ECONOMIC POLICY PAPER SERIES **2010**

THE FARM BILL AND BEYOND

DAN MORGAN
Transatlantic Fellow, German Marshall Fund of the United States

G | M | F The German Marshall Fund of the United States
STRENGTHENING TRANSATLANTIC COOPERATION

The German Marshall Fund of the United States
1744 R Street, NW
Washington, DC 20009
T 1 202 683 2650
F 1 202 265 1662
E info@gmfus.org

This publication can be downloaded for free at http://www.gmfus.org/publications/index.cfm. Limited print copies are also available. To request a copy, send an e-mail to info@gmfus.org.

GMF Paper Series

The GMF Paper Series presents research on a variety of transatlantic topics by staff, fellows, and partners of the German Marshall Fund of the United States. The views expressed here are those of the author and do not necessarily represent the view of GMF. Comments from readers are welcome; reply to the mailing address above or by e-mail to info@gmfus.org.

About GMF

The German Marshall Fund of the United States (GMF) is a non-partisan American public policy and grant-making institution dedicated to promoting greater cooperation and understanding between North America and Europe.

GMF does this by supporting individuals and institutions working on transatlantic issues, by convening leaders to discuss the most pressing transatlantic themes, and by examining ways in which transatlantic cooperation can address a variety of global policy challenges. Working in partnership with the William and Flora Hewlett Foundation, GMF's work on trade, agriculture, and development aims to promote greater cooperation between the United States and Europe on trade and agricultural policies as vital instruments of global prosperity.

Founded in 1972 through a gift from Germany as a permanent memorial to Marshall Plan assistance, GMF maintains a strong presence on both sides of the Atlantic. In addition to its headquarters in Washington, DC, GMF has seven offices in Europe: Berlin, Bratislava, Paris, Brussels, Belgrade, Ankara, and Bucharest.

The Farm Bill And Beyond

Economic Policy Paper Series

January 2010

By Dan Morgan

Transatlantic Fellow, German Marshall Fund of the United States[1]

[1] Keith Good, president of FarmPolicy.com, made major contributions to this paper while a German Marshall Fund fellow. The report is part of the GMF Paper Series, which presents research on a variety of transatlantic topics by staff, fellows, and partners of the German Marshall Fund of the United States. The views expressed here are those of the author and do not necessarily represent the view of GMF. Comments from readers are welcome; reply by e-mail to info@gmfus.org.

Summary

More than a year after Congress enacted a new multi-year farm bill (the Food, Conservation and Energy Act of 2008), the politics of agriculture in Washington have been substantially reshuffled. Proposed climate change legislation has confronted the farm bloc with issues that received scant attention in the farm bill itself. At the same time, the congressional energy committees and the Environmental Protection Agency (EPA)—not the traditional guardians of agriculture—have taken the lead in shaping climate and biofuels policies that could have long-term impacts on farmers. At the White House, a new president has proposed cutting some key subsidies, and he has signaled interest in aligning himself—at least symbolically—with a grass roots movement that supports "sustainable agriculture" and "healthy foods."

These developments have moved long-standing tensions over agriculture policy to center stage. Lobbies representing some of the major farm organizations and commodity groups—you might call these "Old Ag"—generally support the status quo. They see agriculture as a loser in climate change legislation, and they also favor continuing traditional subsidies and direct payments to farmers. But "New Ag" forces, which now include Agriculture Secretary Tom Vilsack, some grass roots food and farmer organizations, and environmental groups, envision a revamped agricultural policy that will reward farmers and ranchers for the contributions they make toward reducing or offsetting carbon emissions; safeguarding water, soil, and air quality; ensuring humane treatment of farm animals; protecting food safety; and guaranteeing ample supplies of healthy, locally grown produce. While Old Ag emphasizes the U.S. food system's enormous success in producing ample food at cheap prices, New Ag advocates point to the hidden costs—in environmental degradation, poor diets, rising concerns about food safety, carbon emissions, and mistreatment of farm animals.

This paper examines these tensions in the context of the 2008 farm bill, with a view to setting the stage for the next phase of debate over climate, energy, farm subsidies, food safety, trade, and U.S. agricultural aid to farmers in developing countries.

