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After Hong Kong, Redraw America's Farm Subsidy Map

13 DEC 2005 Trade ministers from over 100 nations along with thousands of negotiators gather in Hong Kong this week under the auspices of the World Trade Organization (WTO) for a round of talks that was intended to boost the economic interests of the developing world by reshaping global trading rules. It is clear now the negotiations will go nowhere, almost entirely because of a paralyzing dispute between the United States and Europe. Neither side is capable of overcoming objections from its farm lobby to significant reform of costly, protectionist agriculture policies. Though farm goods account for a small and shrinking fraction of global trade, this standoff over agriculture supports threatens to scuttle the "development round" of world trade negotiations altogether.

It happens that the European Union has been made out to be the chief culprit in the run-up to the Hong Kong meeting because of France's histrionic refusal to slash tariff barriers on a wide array of farm goods. America was the spoiler in 2003, when the WTO talks in Cancun ground to a halt over costly domestic price and income support programs that cause the United States to dump price-depressing surplus crops like cotton on the world market.

The lesson of this endless logjam is simple. Far too much is at stake to leave decisions about farm subsidy policy in the hands of the subsidized.

Trade negotiators, no matter how many frequent flyer miles they rack up, will never break the subsidy impasse so long as domestic farm interests in the United States and Europe take turns vetoing reform. The only answer is broad-based, home grown demand for politicians to embrace change on both sides of the Atlantic.

The next step in Europe is for governments to do what the Agriculture Department was forced to do by the media and public interest groups here: fully disclose who is benefiting from Europe's complex and expensive system of tariffs and subsidy payments. Europeans spend tens of billions on farm subsidies every year—forty percent of it going to France—and billions more in artificially high food prices under the Common Agricultural Policy. They've paid for the right to know who's getting all that money, and from early indications large-scale agribusiness operations,

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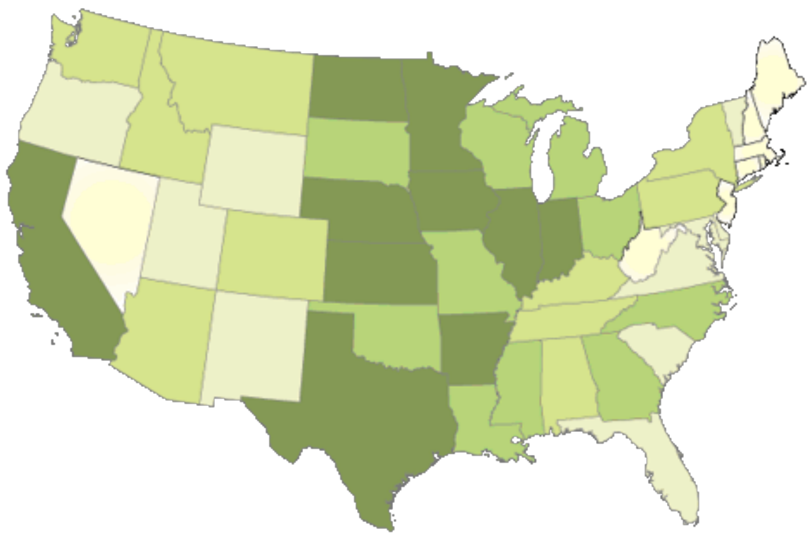
royalty, and the wealthy, landed elite soak up the lion's share. (For the latest on disclosure of EU farm subsidies, see www.farmsubsidy.org.)

We can give reform a boost over here by redrawing America's farm subsidy map.

Over the past decade, U.S. taxpayers have spent over $112 billion on commodity subsidies, but just seven states took in half of the money. Why? Because four commodities—corn, wheat, rice and cotton—account for 78 percent of the subsidies, and a handful of states produce most of the subsidized crops.

Commodity Subsidies, 1995-2004



Amount of Subsidies received (1995-2004)

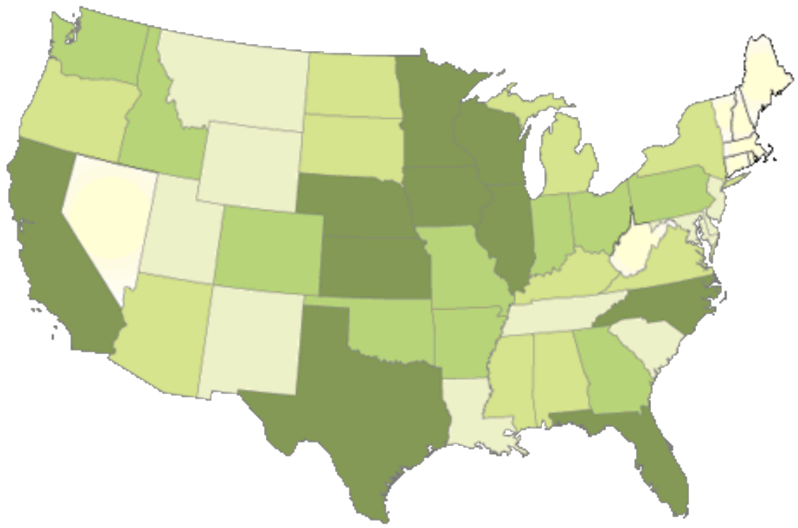
- Over $4.2 billion over 10 years
- $1.84 - $4.2 billion over 10 years
- $600 million - $1.84 billion over 10 years
- $100 - $600 million over 10 years
- Under $100 million over 10 years

Source: EWG Farm Subsidy Database.

