

FARM POLICY: "RIGHT" OR WRONG?  
OR  
WHO'S LEFT DOWN ON THE FARM?

by Representative James Lightfoot

It is impossible in the brief time we have to discuss the entire policy situation as it pertains to U.S. agriculture and its associated industries. However, I hope to touch on a number of points that will give you some perspective into a very complex and emotional subject.

As late as 1970, most Americans, in some way, worked in agriculture or the food chain. Farming was not just an occupation, it was the American way of life. The family farm was handed down from generation to generation. The emotional and political power was enormous. It has faded to some extent, but not enough that many national conservatives are willing to think seriously about a new approach to agriculture and ag policies.

There is no question that we have a farm problem now. But is current farm policy "right" or wrong? I have taken a bit of literary license with the term "right" and applied two meanings to it: "right" in the first instance of being correct and "right" in the second instance as it relates to the traditional "left or right" ideology.

What is the Farm Bill?

Quite frankly, this country has never had a "farm" bill. This year's version is entitled "The Food Security Act of 1985." The word "farm" is not even in the title. It has been and remains a cheap food policy. Roughly one-half of the total agricultural budget typically goes to fund food stamps and nutrition programs. Over the years, the thrust of farm legislation has been to provide cheap food, protect the consumer, and keep the grocery store shelves filled. That policy has worked, given that the U.S. consumer spends less on his food needs than any other consumer in the world.

It is a cheap food policy highly embraced by the liberal factions in this nation. I recall seeing a sign on a liberal Senator's desk a

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This is the fourth in a series of lectures by freshman Members of Congress.

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few years back that said, "Food is for people, not for profit." It is a policy that says government must intervene at every crossroad and protect us from ourselves.

Farmers and rural people, in general, have been cast in the light of conservatives: prudent with money, self-reliant, strong religious values, and viewing government's role as being one of protecting us from foreign enemies and some subtle protection from each other.

However, the time has long since passed that we can take for granted the conservatism of the farm vote. The irony of the situation is that these traditional, conservative people are now the main players in a swing to the left in policy as it relates to our food supply.

I was born and raised on a farm. My father, who turned 75 in January, still is an active farmer. For 16 years, I served as the farm editor of a major midwestern farm radio outlet. What I share with you is the result of actual observation and living the life, not something that I have extracted out of printed literature or a classroom in a university.

Dramatic changes have taken place in the Midwest. Economics and government policy have been the driving forces of these changes in rural America. Farm population has dwindled. Once nearly totally self-sufficient, the farmer of today is as dependent on the local grocery store as his city cousin. Many goods and services that were once raised on the farm or provided by neighbors are now obtained through retail outlets or the use of expensive machinery.

The farmer, who once only fought the weather, the bugs, and a marketing system that was somewhat reliable, now fights the weather, the bugs, a marketing system that is totally unreliable due to government intervention, excessive government controls and regulations, and a system that constantly penalizes him as a reward for doing a good job.

Today's farmer is no longer the self-sufficient individual we idolize in folklore and memory. The farmer of the eighties is a semi-controlled pawn of the U.S. government, trying to maintain an independence that is long gone.

He must participate in government programs in order to be protected from natural disaster. He is told what he can plant and where he can plant it, how many cows he can milk and where to sell it. He must do his financial planning based on government programs. In no other U.S. industry are business decisions so government-dominated.

Our current farm policy is nothing more than a series of fingers in the dike: PIK (payment-in-kind program), the dairy herd buy-out,

etc. These are bad enough, but who has presented a realistic alternative? The Republican Administration has been on the defensive. Where are the new ideas we need? This is a matter which we, as conservatives, have not given adequate thought to. The fact that a majority of Congress, including myself, voted to pass the 1985 farm bill, gives witness to this lack of realistic alternatives.

Though the farm bill of 1985 marks a shift of policy to greater export enhancement, it is very much like a lot of other farm bills that preceded it. The aim is still income support for farmers. That aim is worthy, but by itself does nothing to promise agriculture a future as a viable business. The extent to which we are forced to intervene at every level of agriculture is evidence of a policy which has outlived its usefulness. Further evidence of the ineffectiveness of our farm policy is the exploding cost of farm programs in the face of a continued farm credit crisis.

I say to you, when the farmer's freedom to make a living has been reduced to the point that all his business decisions are based on government action, there is something dramatically wrong with that kind of farm policy.

That, I believe, answers our first question about whether farm is "right" in terms of being correct. Let us now turn to the "right" policy in terms of ideology.

