

American Agriculture's Long Reach: Why the Farm Bill Matters for Development

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This brief is based on Kimberly Ann Elliott, *Global Agriculture and the American Farmer: Opportunities for U.S. Leadership* (Center for Global Development, 2017).

A healthy US agricultural sector is critical to global food security. As major producers and exporters—accounting for roughly one out of four metric tons of corn and wheat exported globally—American farmers help keep food affordable around the world. But American farmers also receive public assistance that too often comes at the expense of American taxpayers and consumers, as well as millions of poor farmers in developing countries. Policies designed to aid US farmers provide subsidies to compensate them when prices are low or raise producer prices by restricting imports. Other policies create or expand demand for commodities, for example, for use in biofuels. And in some key areas, the lack of effective regulation allows farmers and ranchers to continue using unsustainable practices.

Members of the House and Senate Agriculture Committees have started work on the 2018 farm bill, which provides an opportunity to shape policies so they better serve American taxpayers and consumers, as well as the poor in developing countries. Even in the face of budget pressures, it will be difficult for Congress to broadly reform the farm bill because of entrenched political interests. Indeed, with the return of lower commodity prices in recent years, preserving the modest steps in the 2014 farm bill towards increased market orientation may be challenging. Nevertheless, there are areas where narrow adjustments could make a difference, especially for developing countries most vulnerable to food insecurity, climate change impacts, and drug resistant diseases.

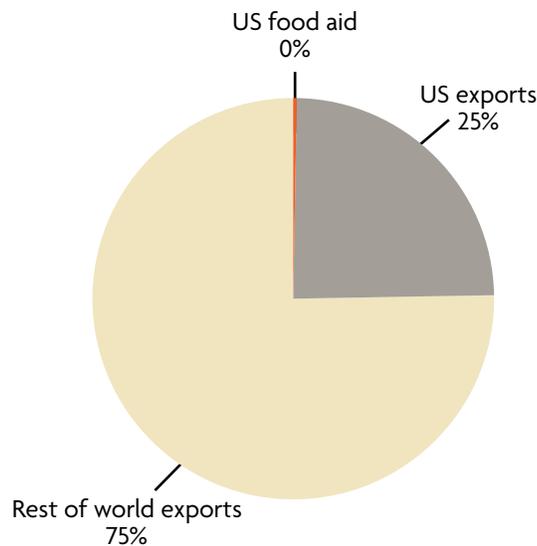
Recommendations to Congress for the next farm bill

In the next farm bill, Congress should:

- Reform how food aid is delivered;
- Reject biofuel subsidies that support ethanol consumption; and
- Support data collection and a transition program to help producers adopt alternatives to the use of antibiotics in livestock.

While the farm bill is not the primary vehicle for setting policy on biofuels or antibiotic use, Congress could use the legislation to advance smart policy changes that set the stage for broader reforms.

Figure 1. US food aid accounts for a very small share of global grain exports (average 2013–15)



Fixing Food Aid

In recent decades, Congress has provided between \$1.5 and \$2 billion annually in international food aid through the Food for Peace program, which it created in the 1950s to dispose of US commodity surpluses. This aid has been critical, often providing life-saving support around the globe. Still, the US program has come under criticism for its high costs and inefficiency. Legislative requirements to purchase food domestically and use US-flagged ships for delivery increase the costs of shipments by anywhere from 15 to 50 percent. And they often delay the arrival of desperately needed food for weeks. Notionally, purchasing commodities at home supports American farmers, but in reality, the amounts procured are such a tiny share of exports, much less total production, that they do little if anything to boost prices (figure 1).

Presidents George W. Bush and Barack Obama pushed Congress to free 25 and 45 percent, respectively, of the food aid budget from these constraints. This would have allowed the US Agency for International Development to use these funds to

purchase food locally or regionally or to provide cash or vouchers to those in need. The Obama administration estimated that its reform proposal would allow the same food aid budget to feed an additional 4 million people. Elliott and McKittrick (2013) estimated that the figure might be as high as 10 million.

With famine threatening parts of Africa and millions of refugees from conflicts in Syria, South Sudan, and elsewhere struggling to feed their families, need is only growing. Citing the inefficiencies in US foreign food aid programs, President Trump's FY2018 budget eliminated funding for the largest US international food aid program and suggested that assistance could be more effectively provided through another humanitarian account. Unfortunately, the budget failed to provide resources elsewhere to meet the demand for this life-saving aid. In the face of these budget pressures and questions about effectiveness, now is the time for Congress to modernize US international food aid programs and do away with requirements that cost time, money, and lives while doing little to help US farmers.

Holding the Line on Biofuel Subsidies

Congress created the Renewable Fuel Standard (RFS) as part of the Energy Policy Act of 2005 and expanded it just two years later in the Energy Independence and Security Act. Initially, the reasons for replacing fossil fuels with biofuels seemed plausible to many, and opposition was muted. The RFS mandated the blending of ethanol and other biofuels in gasoline and diesel to promote energy independence and to reduce emissions of greenhouse gases from the transportation sector. With oil prices rising relatively faster than corn and soybean prices (the main biofuel feedstocks) and with a long-standing tax credit still in place to reward the use of ethanol, biofuel consumption quickly exceeded the RFS targets.

