

"As president, I will continue to fight for the interests of America's family farmers and ranchers and ensure that assistance is geared towards those producers who truly need them, instead of large agribusinesses."

– President-elect Obama, May 15, 2008

The Problem

The 2002 Farm Bill did very little to help poor farmers and even less to assist impoverished rural communities. The recently passed 2008 Farm Bill unfortunately followed in its footsteps. While the 2008 Farm Bill made moderate improvements to US food and farm policy, particularly in the areas of domestic nutrition, conservation, and additional support for America's socially disadvantaged farmers and ranchers, it also harmed US agriculture policy by increasing trade-distorting subsidies under existing programs, introducing new trade-distorting farm subsidy programs, and failing to enact meaningful farm subsidy payment limitations.

Under existing agriculture policy, large government payments go to a disproportionate number of large farmers. Most American farmers get little or no assistance. US crop subsidies only benefit about 25 percent of US farmers, with the top 10 percent receiving 75 percent of all subsidies, a system that overlooks and undercuts smaller farmers and rural communities. Meanwhile, subsidies fail to alleviate the biggest problems in rural communities: lack of medical services, poor schools, population loss, and environmental degradation.

Of the 65 million Americans living in rural communities, only 2 million are farmers, but these subsidies do not promote job growth in rural areas and invariably make it harder for smaller farmers to remain in farming and for new farmers to begin as subsidies inflate land prices. As the main source of federal support for rural America, the Farm Bill needs to reflect the fact that it is increasingly the non-farm economies that sustain these communities.

Commodity subsidies also hurt the environment. Current farm subsidies encourage the production of certain crops while discouraging the production of others. These subsidies are associated with the plowing of environmentally sensitive lands, overuse of pesticides and fertilizers and soil exhaustion. Even as farmers need federal support to reduce environmental damage from their farming, three out of four are turned down because of lack of funding.

While the Farm Bill does little to help poor farmers or rural communities in the US, it actually harms rural communities in poorer areas of the world. Current commodity subsidies disrupt normal trade patterns and market conditions, leading to disastrous consequences for the developing world where more than 70 percent of the world's poor depend on agriculture for their livelihoods. By encouraging farmers to produce more than they would otherwise and shielding farmers from market and weather risk, these payments lead to the dumping of surplus commodities on world markets at prices far below the cost of production. Dumping lowers international commodity prices, deprives developing countries of export markets and critical revenues, and undermines local production threatening the livelihoods of millions of the global poor.

Recommendations

To simultaneously support a vibrant US farming and rural sector that does not undermine, but improves, the livelihoods of the millions affected by US farm policies, the next Administration should consider the following:

- Implement the new Average Crop Revenue Election Program (ACRE) by calculating revenue with 2006 and 2007 prices to avoid overpayments that would result from using 2007 and 2008 prices that are significantly higher.
- Ensure strict eligibility rules for receiving compensation from the new Permanent Disaster Fund, which is projected to disproportionately favor farmers chronically dependent on annual disaster aid in addition to traditional subsidy payments and crop insurance indemnities.
- Lower payment limits to \$250,000 per farm and restrict payments to those with less than \$200,000 adjusted gross-income to ensure that farm supports are targeted towards those that need them the most.
- Promote stricter eligibility rules for receiving commodity payments by (1) developing measurable standards for ‘actively engaged in farming;’ (2) clarifying regulations on what constitutes a scheme to evade payment limits; (3) developing enforceable compliance controls; and (4) ensuring USDA is equipped to carry out these duties.
- Reduce waste, fraud, and abuse in the crop insurance program by (1) allowing the USDA Risk Management Agency (RMA) to periodically renegotiate the financial terms of its agreements to ensure fair terms for gains and losses; and (2) enabling RMA to effectively oversee insurance companies’ efforts to control abuse.
- Restrict recipients of crop insurance indemnities and Permanent Disaster Fund payments from ad hoc disaster payments for the same losses.

For more information: <http://www.gao.gov/new.items/d04861t.pdf>

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