An interesting situation exists in our country. Ronald Reagan is one of the most popular presidents of all time. His approval rating runs 65 percent or better in most of the United States, but in Iowa and many midwestern states, his rating is barely 50 percent.

Why?

Liberals have done an excellent job of painting the President as a person who does not care about rural America. In committee and on the House floor, they fashioned a farm credit relief package they knew he would veto, and they reaped the political hay when he did. The President's gaffe at the Gridiron Club about exporting farmers added fuel to the fire. Yet this President has spent more money on farm subsidies than any of his predecessors, and the bill for the farm program will get even higher before this Administration leaves office. As we spend this money, however, relief in the farm belt is elusive.

This is the irony of the situation...we have a popular conservative president who is spending record amounts of money on farm programs while the trend is toward retrenchment in federal spending. I do not believe that anything more clearly demonstrates the inertia that has captured all lawmakers when it comes to farm policy. It also demonstrates that while conservatives have made strides in nearly

every other area of federal policy, they have failed to offer a concrete alternative in agricultural policy.

The current farm situation compounds the problem. As a normal reaction to the economic stress that many farmers feel, their vision is limited to the end of their respective driveways. Personal economic strain is very real, and the other problems of the world are in the abstract. Their perspective then becomes one of distrust in the current policy, and since a conservative administration holds the reins of power, they will be held responsible for the failings of what is ultimately a 50-year-old accumulation of liberal policies.

The bottom line is that, by failing to enact farm policy alternatives, conservatives are losing the farmer to the liberals by default. In the process, they are losing one of their strongest groups of support.

The false prosperity of the Carter years lured many farmers into a sense that everything was booming, with no end in sight. But agriculture is capital intensive; interest is a major portion of a farmer's expenses. Inflated land values and high interest rates set the stage to break the backs of many farmers and agribusinesses right along with them.

Interest rates have come down to the benefit of all, but the massive debt amassed during those false prosperity years is more than many farmers can work out from under. The strain on the pocketbook is overshadowing the sound, fiscal thinking that made these agribusiness people successful. Frustration with the present situation is causing good, solid conservative farmers to take a look at the mandatory farm program with the idea that, "Well, maybe we ought to try it."

If conservatives do not develop a good alternative very soon, and by soon I mean in the next few months, we face the very real possibility of seeing our agricultural producers become total wards of the government, our small rural communities just dry up and blow away, and the overall standard of living in the U.S. go down as food prices increase and take more and more of the consumer's disposable income. Yes, it will affect everyone.

Far-fetched? I do not think so. Let us assume that current trends continue and the present farm program, which on an ideological scale we could rate as moderate, is not allowed to function. In desperation, farmers turn to the mandatory government control proposal that is being offered as an alternative. And in fact, wheat farmers have in their hands a referendum ballot asking if they would prefer mandatory government supply controls. These ballots will be tallied in the next couple of weeks, and although this vote is only a barometer, we can expect the results to be used by liberals in Congress to declare a public mandate for their proposal.

Ladies and gentlemen, I make the argument that one of the primary tricks used by magicians, that being that art of misdirection, has been employed by those who wrap themselves in the mantle of the "protector of the little guy," thus diverting our attention to foreign policy, defense, the budget, and more and better social programs. As our attention was riveted there, they quietly and systematically have moved our largest industry, the production of food and fiber, into a position that now is so perilous it is seriously considering going to total mandatory government controls, a major portion of our national economy thrown into a socialistic program of historic proportions in this country.

The basic pitch is that farmers will be allowed to plant only 50 or 60 percent of their cropland. The resulting drop in production will cause prices to rise. There will be no cost to the government for price supports, so everyone wins. On the surface, it is quick, clean, and seems to make sense to many people, since a reduction in supply generally creates an increase in prices as demand increases. Not surprisingly, it sells rather easily to people who are fighting for their economic lives. After all, who is going to turn down the promise of doing 50 percent less work and getting a two-fold return on their efforts?

But the hidden costs of this program are alarming. In a study done by the Food and Agricultural Policy Research Institute, run jointly by Iowa State University and the University of Missouri-Columbia, it is not unreasonable to expect that one-third of rural America could simply shut down permanently under the 80 percent parity/mandatory government-controlled agriculture plan.

The mandatory government-controlled agriculture plan would have us virtually abandon our export programs and have us rely on a domestically oriented U.S. agriculture. At our peak, we were exporting more than half of our wheat, and one-fourth of our corn and soybeans. In 1980 to 1981, farm exports brought \$40 billion into this country. I do not have to tell you what shutting down that much of our economy permanently will do to this country.

