THE FACTS ON U.S. FARM POLICY

"We're a blessed Nation because we can grow our own food and, therefore, we're secure. A nation that can feed its people is a nation more secure."

-President George W. Bush

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"There is nothing more horrible than the murder of beautiful theory by a brutal gang of facts."

-- LaRochefoucauld

A SUMMARY

MYTH #1
U.S. farm policy bilks taxpayers and busts the budget.

FACT #1
U.S. farm policy costs pennies per meal and accounts for little more than one-half of 1% of the U.S. Budget. In fact, the 2002 Farm Bill costs less than the 1996 Farm Bill with emergency assistance.

MYTH #2
The 2002 Farm Bill depresses farm prices and increases food prices.

FACT #2
American consumers enjoy the safest, most abundant, and most affordable food supply in the world for 10.9% of income – less than consumers in any other country. In any case, the 2002 Farm Bill cannot depress farm prices and increase food prices at the same time.

MYTH #3
U.S. farm policy helps big corporate agribusiness, not real farm families.

FACT #3
Big corporate agribusiness actually opposes U.S. farm policy. U.S. farm policy does help all American farm families because all farm families feel the sting of a world market that is not free or fair.

MYTH #4
U.S. farm policy is nothing but corporate welfare benefiting only those receiving direct help.

FACT #4
U.S. farm policy is important to national security, ensuring a safe, abundant, and affordable domestic food supply, and vital to a strong rural and urban economy, with the food and fiber industry creating 25 million jobs, producing $3.5 trillion in output, and accounting for 15% of U.S. Gross Domestic Product.

President Bush signed the Farm Bill on May 13, 2002, providing a strong safety net for America's farmers and ranchers and restoring fiscal responsibility to U.S. farm policy.

MYTH #5
U.S. farm policy interferes with free markets and free trade.

FACT #5
U.S. farm policy fully complies with U.S. trade agreements. And, with foreign tariffs on agricultural goods more than 5 times higher than U.S. tariffs, U.S. farm policy helps level the playing field so our farmers can compete in a world market that is not free or fair.

MYTH #6
The 2002 Farm Bill shortchanges conservation.

FACT #6
The 2002 Farm Bill provides over $39 billion for conservation – the highest level of funding in history for programs that prevent soil erosion, preserve and restore wetlands, clean the air and water, and enhance wildlife.

MYTH #7
All special interests critical of U.S. farm policy just want good public policy.

FACT #7
Many special interests critical of U.S. farm policy cross the ideological divide but share a common denominator: agendas that the vast majority of Americans reject.

Myth #1

U.S. farm policy bilks taxpayers and busts the budget.

Fact #1

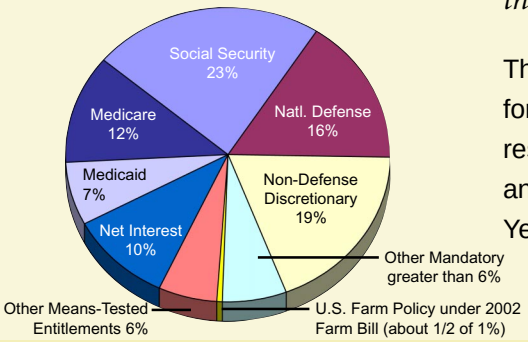
U.S. farm policy costs pennies per meal and accounts for little more than one-half of 1% of the U.S. Budget. In fact, the 2002 Farm Bill costs less than the 1996 Farm Bill with emergency assistance.

U.S. farm policy under the 2002 Farm Bill costs each person in the U.S. just 4.4 cents per meal or 13.2 cents per day.

