to scale. The tax break has accomplished its objective, and can now be eliminated. Eliminating this break would save approximately \$6 billion per year.

Summary of Savings

- **Current cost of ethanol tax credit:** \$6 billion/year
- **Recommended investment in research:** \$1 billion/year
- **Recommended investment in rural infrastructure:** \$1 billion/year
- **Total savings: \$4 billion/year**