

THE FOOD DILEMMA

A Practical Look at the Farm Bill

By Lochiel Edwards

Every five years, or so, America grapples with its government food policy. Congress eventually spits out an update to the old laws, the President signs it, and the media moves on to other topics. This whole process is known as the Farm Bill, but it has many parts and many twists and turns on its way to that Presidential signature.

Nutrition programs, usually generalized with the acronym SNAP, make up 80% of the federal spending within the Farm Bill. These are the food stamps, school lunch subsidies and, in general, all the government programs designed to ensure all Americans have the means to be fed every day. As a Catholic, I find this to be a critical social justice function of government.

Given the current climate in Washington, this nutrition portion will generate a lot of media coverage. Some in DC will want to place tighter controls on eligibility for these food subsidies, while others cry foul and argue for liberalization. In my experience, Congress will do the right thing after all have had their say.

The remaining 20% of this Farm Bill, which actually deals

with America's food production, is much more complicated and misunderstood. While this country's farmers are very, very good at what they do, there are so many moving parts ranging from economic to environmental to social. A good question would be, "Why is our government involved in any of this?"

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monly known as farm subsidies, came in the depths of the Great Depression. Hordes of farmers, penniless and without job prospects, were flocking to the bread lines of the cities. Farmers with nothing to do are notorious for causing trouble, and Washington devised some modest programs to keep farmers on the farm where they belong. Over the years, this subsidy idea has ebbed and flowed, often changing with

federal goals. More common in the earlier years was the intent of social engineering—dampening the exodus of farmers during periods of poor crops or poor prices.

In recent decades, federal farm subsidies have more often been intended to insure ample production so as to avoid unnecessary spikes in food prices. As the Fed and other government economists have gained more sophisticated economic forecasting models, the value of inexpensive food has become more clear. Americans spend less than 10 cents of their dollar on food—less than in any other country on the planet.

In America, a half of food cost is spent in restaurants, so part of the 9.5 cents we spend is for that preparation service. I have seen calculations of our cost showing just 6.3 cents, but what is really impressive is the trend line—our food cost as a percent of income has steadily declined throughout America's history. There are multiple reasons for this, but it is my opinion that farm subsidies serve a valuable role in this.

Similar to the way the Fed has learned to manage the monetary system in this country, farm policy experts have learned how to



take a relatively small amount of money, and manage the food supply. These policies are used at times to stimulate production, and at others, to curb it and raise commodity prices. Why am I telling you this, and why should you care? Well, for starters, you, as a taxpayer, are footing the bill. What benefit is this to you?

Granted, I'm a farmer, so you can put an asterisk next to what I have to say. But, I have been working on Farm Bills since 1984 and have given these issues a lot of thought. First of all, you should know that farmers would rather not have farm programs, preferring to get a fair return from the marketplace. In fact, farmers lobbied successfully in the '95 farm bill to phase out subsidies over 3-4 years. In return, Washington agreed to free up tariffs and other market access barriers and to avoid using our commodities to lever other countries. Well, it turned out that DC did not have the political will to get that done, and ag found itself in another financial crisis.

You may be familiar with the 80/20 rule, whereby 80% of the productivity comes from 20% of the workers. Well, this holds true

in America's farm sector, with 20% of the farmers producing 80% of the food. My observation, experience, and belief is that the value of farm programs is that they subsidize production. They smooth the marketplace, just as I have previously noted that the Fed works to smooth the financial sector.

When the markets perceive a tightening of grain supplies, they respond with higher prices. When the food industry pays more for those commodities, they also raise prices, but typically the food inflation will be more than the increased grain cost. A box of Wheaties costs \$3.50 to \$4. I get 8 cents for the wheat in that box. If wheat prices double from \$4.50 to \$9, my share increases to 16 cents, but I'm pretty sure you will be paying at least 50 cents more in your grocery store. To make matters worse, these prices tend to be "sticky", and when my wheat price returns to \$4.50 a bushel, my observation is that store prices will not return to previous levels.

This matters to all Americans because these policies ensuring inexpensive food allow their resources to be used for so many

other things. There are countries on this planet whose populations spend 40 or even 50% of their income for food, stifling their economies and relegating millions of people to poverty.

I have belabored this topic a bit, but I want you to understand that farmers are sensitive to the subject. Just know, that in difficult times, farmers invest all they have in their crops, and that directly translates into production. Given the resources, farmers want two things—to take good care of the land, and to grow nice crops. These are both in America's interest.

In all my farming career and in all my years working on farm policy, I have held firm to the belief that our country is better served if its farmers can sustain themselves through their farm. In many areas, the job in town carries the family while the farm becomes more and more relegated to a hobby. I find this distasteful. A good farm, properly managed, has more work than there are hours in a day. I hope we can push through this trend and keep our full-time professional farmers—I think we will need them in the future.