4.4 cents:
U.S. Farm Policy costs just pennies per meal

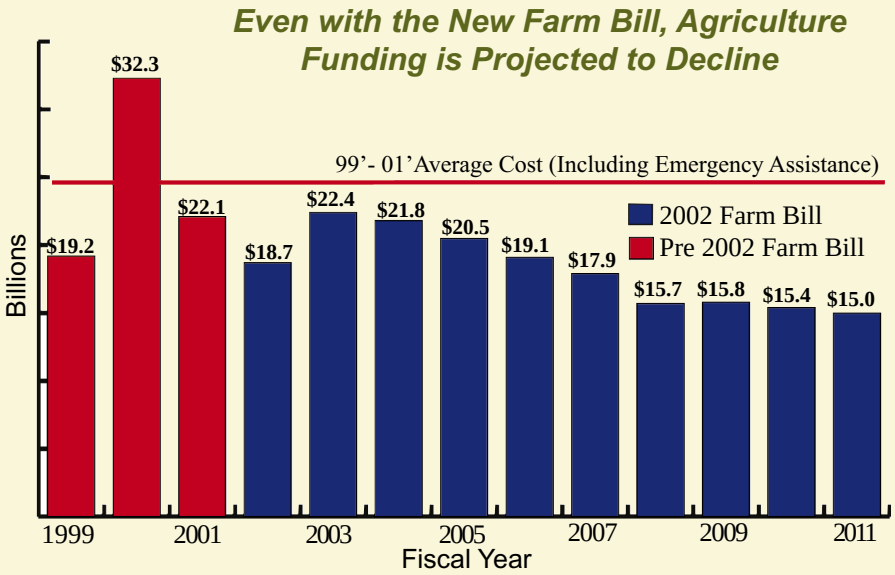
For the average household, this amounts to just 11.7 cents per meal or 35 cents per day. The annual cost is just $48.08 per person, or $128.28 per household. Compare the small cost of U.S. farm policy to the cost of supporting the total U.S. budget, which is estimated to be $23.45 per day or $8,558.94 per year for each person, or $62.56 per day or $22,835.33 per year for the average household.

U.S. farm policy under the 2002 Farm Bill accounts for little more than one-half of 1% of the U.S. Budget.



Since total U.S. spending over the next 10 years is estimated to be $24.087 trillion, U.S. farm policy under the 2002 Farm Bill (estimated to be $135.314 billion over the same period) would account for a little more than one-half of 1% – or 0.56% – of the U.S. budget.

U.S. farm policy under the 2002 Farm Bill is less costly than the last years of the 1996 "Freedom to Farm" Bill with emergency assistance.



U.S. farm policy under the 2002 Farm Bill fully complies with the Budget.

The Farm Security and Rural Investment Act of 2002 (which includes funding for farm policy, conservation, trade, food stamps, credit, rural development, research, forestry, energy, and miscellaneous programs) is provided for in, and fully complies with, the Concurrent Resolution on the Budget for Fiscal Year 2002, passed by both the House and the Senate.

Myth #2

The 2002 Farm Bill depresses farm prices and increases food prices.

Under U.S. farm policy, consumers pay just 10.9% of their income for the safest, most abundant, most affordable food in the world- less than consumers in any other country.

The 2002 Farm Bill cannot increase food prices if, as critics argue, this policy depresses farm prices by causing overproduction.

If the 2002 Farm Bill depresses prices, how can the same policy also increase prices that consumers pay for food? These critics ought to explain how this happens so Congress can properly investigate.

The 2002 Farm Bill does not increase prices that consumers pay for food.

Independent analysis from the Food and Agriculture Policy Research Institute (FAPRI), a consortium of 9 respected land grant colleges, does not suggest any increase in food costs to consumers.

FACT #2

American consumers enjoy the safest, most abundant, and most affordable food supply in the world for 10.9% of income — less than consumers in any other country. In any case, the 2002 Farm Bill cannot depress farm prices and increase food prices at the same time.

As President George W. Bush stated when he signed the bill, the 2002 Farm Bill provides a safety net for farmers "without encouraging overproduction and depressing prices."

The same critics of U.S. farm policy predicted that the Agricultural Risk Protection Act, which made improvements to the Federal Crop Insurance Program, would depress prices by causing overproduction – and they were wrong. Since the Agricultural Risk Protection Act was signed into law, total production of major crops has actually fallen – not increased – by over 3 million acres.

The same critics of U.S. farm policy predicted that providing emergency economic assistance to farmers over the last 4 years would depress prices by causing overproduction – and they were wrong.

