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PRESS RELEASE

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Bush's Farm Cuts Miss Opportunity for Farmers and Taxpayers

Administration Continues to Fail Rural Communities

Minneapolis – President Bush's proposal today to lower the cap on subsidy payments to farmers misses an opportunity to address plunging agricultural commodity prices that make subsidies necessary to compensate for market and policy failures, says the Institute for Agriculture and Trade Policy (IATP). As part of the President's proposed budget, the maximum level of subsidies an individual farmer could receive will be lowered to $250,000 from $360,000.

"Clearly the current subsidy system is in serious need of reform, this is small-minded thinking that misunderstands farm programs," said IATP President Mark Ritchie. " We could save a lot more money and help the farm economy by taking demonstrated steps to improve commodity prices. There are clear tools that we have used historically, and are currently used in the sugar program, that would cut government payments and allow farmers to get paid a fair price from the market."

An analysis by the University of Tennessee's Agriculture Policy Analysis Center (APAC) concludes that a strong supply management program for the major commodity programs, including the utilization of energy crops, would save taxpayers about $10 billion a year while ensuring farmers received a fair market-based income. The proposed Bush subsidy cap would only save an estimated $587 million in 2006. The APAC analysis can be found at: http://www.agpolicy.org/blueprint.html

The APAC findings are reinforced in a new paper released last month by agriculture economists and policy experts, including IATP's President Mark Ritchie, which recommends inventory management programs at the domestic and international level. That paper, led by Iowa State economists, can be found at: http://www.leopold.iastate.edu/

U.S. farm programs have traditionally attempted to balance supply with demand, thereby ensuring that market prices at least covered costs for farmers. This was done through a series of tools including marketing allocations, land set asides, grain reserves, and non-recourse loans. The 1996 Freedom to Farm Bill stripped away these supply management measures and promoted massive over-production of most farm commodities, leading to a structural price depression. When prices drop, government payment programs kick in. Agribusiness companies have been the major beneficiaries of the current system.

"Capping subsidy payments will do nothing to address the underlying cause of the current farm crisis, which is massive overproduction and low farmgate prices," Ritchie said. "Subsidy cap or no subsidy cap, farmers will over-produce, prices will continue to be low, and rural communities will continue to pay the price."

The Institute for Agriculture and Trade Policy promotes resilient family farms, rural communities and ecosystems around the world through research and education, science and technology, and advocacy. www.iatp.org.