Increased costs of feed grains coupled with the lack of guaranteed prices for red meat producers makes the plan particularly unattractive for cattle and hog producers. When a livestock feeder cannot buy feed grain from his next-door neighbor, but must pay up to twice the current price per bushel for it, and with the cattle business already in dire shape, how can he make a living?

On rural Main Street, sales losses in support industries will result in an overall decrease in employment. The plan would take so much land out of production that it is bound to have devastating effects on the viability of small town businesses. Although only about 2.3 percent of our GNP actually is derived from farm production,

the entire food chain accounts for nearly 21 percent of our GNP--employing more than 24 million people.

My wife and I operate three retail clothing stores in Iowa. We know that each farm dollar spent turns over about seven times in the community. If farmers and producers are spending 30 to 50 percent less, it will dry up many stores that provide valuable services.

And, what about the effect on the two-income family? According to one source, 60 percent of total farm family income today comes from non-farm sources. Not only will farm income decrease, but that important second income will disappear as well. It will be harder for a family to make it. And this plan will have a major negative impact on the viability of medical and health-related services for older Americans. A 30 percent drop in sales has a significant effect upon a small community's tax base.

And finally, in an unprecedented act of Big Brotherism, the government would have to routinely dispatch a troop of inspectors to our fields and farms to monitor compliance with the massive set-aside requirements.

Fifteen to twenty years ago, this idea might have worked, providing farmers were willing to give up their independence. They were not willing then, and they should not be willing now.

Today, we live in a world market. What happens in downtown Tokyo directly affects the main street of my hometown of Shenandoah, Iowa. We have seen our traditional export markets erode, placing us in the position of being a residual supplier.

The minute mandatory government controls go into effect, the other producing nations of the world, such as Brazil and Argentina, will plow up another jungle and put it into production to take up the loss in U.S. production. Will prices then go up? No. In fact, I predict that prices will fall even farther, as other countries scramble to compete and fill the gap we have left in overseas markets. OPEC is a good example of the effectiveness of mandatory government supply controls.

What happens to the shipping and processing industries that depend heavily on agriculture? Each farmer creates roughly ten other jobs in processing, transportation, and related agribusiness industries. Our giant agriculture machine will grind to a bitter death at the hands of total government control. Will the liberals who designed this plan under the guise of "populism" be unhappy because farmers are going broke and rural America is thrown into ruins?

I think not. They will rejoice and likely recommend still further government aid. Is not the dogma of the liberal left wing one that will bring democracy, where the individual is more important than

the government, to its knees and create a socialist society where the government is all things to all people? If you do not think so, just look beyond agriculture at what is happening in the health care field and in social welfare programs; more and more people being made totally reliant on the government, rather than accepting responsibility for themselves. Such policies only reduce our options, not our problems.

The drowning man in the river, who has treaded water until he is totally exhausted, will grab for the first log that floats by. The liberals already have their log in the water. What will the conservatives do--sit on the bank and watch, or dive in and save their drowning friend?

What is the "right" direction?

I would love to stand here and tell you I have the perfect solution to our farm problem, but I do not. We do have some options however. We, as leaders, need to take better aim at the farmers who really need help. Agriculture has changed since the 1930s, but we are still operating under 50-year-old policies with policies originally created by those who would have "Big Brother" take care of all of us. Yet it is the opinion of Elmer Learn, an agricultural economist with the University of California, that "The American agricultural economy in the mid-1980's differs so markedly from earlier times that it is no longer amenable to policy solutions within a framework that is more than 50 years old."

The problem that has plagued Congress since the inception of farm programs is an unwillingness to admit that our farm program is a mix between social and economic policy. In its efforts to be fair, Congress has denied this fact and simply tried to support all farms, regardless of the cost or need.

Over the years, farm programs have benefited the bigger farms and have not been tailored to the middle-sized, family farms, which in reality, is our chief goal in farm programs. We attempted to do that in the current legislation with a limit on payments, and already some of the huge operators have found a way to get around the limits. We must concentrate our programs on maintaining a relatively large number of moderate-sized, privately owned and operated production units, which many economists will tell you are more practical and less taxing of our natural resources.

One very radical option is to simply buy out all those heavily indebted farmers, as we are doing with the dairy farmers, making sure no one uses that land for farming for ten years or so. It is estimated that nearly one-half, or about \$100 billion, of agriculture's \$220 billion debt load is beyond its ability to repay. U.S. agriculture is carrying a lot more debt than it can be expected

to support. That means a big cost to the government when those loans are defaulted.