In Congress, resistance to change remains strong. Most of those who played a key role in the farm bill debate remain in place, and some of the same interests are aligned in this year's crop of issues. Moreover, those in the rural wing of the Democratic Party—one might call them the "Agricrats," those moderate-to-conservative Democrats who put the needs of agriculture first—appear even stronger and more confident than they did a year ago.[2]

The 2008 farm bill was an important political achievement for the new Democratic majority in Congress. In the House, Democratic leaders reasoned that a farmer-friendly bill could help restore the rural–urban coalition that enabled Democrats to rule for most of the last two-thirds of the 20th century. The new speaker, Nancy Pelosi, whose close relationship with House Agriculture Committee Chairman Collin Peterson was forged in her 2001 battle to become Democratic whip, backed that strategy. To that end, she was willing to postpone a reform of farm subsidies that she and other senior Democrats privately supported.

In the Senate, the bill was largely shaped *ex parte* by four moderate-to-conservative senators from major farm states. Working informally outside the control of Agriculture Committee Chairman Tom Harkin (D-Iowa), they agreed to protect key interests of Southern agriculture (a Senate GOP bastion) while providing new benefits for ethanol-dependent and drought-prone farms and ranches in the central

[2] Dan Morgan, "Prodding the Liberal Agenda With a Pitchfork," *The Washington Post,* Aug. 2, 2009, page E5. http://www.washingtonpost.com/wp-dyn/content/article/2009/07/24/AR2009072402092.html

farm belt and northern Great Plains (a Senate Democratic stronghold).

The result was a mixed success for loosely knit alliance of reformers—foundations, church groups, environmental and antihunger advocacy organizations, fiscal watchdogs, and others—who joined forces in an unprecedented effort to bring about fundamental changes in the farm bill's priorities.

The broad goals of the reform alliance were threefold: to pare back government payments seen as duplicative, wasteful, and tilted toward the wealthiest farmers; to phase out subsidies seen as propping up rich farmers at the expense of unsubsidized farmers in developing countries; and to use the savings either to reduce the federal deficit or to boost financing for nutrition, rural development, conservation, and renewable energy.

The farm bill increased funding for conservation programs, raised minimum benefits in the food stamp program (renamed the Supplemental Nutrition Assistance Program, or SNAP), added money for fruit and vegetable snacks in schools (a signature initiative of Senate Agriculture Committee Chairman Tom Harkin), boosted research grants for the fruit and vegetable industries, and directed new funds to beginning farmers, organic farmers, and local farmers' markets. In a nod to minorities, the bill set aside $75 million to educate and support poor and socially disadvantaged farmers.

Advocacy groups, ranging from antihunger organizations and organic farmers to hunting and fishing clubs and conservationists, achieved some key goals and supported the final legislation. It seems likely that pressure from interests well connected to the Democratic majority—such as antihunger and conservation groups—would have resulted in some, if not many, of the changes. But agriculture journalists and others interviewed for this paper generally agree that the reform effort focused unprecedented attention on the farm bill and raised public awareness of its importance. The alliance's early efforts "made increased funding for food stamps more likely," according to one veteran reporter who followed the bill closely. A reform lobbyist put it another way: "We wanted money to go to other priorities and none of that would have materialized if we hadn't put on a serious game. They knew they were in a fight."

The legislation took some modest steps to restrict subsidy payments to the richest farmers.

Nonetheless, Congress took the path of least resistance: The farm bill protected traditional farm subsidies, even as farming profits, assets, and prices hit near-record levels, and signs emerged that U.S. agriculture, riding a boom in biofuels, may have entered a new era calling for a reassessment of farm policy.

The law left in place, and in some cases built on, the government subsidy system embedded in the 2002 farm bill—legislation widely viewed as a retreat from reforms begun in the mid-1990s. It did not reduce the deficit. Congress approved several new programs that added more than $10 billion to the estimated ten-year cost of the bill, and then used various budgetary devices to "pay" part of that.

A major new program (Supplemental Revenue Assistance Payments, or SURE) will enable farmers and ranchers to bypass the annual appropriations process when seeking compensation for weather-related losses. Average Crop Revenue Election (ACRE) is a new program that protects farmers against a combination of low yields and low prices, and locks in some payments if prices stay high. It adds a new layer of government bureaucracy to a system that is already complicated beyond comprehension even to specialists.

