



# COMMODITY PROGRAM & PAYMENT LIMITS REFORM

*Sustainable Agriculture Agenda for the 2007 Farm Bill*

## *Background:*

In recent years, many of the original goals of commodity programs have been abandoned and replaced with outright production subsidies that encourage overproduction, low prices, and an export expansion orientation. Furthermore, the current set of programs has serious unintended negative consequences. Among other impacts, the current structure of commodity payments contributes to farm consolidation and the disappearance of mid-sized family farms, an increase in land prices well beyond market levels, and reduced farming opportunities for a new generation of farmers. They also encourage intensive production that results in polluted runoff and lost biodiversity and enable the growth of industrial animal feeding facilities at a high cost to the environment, public health and animal well being.

We believe farm program policy should foster agricultural and food systems based on family farms that nurture and sustain rural communities and the environment, promote a diversified and healthful food supply, foster increased farming opportunities and widespread ownership of land, and support, or at least not detract from, strong agricultural development and hunger reduction strategies internationally. The current programs come up short on every count. Realizing that farm program reform is an evolutionary process, we believe the 2007 Farm Bill should focus on addressing the most serious negative consequences of current policy.

## *Specific Reform Measures:*

- ***Effective Payment Limitations*** -- Effective payment limitation reform should close the loopholes that have allowed some farms to collect seven-figure government checks each year, spurring farm consolidation and overproduction. Total payments, including the value of commodity certificates and forfeitures, should be capped at no more \$250,000 per farm per year and direct payments, if they are continued, should be capped at \$40,000 per farm per year. All payments should be attributed to real persons and should be available only to those actively engaged in farm labor and management.
- ***Sodsaver*** -- Congress should stop subsidizing the expansion of cropping into prairie grasslands by prohibiting commodity and conservation payments and subsidized crop insurance coverage on newly broken out grasslands.
- ***Other Reforms*** -- The farm bill should expand planting flexibility and eliminate or reduce the harmful impacts of marketing loan gains and loan deficiency payments on the structure of U.S. agriculture, the environment, and farm and food systems around the world.

*Talking Points:*

- ***The lack of effective payment limits harms rural communities and farms:*** According to the U.S. Department of Agriculture's Economic Research Service, "with most payments going to the largest farms" the unlimited payments have "encouraged farm consolidation and fewer farms over the long run." The USDA-ERS further cites negative impact community-wide in that areas "that have consistently garnered high payments from farm programs have lost population decade after decade, even during periods when most other rural areas were gaining population."
- ***Farmers support closing loopholes:*** Payment limitations were specifically addressed in surveys of farmers coordinated by the USDA's National Agriculture Statistics Service and Land Grant Institutions in 2001 and 2006. The first survey found 81 percent of farmers supported more effectively targeting payments to small and mid-size farms. The 2006 survey also found farmers supporting payment limit reductions, and that "they showed a clear preference for eliminating the three-entity rule first, eliminating unlimited commodity loan certificate and forfeiture gains second, and finally reducing payment limit levels."
- ***Strong price cycle offers prime environment for enacting limitations:*** Ethanol-driven strong prices for corn and subsequent upward pressure on prices for other crops serve to create a prime environment for closing the commodity title loopholes and enacting effective payment limitations.
- ***Sodsaver will save threatened grasslands and money:*** USDA estimates that between 1982 and 1997, more than 1.4 million acres of rangeland was converted in the Great Plains. Loss of native grassland also is an economically costly policy, as it brings additional disaster-prone farmland into cultivation and creates taxpayer liability for the many subsidies associated with crop production on marginal land. Estimates place savings that would result from eliminating subsidies on non-cropland conversion at \$1.4 billion over 10 years.
- ***Sodsaver protects at-risk habitat and grazing land, but doesn't regulate private property:*** Landowners are not prohibited from breaking grassland, but federal payments will no longer provide incentives for doing so. Landowners may choose to break native prairie or non-cropland if they so desire. But they must do so with the full understanding that the profitability of crops grown on this acreage will depend on free-market economics, not agricultural subsidies, crop insurance, and disaster payments.
- ***Diminishing the price-depressing and trade-distorting impacts of the marketing loan and loan deficiency payment system help farmers at home and abroad:*** The 2007 Farm Bill provides an excellent opportunity to modify the most harmful type of commodity payment while preserving a safety net structure. Marketing loan gains and loan deficiency payments distort planting decisions, encourage overproduction, and depress market prices on a world-wide scale, which means farmers and communities in other countries lose out on needed income to provide basic human rights to their families such as food, healthcare, education, and housing.