"Our farmers are the most efficient in the world. In no other country do so few people produce so much food to feed so many at such reasonable prices."
-President Dwight D. Eisenhower

"It will not be doubted that with reference either to individual or national welfare, agriculture is of primary importance... Institutions for promoting it grow up, supported by the public purse; and to what object can it be dedicated with greater propriety?"
-President George Washington

When comparing production in the year before emergency economic assistance was offered to production in the 2001 crop year, production of major crops actually fell – not increased - by over 7 million acres. The U.S. Department of Agriculture estimates production levels will remain unchanged from 2001 to 2002, the first year of the new Farm Bill.

The 2002 Farm Bill encourages farmers to produce for the market rather than overproduce for farm bill benefits.

Since most help to farmers under the 2002 Farm Bill is consistent with the 1996 Farm Bill and based on past production history rather than current production ("decoupled" from current production), farmers are encouraged to produce for the market rather than farm bill benefits, limiting incentives to overproduce.

To the extent there is any effect on production at all, FAPRI estimates it would be minute - less than one-half of one percent.

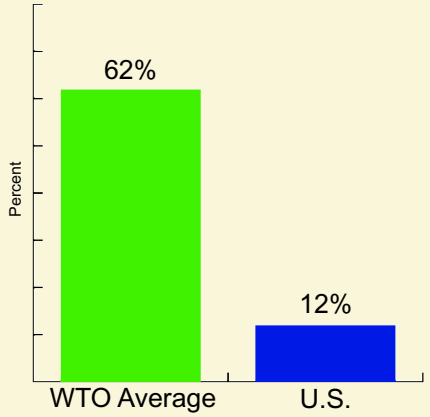
According to Dr. Keith Collins, the U.S. Department of Agriculture's chief economist, sharply increased world crop production beginning in 1996/1997 and the decline in world economic growth in 1998 caused crop prices to plummet to current record lows.

In fact, larger factors such as world production and currency values, not U.S. farm policy, drive price and production.

Myth #3

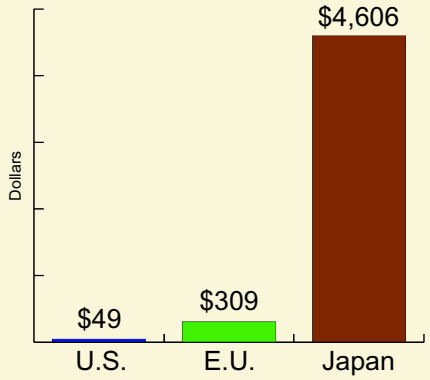
U.S. farm policy helps big corporate agribusiness, not real farm families.

Agricultural Tariffs: *WTO Countries vs. U.S.*



Average Final Bound Tariffs, Uruguay Round

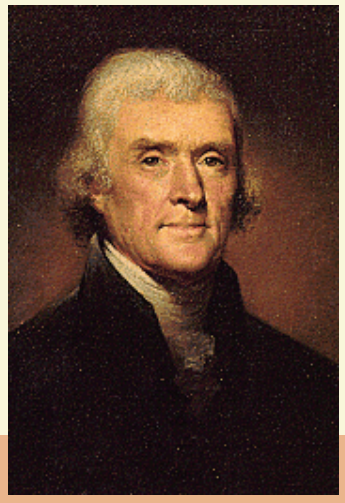
Producer Support Per Acre *WTO Countries vs. U.S.*



If U.S. farm policy helps big corporate agribusiness, why does big corporate agribusiness oppose U.S. farm policy?

U.S. farm policy helps all American farm families because all farm families are feeling the sting of:

- The lowest real net cash income since the Great Depression.
- The 5th straight year of record low prices for many commodities.
- Record high costs of production, with 2002 expected to set an all-time record.
- Foreign tariffs averaging 62% – more than 5 times higher than the average U.S. imposed tariff of 12%.
- Foreign subsidies more than 6 times higher than help to U.S. farmers – $309 per acre for European Union farmers compared to $49 per acre for U.S. farmers.
- Another significant barrier – the strength of the U.S. dollar, which is 36% higher than the currencies of U.S. customers, and 44% higher than the currencies of U.S. competitors.