By 2007, Congress was acting in a distinctly different environment. RFS expansion occurred just as food price increases were accelerating. Demand for corn and soybeans for biofuel production contributed to price spikes that roiled food markets in 2008. That spurred opposition from development advocates concerned about hunger in

poor countries as well as from American livestock producers faced with sharply higher feed prices. Budget hawks objected to the rising costs of the tax credit for blending ethanol in gasoline. Meanwhile, refiners did not like being fined for missing targets for advanced biofuels that were not available in the market in sufficient quantities.

Today, many of the original rationales for the RFS no longer hold. Most notably, a growing body of research suggests that the current generation of biofuels produced from feedstocks also consumed as food—such as corn and soy—may be contributing to increased carbon emissions. This is partly because US agricultural production is relatively energy intensive, using fossil fuels for machinery, fertilizer, and transportation. It is also a result of land use changes that threaten the tropical forests so crucial to stemming climate change. Because of policy-induced biofuel demand, some farmers might decide to cultivate new lands to grow biofuel feedstocks; others might do so to replace the food crops redirected to biofuels. On energy independence (whatever the merits of that quest), the fracking boom led to sharply increased domestic energy production and much lower imports without policy intervention.

Though the last few have included titles promoting bioenergy, the farm bill has not played a major role in this story. Indeed, the 2014 farm bill barred the use of subsidies under the energy title for new gasoline pumps that could be used to expand the market for ethanol. In 2011, the Environmental Protection Agency increased the limit for safe use of ethanol in gasoline from 10 (E10) to 15 percent (E15) for vehicles manufactured after 2000. But automakers disagreed about the safe level of ethanol use and announced they would not honor warranties on vehicles manufactured before 2012 if they suffered engine damage from using E15. To satisfy consumers concerned about potential engine damage, retailers would have to put in separate pumps and storage tanks or specialized blending pumps, and offer both blends. That would be an expensive proposition without public subsidies.

By rejecting subsidies that could expand access to higher ethanol blends, the farm bill makes it more difficult to implement the RFS as written and increases the pressure to reform it. Congress

should hold the line on these and any other subsidies in the farm bill that expand the market for first generation, food-based biofuels.

Making Livestock Production Healthier for Animals and People

Each time we use an antibiotic, some bacteria develop resistance to it. Using antibiotics inappropriately, whether in people or animals, gives resistant bacteria an edge and contributes to the potential development of “superbugs” that can defeat all of the drugs in our arsenal. Thus, it has become a critical concern that producers around the world, including in the United States, give large amounts of antibiotics to farm animals in subtherapeutic doses over long periods to promote growth or prevent disease.

The US Federal Drug Administration (FDA) issued guidance in 2013 calling on veterinary drug producers to remove growth promotion as an acceptable use on antibiotic drug labels and to require the oversight of a veterinarian. But livestock producers use many of the same drugs for disease prevention that they previously used for growth promotion, and it is the livestock producers that employ the veterinarians. While it is too early to judge how effective the guidance will ultimately be in reducing use, it is disturbing that FDA reports showed veterinary antibiotic sales continuing to climb as the policy phased in.

Recent research in both Europe and the United States suggests that the production benefits of routinely using antibiotics in livestock feed and water have declined sharply as management practices have improved. Yet producers remain concerned about the potential increase in costs of having to forgo the use of antibiotics except to treat disease. They also question the risk to human health from antibiotic use in livestock. These arguments are difficult to rebut because there is so little data on how producers use antibiotics in farm animals, beyond the gross amounts.

The farm bill could help by increasing funding for data collection on livestock use and requiring farmers and veterinarians to cooperate with these efforts. The farm bill should also create a program to help livestock producers transition away from the widespread use of antibiotics by providing



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assistance to aid the adoption of improved management practices and by promoting the development and use of alternatives. Several European countries have shown this can be done while maintaining a high degree of export competitiveness. Over the longer term, American policymakers and their colleagues from Europe and other key markets should negotiate a treaty to control the use of antibiotics in livestock as part of a global response to the drug resistance challenge (Elliott, Kenny, and Madan 2017).

Conclusions

Farmers everywhere are vulnerable to the vagaries of weather and other unexpected supply or demand shocks. So there is a role for government to help farmers manage the risks that markets cannot handle. But the US government, like others around the world, supports the agriculture sector at levels far beyond what is socially optimal or what other sectors receive. Unbeknownst to many, these subsidies go disproportionately to larger, wealthy farmers, and only a few crops receive the bulk of the support—mainly grains, oilseeds, sugar, and dairy—rather than fruits and vegetables.

Thus, there is ample room to shift US agricultural policies away from inequitable, costly, and trade-distorting subsidies to policies that support underprovided public goods, including rural infrastructure and research and development into seeds and

other technologies to help farmers increase yields and adapt to climate change. While a broad overhaul of US policy along these lines is unlikely in the short run, there are narrower changes that would be particularly relevant to developing countries and that would reduce costs and improve the health and welfare of American citizens. Congress should start with the next farm bill—by fixing food aid, holding the line on subsidies for biofuels, and restraining the use of critically important antibiotics in industrial livestock operations.

For Further Reading

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