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FARMERS FEED THE WORLD

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INTRODUCTION

As the U.S. Senate debated the farm bill in 2012, one of the measure's authors – Sen. Pat Roberts, R-Kan. – took to the floor to defend it as an indispensable safety net for American farmers who feed the world. Sen. Roberts noted the agriculture industry employs one in five of his home state's residents and is the backbone of its economy. He expressed pride at putting together a "bipartisan bill that strengthens and preserves the safety net for our farmers" and told the floor:

> Mr. President, farmers and ranchers in my state truly help feed a troubled and hungry world, which is why I am proud of this legislation. We've worked hard to put together, not the best possible bill, but the best bill possible.

Sen. Roberts also assured his Senate colleagues if he "thought we were in any way writing a bill that would make it more difficult for Kansas and American producers to feed this nation and the world … I would not be standing here today supporting it." [1]

Roberts is not the only farm-state politician to argue we need to support U.S. farmers because of their crucial role in fighting world hunger. In 2011, House Agriculture Committee Chairman Frank Lucas, R-Okla., submitted the committee's views and estimates for the Fiscal Year 2012 budget cycle. Well aware that the budget would require making tough cuts to address the dire fiscal situation facing the federal government, Chairman Lucas pleaded to exempt agriculture programs from budget restrictions and to preserve the "farm safety net."

"Addressing the current budget crisis is of the utmost importance," the committee's views and estimates document admitted. "It is important to note, however, that there will be an estimated 9 billion people on the planet by the year 2050. To meet worldwide demand for food, we will need to double production."[2]

The claim that U.S. farmers "feed the world" is more than just a talking point for politicians with agricultural constituencies. It has become a mantra to the agriculture lobby, repeated in countless articles and websites. It is often used to justify industrial agriculture practices, as well as limitless federal subsidies and supports for farm owners.

However, despite its prevalence, the claim that fighting world hunger requires hefty handouts to U.S. farmers does not stand up to scrutiny. In order to craft solutions that address the real causes of global poverty and make our federal farm-support system more sustainable, policymakers must move past this unhelpful talking point and make tough decisions that empower developing nations and strengthen the U.S. agricultural economy over the long term.

PROGRAMS TO HELP AMERICAN FARMERS 'FEED THE WORLD'

Armed with misleading claims about U.S. farmers' role in the global war on hunger, the farm lobby has been successful in advocating for an extensive and far-reaching system of supports designed to insulate American farm owners from risk and to boost farm incomes. Though politicians often refer to our farm support system as a "safety net," in reality, the programs do much more than help struggling farms stay afloat.

The latest farm bill, the Agriculture Act of 2014, overhauled the way taxpayers support farm owners by moving away from the politically unpalatable "direct payments" program, which provided a fixed payment to farmers regardless of market prices and actual farm production. In its place, the law massively expanded federal support for crop insurance and established several new programs. The overhaul was designed to shift toward a risk-management system in which payments more accurately reflected market outcomes, paying farmers when they suffer actual losses.

Today, the federal crop insurance program, administered by the U.S. Department of Agriculture's (USDA) Risk Management Agency, is the single largest federal source of support for farm owners. When farmers purchase insurance from private insurers, approved by the USDA's Federal Crop Insurance Corp., the government subsidizes their premiums at an average rate of 62 percent. Taxpayers also step in to reimburse insurance companies for their administrative expenses, such as agent commissions, and to help cover losses when claims are too high. Originally, crop insurance policies covered only staple commodity crops. But the list has expanded to about 130 covered crops and it continues to grow.

Since taxpayers bear much of the costs of coverage, as well as the risk, and because lawmakers have placed no limit on the amount of premium-subsidy support farmers can receive, the federal crop insurance program has turned into a means for farmers to boost incomes, rather than simply to transfer risk, as a standard "insurance" program would. A 2016 report by Bruce Babcock for the Environmental Working Group (EWG) found that, on average, farmers have enjoyed positive rates of return on crop insurance every year since 2000. From 2000 to 2014, farmers received an average of $2.20 back in claims for each dollar they paid in premium for federal crop insurance. In other words, farmers who purchase federally subsidized crop insurance almost always make money from the program. Thus, according to Babcock, farmers treat their crop-insurance purchases more like buying into a subsidized lottery than engaging in risk management. For that reason, Babcock notes, "it's a complete misnomer even to call the program 'insurance.'"[3]

Two new programs established by the 2014 farm bill – the Agriculture Risk Coverage (ARC) and Price Loss Coverage programs (PLC) – further insulate commodity farmers from risk. The ARC program provides support payments to farmers when their revenue falls below a set benchmark for either the county or the individual farm. Under the PLC program, farmers are able to receive payments if the market-year price for a covered commodity falls below a target called the reference price. Farmers can choose to opt in to either ARC or PLC. As a commodity payment, ARC and PLC payments are limited to $125,000 per year and are subject to a means test above $900,000 adjusted gross income.