"Cultivators of the earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous, and they are tied to their country and wedded to its liberty and interests by the most lasting bonds..."

-President Thomas Jefferson

FACT #3

Big corporate agribusiness actually opposes U.S. farm policy. U.S. farm policy does help all American farm families because all farm families feel the sting of a world market that is not free or fair.

Critics of U.S. farm policy complain that benefits are going to "big" farmers instead of "small" farmers but what they don't say is that most anyone who farms enough to be a full-time farmer is a "big" farmer in their book.

Critics of U.S. farm policy use the U.S. Department of Agriculture's definition of a "farmer," which is anyone who produces a crop valued at $1,000 or more (the equivalent of a 4-acre corn farm), so the percentage of farm families who are trying to make most or all of their living off the land is going to be small compared to the overall number of "farmers." In other words, most anyone who farms enough to be a full-time farmer is a "big" farmer by comparison.

While 38% of these farm families receive 87% of the benefits, these farm families:

- produce 92% of America's food and fiber.
- make most, if not all, of their living off the land.
- operate the equivalent of a 372-acre corn farm or larger – about the average sized Minnesota farm.

While 62% of these farms, known as "rural residence farms," receive 13% of the benefits:

- these farms produce 8% of America's food and fiber.
- many of their owners have little dependence, if any, on the farm for income.
- often the owners see their farms as a way to enjoy rural living rather than as a means to making a living.

While both groups of farmers are important to rural America, each plays a unique role in production agriculture with different levels of risk and different expectations of help.

U.S. farm policy helps all farm families according to their risk, ensuring that the right amount of help is there when help is needed most.

"The farmer is the only man in our economy who buys everything he buys at retail, sells everything he sells at wholesale, and pays the freight both ways."

-President John F. Kennedy

"Our farmers deserve praise, not condemnation; and their efficiency should be cause for gratitude, not something for which they are penalized."

-President John F. Kennedy

Myth #4

U.S. farm policy is nothing but corporate welfare benefiting only those receiving direct help.

"Our nation owes a debt of gratitude to our farmers and ranchers for helping to ensure stability in our economy, for providing food products that amply meet all our citizens' needs, and for representing what is best about America. They show the character and values that have made this country strong, values of love and family, faith in God, and respect for nature."

-President George W. Bush

Critics of U.S. farm policy would cede our food production to unstable places like the Third World, but in these times does any American want to depend on the Third World for a safe and abundant supply of food and fiber?

The *Washington Post* printed a story, dated May 5, 2002, citing critics complaining that increased help to U.S. farmers would frustrate a "consensus" on helping Third World agriculture. The question the *Washington Post* never asked and critics never bothered to answer is: Does any American want to depend on the Third World for a safe and abundant supply of food and fiber?

The places in the world where critics of U.S. farm policy would have Americans depend on for food are often places of political instability that do not have the safeguards on food safety that Americans expect.

The outcome is increased anxiety about foreign production methods, at best, and heightened concern about bioterrorism, at worst.

Soup lines and food rations were a reality in the 1930s and 1940s.

The United States is one of the few countries in the world that has never known widespread hunger. Even the United States, however, has had food shortages and has rationed food to ensure all Americans have enough to eat.

U.S. farm policy critics often point to an abundance of food and fiber and say, "never to worry." Likewise, a December 1945 article of *The American Political Science Review* noted that, prior to Pearl Harbor, few Americans gave serious thought to food shortages and rationing. But, 16 months later, the United States government began rationing sugar, processed foods, meats, and cheese. That was just 61 years ago. While a lot has changed since then, including methods of producing food and fighting war, the unforeseen can happen and the U.S. should always be prepared with ample supplies of safe food and farmers who know how to produce it.

FACT #4

U.S. farm policy is important to national security, ensuring a safe, abundant, and affordable domestic food supply, and vital to a strong rural and urban economy, with the food and fiber industry creating 25 million jobs, producing $3.5 trillion in output, and accounting for 15% of U.S. Gross Domestic Product.

