FARM POLICY FACTS

Seven Points that Demonstrate How the Heritage Foundation's Farm Policy Proposal Puts America Last

A new, comprehensive study, written by Brandon Willis, a lawyer, academic, and former administrator of the U.S. Department of Agriculture's (USDA) Risk Management Agency (RMA), challenges the Heritage Foundation's "blueprint" for agricultural policy. The group's recommendations include eliminating the farm bill's safety net, deeply cutting and phasing out crop insurance, making unilateral concessions in the context of our commitments in the World Trade Organization, and repealing U.S. domestic trade laws.

The Willis study not only refutes Heritage's assertions, but also provides an easily digestible walk-through of the history of U.S. farm policy, the importance of agriculture to the United States, and the unique risks of farming and ranching that U.S. farm policy helps mitigate. We recommend it to policymakers and the public alike.

Below are seven essential points of the Willis study.

1. **Heritage cherry-picks data to support a misleading narrative about farm policy.**

President Eisenhower once told an audience that, "Farming looks mighty easy when your plow is a pencil, and you're a thousand miles from the corn field." In his report, Willis notes, "apparently, being 1,000 miles away from a corn field also makes it easier to misuse agricultural statistics" as he skewers Heritage's selective use of data to draw its conclusions and recommendations to Congress.

Willis adds, "The data demonstrate that a sizable segment of U.S. farmers is currently in economic peril and that operating margins are very tight. A safety net is often what stands between continuing to farm and bankruptcy."

2. **Farm policy has always existed in the United States.**

Willis refutes Heritage's argument that there is no proper role for farm policy in America and their nostalgia for the days when farm policy did not exist. There is just one problem: "Those days never existed. U.S. farm policy has been around since the beginning of the country" and has enjoyed consistent public support because of the inherent risks associated with farming and ranching.

3. Heritage exaggerates the financial well-being of farmers.

Willis notes that Heritage was only able to demonstrate that farmers have the financial means to manage risk without a safety net by grossly exaggerating farm income with 70

percent of the income Heritage measured actually being the non-farm income of retirees or others who do not actually make a living on the farm.
Willis adds that by exaggerating farm income in this way, Heritage was also able to show that agriculture risk is not a significant issue for farmers because, naturally, those who do not farm do not face such risks.

Meanwhile, Heritage neglects to examine costs verses returns for farmers where the data indicate that, "for the top four crops, when all costs are taken into account, a farmer has a profit less than 30 percent of the time."

4. The risk in the business of agriculture is different from risk in other businesses.

Heritage also concludes that agricultural risk is no different than the risks of other businesses by ignoring data that shows "agriculture's lower rate of returns, weather-related risks, and market risks due to a global market distorted by high foreign subsidies, tariffs, and non-tariff trade barriers."

Willis writes, "Even with a safety net, farm exits (i.e., the rate at which farmers quit farming) are still above exits from non-farm businesses." And, data shows that "the rate of return on agricultural assets exceeded the rate of return on nonfarm assets in only one of 32 years."

He adds, "Most if not all U.S. farmers and ranchers would therefore struggle to reconcile the day-to-day realities of farming and ranching with the statement by the Heritage Foundation that 'agricultural risk is not a significant issue for most farmers.' It is worth noting that, even with a safety net in place, at least 50 percent of all sized farms are currently rated as high-risk or medium-risk financially."

5. Farm policy spending is really small and keeps getting smaller.

Farm policy spending makes up roughly a quarter of one-percent of the entire federal budget and the current farm bill is more than $100 billion under budget, so Heritage's claim that the farm bill is over budget is false.

Willis writes, "That the 2014 Farm Bill is saving taxpayers money is incontrovertible. According to the [Congressional Research Service], overall Farm Bill spending for the five-year period (FY2014-2018) is down by more than $26.7 billion…Moreover, if estimated savings from fiscal years 2014 to 2023 are compared to savings estimates for fiscal year 2018 to 2027, the budget savings are even greater. Based on the [Congressional Budget Office] baseline update from June 2017, the estimated 10-year savings from fiscal year 2018 to 2027, relative to the pre-sequester budget baseline used to write the 2014 Farm Bill, are expected to total more than [$100 billion which is] four times the budget savings initially estimated."

6. Crop insurance is a success.

Heritage likes to claim crop insurance is a failure by pushing a misleading narrative that it was only meant to fill the footprint of 1970s disaster programs, which were limited to a few row crops. Willis points to nearly 80 years of legislative history to demonstrate that this assertion is untrue and that Congress has long sought to make crop insurance available to producers of all commodities in all regions of the country.

Further, crop insurance has not only proved better for farmers trying to manage risks, but is more cost effective than ad hoc crop loss disaster programs. Willis notes that the 2012 drought would have cost taxpayers more than $17 billion under an old style disaster program - $3 billion more than the cost of crop insurance in this worst of all years.

Willis also observes that this year crop insurance is expected to cost roughly what it did 13 years ago despite a doubling in participation over the past 17 years, with 290 million acres, or 90 percent of all U.S. planted acres, 130 commodities, and $100 billion in liability insured today. All of this while crop insurance has been cut by $17 billion since 2008.

Willis also notes, any policy change that has the effect of removing participants or acreage from the risk pool harms the farmers directly affected, but also has the unintended impact of increasing premiums on the farmers remaining in the risk pool. He concludes, "the cuts to Federal Crop Insurance recommended in the Heritage Report would erase the significant gains made under crop insurance over the past 23 years and, in effect, restore the previous federal policy of maintaining a weak crop insurance system buttressed by costly, un-budgeted ad hoc disaster assistance."

7. We all benefit from farm policy.

Finally, the Heritage Foundation alleges that U.S. farm policy is harmful, but Willis wonders, in what way? Willis observes that agricultural output has tripled since 1948, Americans pay less of their disposable income for food than consumers in any other nation, agriculture represents one of the United States' few areas with a trade surplus while creating 21 million jobs and 5.5 percent of the total U.S. Gross Domestic Product, soil erosion has been cut in half since 1985, the current farm bill is on target to save more than $100 billion, and most farmers and ranchers would not be able to survive without farm policy.

Willis maintains, “It is difficult to conclude U.S. farm policy is anything other than a success.”

To read the full study, click here.