The bill generally received low marks abroad, and some predict that it will lead to formal complaints from U.S. trade competitors. "The new U.S. farm bill represents an opportunity lost to bring meaningful and beneficial reform to U.S. agricultural policies," said Phillip Glyde, executive director of the Australian Bureau of Agricultural and Resource Economics.

What happened? In the best of circumstances, making the case for sweeping reform of domestic farm programs is challenging. Food in the United States is abundant and relatively cheap, a fact that is endlessly trumpeted by farm lobbyists. In truth, Congress faces more pressing problems: foreign wars, Medicare and Medicaid costs spiraling out of control, and a financial crisis. Direct payments to farmers ($12.2 billion in 2008) are a rounding error in the $3 trillion U.S. budget, amounting to 0.4 percent. Farm programs are arcane and difficult to understand, and Chairman Peterson is probably correct when he says few lawmakers "have a clue" about them.

Reformers faced enormous obstacles in 2007 and 2008. The breakdown of the Doha Round of international trade talks removed pressure on the Agriculture committees to bring subsidies into line with a trade agreement. The reformers' argument that U.S. subsidies were a drag on world prices and penalized poor farmers abroad was undercut by a dramatic increase in prices, dwindling stocks of wheat, and food shortages in some countries. Except for cotton, "trade-distorting" subsidies for crops such as grains and soybeans all but disappeared.

In retrospect, the advocacy campaign seriously overestimated the impact that church groups and nongovernmental organizations could have on programs as entrenched and well defended as the farm programs. This problem was summed up bluntly by Senate Majority Leader Harry Reid (D-Nevada) at a meeting with leaders of reform organizations in late 2007. Presented with a stack of editorials calling for reform, he said: "That's all very nice, but it doesn't help because agriculture talks big money in the Senate." [3]

Many in the reform alliance were slow to recognize that the new Democratic majorities in the House and Senate meant more influence for traditional agricultural interests in both chambers. Many were surprised when Pelosi backed Peterson on the farm bill. In the Senate, the Democratic victory shifted power in the important Finance and Budget committees to Upper Great Plains lawmakers strongly committed to traditional programs.

Faced with a fundamentally unsympathetic Democratic majority in 2007–08, the reformers lacked a strong, unified message and a legislative proposal that could win support in the Agriculture committees. Participants in the reform alliance had different agendas, and even different views about subsidies. Some organizations favored the elimination of all subsidies. Others supporting a new multinational trade agreement muted their criticism of direct payments—a $5 billion per year cost to taxpayers—because such payments were not viewed as damaging to farmers and consumers in developing countries.

Reformers rested their case heavily on evidence that U.S. subsidies hurt cotton, rice, corn, and sorghum growers (and in some cases, consumers) in Mexico, the Caribbean, Africa, and Latin America.[4] Their argument was strongly buttressed by a 2005 World Trade Organization ruling that U.S. cotton subsidies violated global trade rules by exceeding negotiated limits and suppressing world

[3] Sen. Reid's spokesman, Jim Manley, confirmed the accuracy of this quote.

[4] "Truth or Consequences," Oxfam International briefing paper, November 2005.

prices. But some independent outside analysts questioned the extent to which U.S. farm subsidies are a central cause of poverty, hunger, and lagging agricultural performance in developing countries. For example, a 2004 article in *World Policy Journal* noted that "agricultural protectionism is not the cause of poverty and underdevelopment in Africa, and its (partial) removal will not signal an end to the continent's problems."[5] The authors suggested that the heavy emphasis on the subsidy issue by Western NGOs could, in fact, contribute to misconceptions, and even play into the hands of African leaders looking to blame their countries' dismal agricultural records on foreign scapegoats. The authors cited USDA findings that all global protectionism (of which U.S. protectionism is a relatively small part) lowers agricultural prices by only about 12 percent. The elimination of the distortion would be a good thing but "would not solve the underlying problem of poverty."

