THE FARM BILL: BEGGING FOR A VETO

Congressmen of all political persuasions have joined Farm-Aid rock groups and farmers themselves in complaining that federal farm programs have failed to solve the chronic problems of America's farming community. Most even would agree that the programs have aggravated these problems--encouraging too much production, while hurting U.S. farm exports. It would seem, then, that Congress would be ready to reform federal farm programs. No such luck. This week the Senate began debating a new farm bill, S. 1714; legislation already has been passed by the House of Representatives. The Senate bill, for the most part, would continue costly and ineffective federal farm policies for another four years. In response to troubles on the farm, therefore, Congress is proceeding with business as usual. It is producing a farm bill begging for Ronald Reagan's veto.

The costs to U.S. taxpayers of the Senate bill would be enormous. According to the latest U.S. Department of Agriculture estimates, the bill's price tag would be $60 billion to $70 billion over the next three years. This shatters the $34.8 billion three-year limits set by the congressional budget resolution only a few months ago. The final cost could be even greater. After all, the final cost of the 1981 farm bill was approximately $63 billion, about four times the initial estimate.

The high price of the Senate bill may be justified were it to solve the problems of struggling farmers once and for all. But it will not. For the past half century, the federal government has been spending millions of dollars on similar strategies without success. And over the past four years, more has been spent on farmers than in any four-year period in history. Yet, during this time, the farm situation has deteriorated. Foreign customers have refused to pay the artificially high prices for U.S. commodities; farmers have been encouraged to grow more crops despite increasing surpluses; and the U.S. taxpayer has been stuck with the tab. The lesson: Simply spending more money will not solve the farm crisis.

As important, most money spent on farmers does not go to those in need. Despite Hollywood's myths, most U.S. farmers are simply not poor. The average net income of farmers in 1982, for example, was $25,618, compared with the average U.S. family income for that year of $27,391. Many farmers make much more. Last year, farmers with total sales of $100,000 to $250,000 averaged $36,273 in net income. Those selling over $250,000 averaged $96,889 in net income. These figures do not reflect the significant financial cushion most farmers have in the equity value of their land--which can total hundreds of thousands of dollars even for small farms. The average American who is taxed to pay for farm programs does not enjoy such a cushion.

This is not to say that no farmers are financially troubled. About 30 percent are suffering significant credit problems this year; some are in desperate straits. The trouble is that they are not the main beneficiaries of farm programs. In fact, according to the Agriculture Department, only 17 percent of federal farm subsidies go to full-time farmers in financial distress. The lion's share of benefits goes to the largest U.S. farms, many of which are owned by large agricultural corporations. In 1983, for example, 45 percent of direct government farm benefits went to the largest 12 percent of U.S. farms. In terms of farm acreage, the disparity is even greater. While only 6.1 percent of U.S. farms are over 1,000 acres in size, these farms in 1982 enjoyed 32.3 percent of direct federal benefits. While farms of 2,000 acres or more comprise only 1.4 percent of U.S. farms, they consumed 10.4 percent of direct federal benefits.

This subsidy to large farms could be reduced simply by lowering the cap on the aid each farm can receive from the government. This has been proposed by the Reagan Administration and Senate Agriculture Committee Chairman Jesse Helms (R-NC). Currently, a single farm may receive as much as $50,000 annually in direct federal subsidies, and a limitless amount in price support loans. The Administration proposes lowering the cap on direct loans to $10,000 and possibly less and placing a cap on price support loans. This would cut the cost of the program dramatically without imposing a hardship on farmers. The Senate Agriculture Committee, however, has balked at any change in the benefit cap.

To its credit, the Senate farm bill gradually reduces crop price supports. This eventually will make American crop prices competitive with foreign competitors. The Senate also wisely resisted some of the wild schemes passed by the House. Nevertheless, by failing to reform the basic programs significantly, the bill will continue to foster surplus production, enrich the largest agricultural corporations and do little to help struggling small farmers. If the Senate really wants to help the farm economy, it should restrict subsidies only to those in need and examine alternative approaches to begin weaning farmers from dependence on Washington. If Congress refuses, Ronald Reagan should veto the bill.

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For further information:

James Gattuso, "The 1985 Agricultural Bill: Still Time to Treat the Farm Crisis," Heritage Foundation Issue Bulletin No. 119, September 3, 1985

Gregg Easterbrook, "Making Sense of Agriculture," The Atlantic Monthly, July 1985, p. 63.