Though the 2014 Farm Bill eliminated direct payments, the massive expansion of crop insurance and creation of the ARC and PLC means that farmers of certain crops enjoy an expansive system of federal support. This is despite the fact that farm household incomes have exceeded U.S. household income every year since 1995. In 2014, the last year for which comparable data were available, the average farm household income was $131,754—about 74 percent higher than the average U.S. household income of $75,738.[4] Farm-subsidy advocates and the farm lobby claim that farmers require extra support because farming is inherently risky, that the government needs to step in to stabilize markets in the event of droughts or national disasters. While this may be justification for a well-managed safety net, the current program, which funnels billions of taxpayer dollars to wealthy agribusinesses, goes far beyond this purpose.

There is no doubt that part of the farmers enjoy a privileged place in policy debates is because of romanticized perceptions about their role in American history and society. However, as the food market becomes increasingly global, the farm lobby and farm-state politicians also increasingly leverage idealized and misleading claims about the role U.S. farmers play in fighting global hunger in order to protect their lavish subsidies and to lobby for more handouts at taxpayer expense.

MYTH OF FEEDING THE WORLD

World hunger is a serious and abiding problem. According to the United Nations World Food Program, nearly 800 million, or one in nine of the world's inhabitants, are undernourished. Nearly half the deaths of children under five—3.1 million children a year—are a result of poor nutrition.[5]

Yet despite these grim statistics, there is no global food shortage. In fact, the world long has produced more than enough calories for everyone to have the nourishment necessary for a healthy and productive life. According to the Food and Agriculture Organization, the world produces twice the amount of food the global population needs. Even if the world's population balloons to 9 billion in 2050 – as the United Nations projected it would in 2013, setting off a flurry of panicked media stories – current production levels would still produce 2,700 daily calories per person. People go hungry not because of insufficient production, but because of poverty and lack of access to resources. A U.N. study estimated that about one-third of food produced globally is wasted. The claim that U.S. farmers can or should feed people in developing countries simply by increasing production misunderstands the causal factors of food insecurity.

There is no direct connection between food production in the United States and ending hunger elsewhere. The biggest U.S. crop is corn; with 88 million acres planted across the country and 13.6 billion bushels produced each year, we produce 36 percent of the world's corn. Corn alone does not provide the vitamins and minerals needed for a healthy diet; indeed, it is associated with high-fructose corn syrup and sugary, unhealthy foods. However, most of the corn produced in the United States never finds its way into hungry people's stomachs anyway. Nearly 40 percent of U.S. corn is used to produce ethanol. Another one-third of our corn crop is used as animal feed.[6]

The second-biggest U.S. crop is soybeans. Of all U.S. acres planted for food, more than half are corn and soybean. Most soybeans are used to feed livestock, rather than humans.

When the government gives payouts to U.S. farmers, it does little to subsidize food for the world's hungry. EWG's 2016 report calculated farmers' annual rate of return on crop-insurance premiums for a combination of several states and crops. While farmers, on average, enjoy a positive rate of return on crop insurance – meaning they get more back in payouts than they paid in premiums – some crops historically have had higher rates of return than others. Across the regions and crops studied, Babcock found that cotton and corn tended to garner the highest net returns. For example, Arkansas corn farmers enjoyed an average annual rate of return of 247 percent from 1989 to 2014; in other words, these farmers got payouts that were almost three and a half times larger than what they paid in premiums. During the same time period, Texas cotton farmers enjoyed a 203 percent average rate of return. Since cotton is not eaten and most U.S. corn goes toward biofuels and animal feed, it's unlikely that much, if any, of these egregious payouts directly supported food sources exported to other countries.