However, latest predictions indicate that we are expected to spend between \$70 to \$75 billion over 3 years under the existing farm program. In fact, we have already spent close to \$16 billion just since the first of this year--in only seven months.

Simply buying out this debt would be expensive in the short term, but it would certainly solve the problem we face in the long term. It has also been suggested that we guarantee every farmer a minimum annual flat income, say \$50,000, phased downward over a period of several years to wean us away from government supports and let the surplus grain be absorbed by the free market.

Or moving to the other extreme, we could simply eliminate all price supports immediately and let the free market operate, come what may. But I guarantee you that political pressure on Congress will never allow that to happen. It is totally unrealistic to think that the farm economy could be immersed immediately in a free market after more than 40 years of government interference, but everyone would be better off if government policy began moving more resolutely in that direction.

Another option is to continue on the present course, and work to keep and expand our export markets, assuming that the corrections, such as reduced inflation, and interest rates, and eliminating tax-loss farming, that we have made in the economy as a whole will eventually benefit agriculture.

Unfortunately, continuing the present course or immediately eliminating all government farm programs will likely lead us right into the hands of the mandatory government control advocates, unless there is an all-out massive effort on the part of the Administration and Congress, starting right now. I have not become enamored enough by the Soviet Union's agricultural system to want to emulate it.

The problem remains that we need some new, bold answers to agriculture's problems. Some ideas are being tossed around which may help in the short-term, such as the marketing loan option, or export-boosting schemes, but these are only quick fixes. Concepts such as creation of a new secondary financing market, like the "Farmer Mac" proposal, have merit. So does dramatic overhaul of the General Agreement on Tariffs and Trade.

Adjustment is starting, and it is surely painful. We as conservatives must play a role in making and easing the transition. It is clear that the unchanged policies of the past half century have helped to create the mess. It is our responsibility to help find a solid and responsible course for the future.

Regardless of the various policy options available to us, There are several steps we must take.

First of all, it is critical to decide what type of farm it is that we are trying to save, and take steps to do so. If this means helping only the smaller farmers who are in trouble, we have to start targeting program benefits to those smaller, troubled farms.

Second, we have to decide whether or not we are going to be competitive in the world market, and I do not think we really have a choice in this matter--too much of our economy is at stake. So let us get aggressive. The first step in this effort is immediate renegotiation of the General Agreement on Tariffs and Trade (GATT), with agricultural products included under the Agreement. We also have to do a much better job of coordinating our trade policy and foreign policy, so that the State Department, the Commerce Department, and the Agriculture Department stop working at cross-purposes.

We must stop using food as a weapon, because every time we do, farmers end up as the victims. State Department actions leading to trade obstructions have created tremendous resentment among farmers. In fact, I was shocked to learn that members of the National Corn Growers Association, previously strong free traders recently voted to support congressional override of the protectionist "Textile and Apparel Import Act." When I questioned this vote, it was pointed out to me that, for all the concern over human rights abuses of Eastern bloc countries, little thought was given to the agony created for farmers by the grain embargo imposed by the Carter Administration--we lost millions of dollars worth of sales with that action, which we have yet to regain.

Our trade policy must be one that nurtures solid development of exchange. As we develop trade relationships with foreign governments, we grow interdependent on each other. I am not advocating subsidizing the enemy. I am simply advocating maintaining a reputation as a reliable supplier. What better way to ensure marketing outlets and healthy foreign relations. The evolution of our trading relationship with Japan, a World War II enemy, is a perfect example. As our interdependence with other nations grows, peace becomes a stronger incentive. Food is a potent instrument.

Finally, and most important, we have to maintain an economic climate that allows the farm economy to stabilize. This means, first and foremost, reducing federal deficits. Farmers cannot make decisions on an individual level when the market--and government--forces around them continue to play havoc with their costs and rates of return--they have too much invested to adjust quickly to market changes. Economic stability means reduced risk for the farmer.

If we do not act soon, the progress that has been made in getting interest rates down, the value of the dollar more in line with world currencies, and some portions of the economy back on track will be for nothing. The liberals will be taking over the farm policy agenda for good--and with 20 percent of the economy in their control, as well as the food supply for the nation, how long can we survive as a society of free people, rather than government? The time for us to move was yesterday. However, we still have a fighting chance if we can unveil the dangers in their plan and offer a viable alternative.

The "right" policy, therefore, means providing a realistic and specific alternative to the policy of the left. We need more than general principles, we need a coordinated, comprehensive policy that will truly leave our country with a healthy agricultural sector in which the farmer can base his decisions on supply and demand rather than government actions.

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