The abundance of safe and affordable food should be a source of comfort and security.

It is dangerous and wrong to believe that, because America has been blessed, our Nation is now immune from hardships, whether caused by nature or manmade.

The benefits of U.S. farm policy do not stop at the door of farm families who receive direct help, but support both rural and urban economies, with the food and fiber industry creating 25 million jobs, producing $3.5 trillion in output, and accounting for 15% of U.S. Gross Domestic Product – larger than the construction, transportation, and utilities industries combined.

U.S. farm policy critics call for an end to the chief means of rural development without offering any alternative, either because these critics know government cannot create viable businesses out of whole cloth to replace production agriculture, or because they are content to leave rural communities to die on the vine.

Under today's budget constraints it is hard to imagine a scenario in which additional resources would be available to help rural America finance new businesses and replace the millions of lost jobs due to the exodus of production agriculture. It would be too costly, especially when less than 40% of new businesses actually stay in business.

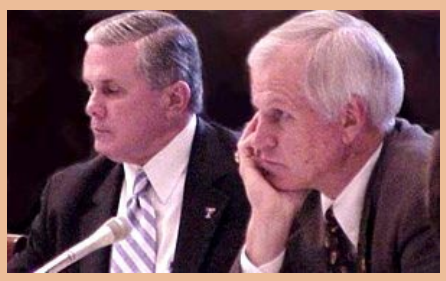
U.S. farm policy critics either forget or ignore that the economic collapse in rural America resulting from an end to U.S. farm policy would cause economic aftershocks in nearby cities.

For example, an article in *The Economist*, dated May 12, 2001, noted that the city of Chicago suffered in the 1980s when the region was hit by a "crushing combination" of factors including a farm recession. Imagine the repercussions to cities such as Chicago if U.S. farm policy was eliminated.

U.S. farm policy critics also forget or ignore the thousands of public schools, hospitals, and other important community facilities whose construction and maintenance are largely financed through property and sales taxes paid by farmers and ranchers.

Imagine the further consolidation of schools and even less access to rural health care in the absence of U.S. farm policy.

House Agriculture Committee Chairman Larry Combest and Ranking Member Charlie Stenholm pressed for passage of the 2002 Farm Bill because of its importance to the U.S. economy.



Myth #5

U.S. farm policy interferes with free markets and free trade.

FACT #5

U.S. farm policy fully complies with U.S. trade agreements. And, with foreign tariffs on agricultural goods more than 5 times higher than U.S. tariffs, U.S. farm policy helps level the playing field so our farmers can compete in a world market that is not free or fair.

President Roosevelt's Administration advocated an end to anti-competitive practices because:

"Uncontrolled competition, like unregulated liberty, is not really free."

U.S. farm policy critics use the same arguments that some used in the early 1900s to justify the anticompetitive practices of trusts, combinations, and monopolies - that U.S. farm policy, like anti-trust laws, interferes with free markets.

At that time, the vast majority of Americans disagreed and so did then President Theodore Roosevelt, whose Attorney General advocated tearing down trusts, combinations, and monopolies as affronts to free markets, stating, "Uncontrolled competition, like unregulated liberty, is not really free."

In today's world market, the vast majority of Americans would agree that uncontrolled world competition that allows anti-competitive trade practices employed by foreign governments against U.S. farmers standing alone is not free or fair. Foreign tariffs, averaging more than 5 times higher than the average U.S. imposed tariff, and foreign subsidies, some more than 6 times per acre higher than help to U.S. farmers, must come down so American farmers can compete on a level playing field.

In the meantime, U.S. farm policy should continue to help level this playing field with help to America's farmers until trade negotiations achieve a truly free and fair world market.

Toward this end, U.S. farm policy fully complies with U.S. commitments made under the World Trade Organization. In fact, U.S. farm policy under the 2002 Farm Bill strengthens U.S. trade negotiators, making foreign countries reconsider their big subsidies and insurmountable trade barriers the same way the former Soviet Union was forced to reconsider the Cold War when then-President Reagan established the U.S. policy of "Peace Through Strength" that brought down Communism.