Meanwhile, two-thirds of American's farmers and ranchers receive no direct government support, mostly because they produce food that doesn't qualify. It's the food you see walking down the meat or produce aisles of your local supermarket.

But if agricultural aid were distributed on the basis of the economic contributions of all farmers and ranchers, and not past subsidy patterns, the map would change dramatically.

Value of agricultural products sold (2002)



Value of Agricultural Products Sold (2002)

- Over $5.5 billion annually
- $3.9 - $5 billion annually
- $2.3 - $3.9 billion annually
- $600 million - $2.3 billion annually
- Under $600 million annually

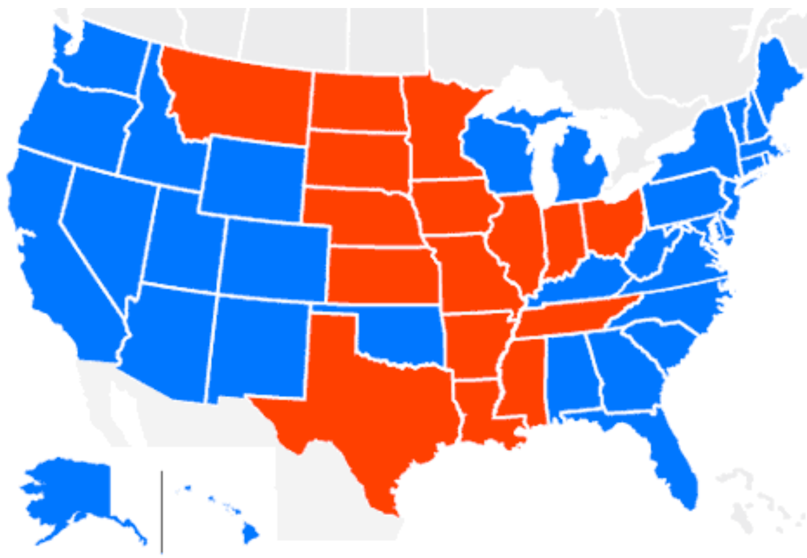
Source: USDA, Census of Agriculture.

California is far and away the leading farm state in terms of sales, but 90 percent of its farmers receive no agricultural subsidies. Only the state's relatively small number of cotton and rice farmers collect payments—some of them scandalously high. If support for farming and rural areas had been pegged to economic activity instead of being locked to patterns set during the New Deal, California would have received $14 billion instead of $4.6 billion over the past decade. Florida's fruit, vegetable, dairy, and beef production makes it another food powerhouse, but only 6 percent of its farms and ranches get direct subsidies, which amounted to $232 million over the past 10 years. Basing support on farm revenues would have meant $3.4 billion more in agriculture aid for the state.

Five more states with large, but mostly unsubsidized, farm sectors would have gained at least a billion dollars more than the current system provided, including North Carolina, Pennsylvania, Washington, Oregon, and Colorado. All of New England (from Maine to New Jersey), the mid-Atlantic (from Georgia to Maryland), most of the upper Midwest, and states scattered across the South and West would at long last get government support for agriculture on par with their contribution to the nation's food and fiber production.

In fact, 34 states would come out ahead, including House Agriculture Committee Chairman Robert Goodlatte's Virginia, and Georgia, home to his counterpart in the Senate, Saxby Chambliss. (See chart.)

34 states would gain under reforms to base farm subsidies on farm sales



Red: States would lose money under reforms.
Blue: States would gain money under reforms.

The new subsidy map would revolutionize farm politics. Politicians from "nonfarm" states and congressional districts who have ignored or traded away their votes on farm subsidies in the past would suddenly find they have a vital interest in agriculture policy—a chance, finally, to get something out of a farm bill for their rural constituency.

A new formula for apportioning aid would mean a fairer deal for most farmers, and a better deal for non-farm rural residents, taxpayers, and the environment. Fruit, vegetable and livestock growers have long said they do not want a traditional subsidy entitlement with all its red tape and bureaucracy. But they would welcome assistance for research, marketing, or the development of value-added processing industries to keep more of the food dollar in farm country.

Thousands of farmers are turned away each year when they request federal support to reduce pesticide and fertilizer run-off from their fields, preserve farmland from development, or conserve water, wildlife and soil. Commodity programs siphon away that money, just as they pre-empt funding for programs aimed at low income, part-time, or minority farmers, research on sustainable farming systems, and funds for rural development, healthcare and education. With a shift away from commodity-centric subsidies, priorities like these would have a chance for support.

The transition cannot be abrupt. Sixteen subsidy-dependent states will need time to adjust to a lower share of the government's aid to agriculture. Central to that adjustment will be a forced shrinking and restructuring of the very subsidy programs that represent America's contribution to the WTO's chronic gridlock.

The biggest changes will be required of those who have been chronically dependent on big government checks—the top 10 percent of recipients who now collect over 70 percent of taxpayer support each year. They've enjoyed quite a run on the taxpayers' generosity over the decades. We should no more rely on them for trade concessions or fresh ideas on farm subsidy reform on the road back from Hong Kong than we should rely on their counterparts in France.

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