To some, the drawdown of U.S. wheat stocks in 2008 to their lowest levels in more than a decade suggested that world food security might have been better served by *higher* U.S. subsidies for that vital food crop, which has been losing acres to corn and soybeans.[6]

The blurring of lines between agriculture, energy, and climate policy since passage of the farm bill has challenged the farm bloc's domination of farm issues at the federal level. Counteracting those developments, however, are the growing numbers and rising influence of the Agricrats. The recent House vote on climate legislation was a reminder that while agriculture may face new competing interests in Congress and the executive branch, its influence in the Democratic Party is stronger than ever thanks to Democratic inroads in "red" states in 2008. (Half the Democrats on the House Agriculture Committee are from districts carried by Republican Sen. John McCain [Arizona] in 2008; 13 of the 28 voted against the final version of the climate change bill even though it had been extensively rewritten to win rural support.)

In the Senate, Old Ag forces have been immeasurably strengthened by the naming last fall of Sen. Blanche Lincoln (D-Arkansas) to be Chairman of the Senate Agriculture Committee. She has ties to her state's timber, rice, cotton, dairy, and meatpacking interests. Harkin, whom she replaced, had been one of the few Democratic senators with a vision of a farm policy different from the current one. In one of her first comments after being named, Lincoln described climate legislation—which is unpopular among Southern rice and cotton growers, who see higher costs and few benefits—as a "heavy lift." Her Republican counterpart, Sen. Saxby Chambliss (R-Georgia), the committee's ranking member and a fellow battler against tightened limits on subsidies for rice and cotton, only adds to the new power of Southern agriculture. Lincoln's appointment was yet another example of Democratic realpolitik trumping policy interests: It may weaken the prospects for climate change legislation, but it will strengthen her fund-raising ability going into a tough 2010 re-election campaign. Lincoln will be well positioned to influence trade and climate policy, farm subsidies, and food issues such as the use of growth hormones in milk and antibiotics in animal feeds (a key interest of Arkansas-based Tyson Foods, the world's largest processor and marketer of beef, chicken, and pork).

Given the history of the 2008 farm bill and the continuing—if not expanded—political influence of agriculture, reformers may need to consider new approaches. On the two main votes on reform in 2007, insurgents mustered just 117 votes in

---

[5] Todd Moss and Alicia Bannon, "Africa and the Battle over Agricultural Protectionism," *World Policy Journal*, Vol. XXI, No. 2.

[6] Congress raised the wheat target prices by 25 cents a bushel and loan rates by 19 cents a bushel in the 2008 farm bill.

the House and 37 in the Senate. President Bush's vetoes of the farm bill (he vetoed the legislation twice because one title was inadvertently omitted from the first version sent by Congress) were easily overridden in both chambers—garnering significantly more than the two-thirds required. On balance, this outcome may have strengthened the hand of the Agriculture committees by demonstrating the weakness of NGOs.

To rally public support for change, along with raising the issue of trade distortions, reformers focused on the need to limit subsidies to large farmers. The approach highlighted glaring inequities as well as the moral dimensions of farm programs. But the issues may have been difficult for the general public to understand, and may have diverted attention from aspects of current farm policy that have more direct impact on voters.

More promising could be an approach that focuses on what *Time* magazine, in a recent cover story, called "The Real Cost of Cheap Food"[7]—which was also a main theme of the widely viewed documentary film *Food, Inc.* Both detailed the hidden costs of a food system that is carbon-intensive; causes widespread environmental damage to soil, air, waterways, and marine life (through chemical fertilizer runoff); raises animals in inhumane, confined conditions; and may harm human health. Dozens of studies have convincingly detailed the harmful impact of modern U.S. farming practices on the environment. There is plenty of evidence, as well, that inexpensive processed food is playing a role in obesity and diseases such as diabetes. However, factors such as advertising, cultural preferences, and time stresses on families clearly play a role in the popularity of "unhealthy" foods, whereas the connection (if any) to farm subsidies is less well-established. A comprehensive effort to document the health and social impacts of the current food system could lay the groundwork for the next phase of the reform effort.

One of the most striking inconsistencies in the farm program received little attention in 2007–08. This is the existence of *two* taxpayer-subsidized safety nets: a commercial crop insurance system standing alongside a web of government programs. In 2008—a generally good year for farmers—private crop insurance companies paid out more than $8 billion in indemnities (mainly "revenue" insurance), even as government programs shelled out billions more dollars in various other direct payments.[8]

Ironically, many of the Agricrats and Blue Dog Democrats who have been the strongest opponents of a government option in health care reform are dogged defenders of the government option in agriculture. An ideologically consistent approach would be to reduce reliance on the plethora of government farm programs and increase reliance on a single, commercial insurance system more in tune with America's pro-market, private enterprise values. Government support for the private insurance system would continue (just as the federal government plays a large role now in the private health care system), but with a view to gradually reducing taxpayer exposure.[9]

[7] Bryan Walsh, "The Real Cost of Cheap Food," *Time* magazine, Aug. 31, 2009.