Even if U.S. commodity crops rarely feed hungry people in developing countries, it could perhaps be argued that bigger harvests in the United States tend to make food more affordable around the world. For example, as Cornell University economist Christopher Barrett told National Public Radio in 2013, people in China today eat better than their ancestors a generation ago, in large part because U.S. soybean production in the United States and Brazil provided cheap feed for Chinese pigs, making pork an affordable food source for billions of the country's inhabitants.[7] However, to the extent that subsidized U.S. food production can have the distortionary effect of depressing world food prices, among the end results is to stifle local emerging agriculture industries in developing nations. Some international-development experts believe that, in order to address food insecurity, developing nations must cultivate markets in their own agriculture sectors. At the very least, it's crucial that there be investment in the developing world in the technology and infrastructure necessary to store, transport and distribute food. Since hunger is directly linked to poverty and lack of resources, overall economic growth and political empowerment are also key.

Farmers in hunger-stricken nations often have the land and resources to produce more, but they will not do so if they lack access to dependable markets or if they will be priced out by artificially cheap subsidized commodities. Handing over taxpayer dollars to U.S. farmers so that they can "feed the world" can have the paradoxical effect of disrupting markets and making it more difficult for the developing world to feed itself.

CONCLUSION

As we can see, the U.S. agriculture industry doesn't need of a blank check to "feed the world." What it does need is meaningful reforms to rein in our ballooning crop-insurance program, reduce taxpayer liability and place a meaningful scope on federal farm support. Contrary to the exaggerated claims about population growth and world hunger made by subsidy supporters and farm-state politicians, Congress can and should cut wasteful U.S. farm subsidies without worrying about humanitarian implications abroad.

For reform-mind policymakers, enacting a cap to restrict the amount of premium support a single farm can receive would be a great place to start. With no reasonable controls on the crop-insurance program's growth, farmers currently are encouraged to buy more insurance than they need to lock in profit, while taxpayers bear much of the risk. The result is that the majority of federal support goes to wealthy agribusinesses rather than small farms struggling to stay afloat.

A recent R Street policy study by Vince Smith found that a $50,000 cap on premium-subsidy support would affect only 9 percent of farms, almost all of whom have market sales of significantly more than $750,000 per year. Smith also analyzed the expected impact of $30,000 and $10,000 premium-subsidy caps. While more farms would be affected under these more stringent caps, Smith found the impact of the subsidy reductions would be small or negligible and unlikely to cause serious financial hardship for farm owners.8 Enacting a premium-subsidy cap could go a long way toward making our crop-insurance program more equitable and accountable to taxpayers.

There have also been proposals to introduce means testing to the crop-insurance program, which would ensure that the wealthiest and largest farms would not qualify for federal subsidies. The Assisting Family Farms through Insurance Reform Measures (AFFIRM Act)—introduced in 2015 by Reps. Ron Kind, D-Wis., and Jim Sensenbrenner, R-Wis., in the House and by Sens. Jeff Flake, R-Ariz., and Jeanne Shaheen, R-N.H., in the Senate—would subject crop-insurance premium subsidies to a means test, enact payment limits and mandate increased transparency. It has been estimated that these reforms would save taxpayers more than $24.5 billion over 10 years. Such reforms would place a much-needed scope on our farm-support system without endangering the agriculture economy or threatening the viability of small, vulnerable farms.

As for fighting world hunger, reformers should focus on finding ways to cultivate appropriate food technology and infrastructure in developing countries and ensure that initiatives are led by those countries. Contrary to the talking points of the U.S. agriculture industry, the federal government's Global Hunger and Food Security Initiative – Feed the Future – recognizes that the best way to fight hunger is to encourage economic growth in the developing world, which includes the agriculture sectors in areas most affected by food insecurity. According to Feed the Future's website: "Investments in inclusive agriculture-led growth encompass improving agricultural productivity, expanding markets and trade, and increasing the economic resilience of vulnerable rural communities."[9] Similarly, the United Nations' World Food Programme cites poverty, lack of investment in agriculture and unstable markets among the most important causes of world hunger.[10] Subsidizing farmers in the United States does nothing to address the key causes of food insecurity and is unlikely to have any significant impact on world hunger.

As Margaret Mellon, senior scientist emeritus at the Union of Concerned Scientists, wrote in 2013: "Hungry people should not be the poster-children for the interests of the well-fed."[11] The claim that U.S. farmers need generous handouts in order to feed a hungry world has little basis in reality. More importantly, it is no justification to continue our inequitable and unsustainable farm-support system.

ABOUT THE AUTHOR

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ENDNOTES

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