Peace through strength was critized as a contradiction until it brought down Communism.˚U.S. farm policy strengthens the U.S. objective of tearing down foreign subsidies and trade barriers to bring about free trade in the world.

Myth #6

The 2002 Farm Bill shortchanges conservation.

FACT #6

The 2002 Farm Bill provides over $39 billion for conservation — the highest level of funding in history for conservation programs that prevent soil erosion, preserve and restore wetlands, clean the air and water, and enhance wildlife.

The 2002 Farm Bill sets a record high for conservation funding – about 80% higher than the record level set under the 1996 Farm Bill.

Voluntary, incentive-based conservation programs authorized under the 2002 Farm Bill are the most successful and popular environmental programs in the United States, saving millions of acres from soil erosion, enhancing water and air quality, and promoting wetland and wildlife habitat restoration and preservation - creating a boon for wildlife populations.

The 2002 Farm Bill funds conservation programs at their highest levels in history while sustaining U.S. production agriculture that has helped save millions of acres of wildlands in the Third World.

By helping highly efficient and productive American farming operations, U.S. farm policy also protects millions of acres of wildlands in the Third World where low efficiency, low productivity agriculture would otherwise increase.

As Nobel Laureate Norman Borlaug noted in *The Wall Street Journal*, dated May 13, 2002, the modern production practices of U.S. farmers have "...had a dramatic conservation effect: saving millions of acres of wildlands all over the Third World from being cleared for more low-yield crops." Borlaug added that but for these advances in agriculture, "...at least half of today's 16 million square miles of global forest would already have been plowed down, and the rest would be scheduled for destruction in the next three decades."

U.S. farm policy's help to farm families also inherently contributes to a cleaner environment by "decoupling" benefits from production so farmers have flexibility to dedicate their land to the agricultural or conserving use that's best for soil and water quality on their land.

Myth #7

All special interests critical of U.S. farm policy just want good public policy.

FACT #7

Many special interests critical of U.S. farm policy cross the ideological divide but share a common denominator: agendas that the vast majority of Americans reject.

While reasonable people can and do disagree about the best course for U.S. farm policy, there are a number of special interests that have entered this otherwise constructive debate with other agendas, using questionable tactics.

Some of these special interests, although discredited by sound science, believe that today's farming practices are bad for human health and the environment and that killing U.S. farm policy is a way to stop these farming practices.

These special interests take the extreme view that increased food production should be avoided because it will drive up world population, leading to environmental degradation, and have argued for the return of the U.S. Great Plains to a "buffalo commons."

The approach of these radical special interests is self-defeating in a world economy where loss of food production in the United States only means increased food production in places like the Third World where there are few food safety and environmental safeguards.

In addition to saving millions of acres of wildlands and global forest all over the Third World from being cleared for more low-yield crop production, Nobel Laureate Norman Borlaug also noted that high efficiency agriculture in places like the United States has led to healthier people living longer lives than ever before because of safe and abundant food.

Other special interests want to help the Third World so badly that they offer the shirt off someone else's back - rural America's - to achieve their generosity, never mind that the vast majority of Americans do not want to cede agricultural production to the Third World and do not want to depend on this region of the world for food.

Still other special interests oppose helping U.S. farmers in the name of free trade. Some are doctrinaire and simply ignore the anti-competitive advantage enjoyed by foreign farmers. Others are more pragmatic, seeing help to U.S. farmers as a nice chip to bargain away in negotiations in exchange for more access to world markets for their favored industry.

These special interests, tired of having their goals rejected at the front door of public discourse, are now coming around the back door, using envy and "divide and conquer" tactics – such as half-truths about "big" vs. "small" farms and payment limitations – to pit non-farmer against farmer and farmer against farmer in order to kill U.S. farm policy. But, the vast majority of Americans will continue to support U.S. farm policy because, as an early Massachusetts farmer once said, “Facts are stubborn things.”

“Facts are stubborn things.”
-President John Adams