[8] USDA, Economic Research Service, Aug. 6, 2009, estimates of national and state farm-sector accounts, and Marcia Zarley Taylor, DTN's "Minding Ag's Business" blog, posted Aug. 8, 2009.

[9] There would be trade policy implications from relying more heavily on crop insurance since it falls under WTO guidelines for domestic support for agriculture. For a discussion of this point, see Chad Hart, Iowa State University Center for Agricultural and Rural Development and Food and Agricultural Policy Research Institute, testimony before House Agriculture Committee subcommittee on general farm commodities, April 26, 2006, http://www.card.iastate.edu/presentations/HartHouseTestimony.pdf.

Direct government payments to farmers in 2008 were $12.2 billion, 25 percent below the 2003–07 average.[10] But subsidies could rise rapidly again if commodity prices continue the declines of 2009. The Obama administration has signaled that it does not plan to wait for the next farm bill in 2012 to revisit some issues. For example, it has proposed a three-year phaseout of direct payments to all but the smallest farmers. Agriculture Secretary Vilsack has engaged in tough-love talk with farm organizations. "You've got to figure out a better way because it's coming. Sooner or later it's coming," he told the National Association of Wheat Growers in February. However, rural lawmakers counter that farmers and their bankers need time to adjust to the new farm bill before further changes are imposed.

A major challenge for future reform efforts will be to expand the network of commercial farmers in tune with the Obama-Vilsack vision, to add a voice that cannot be easily dismissed by the Agriculture committees. It is hard to see how farm policy will change without the support of a substantial bloc of farmers. This is a very large hurdle, but possibly not an insuperable one.

Early strategy papers of the reform alliance suggested that many farmers acknowledge privately that the current web of farm programs may not be politically viable in the long run, and they see business opportunities in a carbon cap and trade system. But polling indicates they deeply resent being portrayed as rich and greedy. In fact, many are committed environmentalists who want to preserve the native grasses on which their forefathers settled. Others worry about the depletion of soil and water resources on which their future livelihoods depend. The majority of those producing food are still family farmers, *not* big agribusiness corporations.

[10] USDA, Economic Research Service.

Moreover, farmers are not the primary villains in the emergence of an industrialized food system that turns out heavily processed and engineered foods that contribute to obesity and health problems by luring consumers with salt, sugar, and fats. In many ways farmers are the victims of such food engineering and advertising. They often take the blame for the "sins" of agribusiness—and of a self-indulgent consumer society. For that reason, a new reform alliance might want to consider ways of connecting progressive-minded farmers to the grass roots activists (who now include First Lady Michelle Obama) rebelling against unhealthy, carbon-intensive, heavily processed foods produced in environmentally harmful ways.

There may be opportunities for such an alliance to influence farm policy, even if it cannot radically revamp it. New political and bureaucratic forces in Washington pose a counterweight to the power of the Agriculture committees. These include the appropriations and energy committees and, in the executive branch, the Environmental Protection Agency.

The need to trim the gigantic budget deficits resulting from the post-meltdown spending "surge" is likely to lead to budget reconciliation—a process that requires most committees to find savings in their programs—as early as 2010. Farm programs will not be spared from cutbacks. Assuming farmers are compensated for reducing greenhouse gases as part of climate change legislation, they could have a new income stream over a number of years. Indirect subsidies already flow to agriculture through federal mandates, tax credits, tariffs, and research funds for the ethanol and biodiesel industries. Yet it often seemed during the farm bill debate that Congress was setting price guarantees and support levels as if the biofuels era had never happened. In the future, it may be difficult to write farm policy in that kind of a vacuum.

The “farm bloc” is not monolithic. It is actually a patchwork of interests that clash almost as often as they coincide. The American Farm Bureau Federation, reflecting the concerns of Southern agriculture, is currently opposing climate legislation while the National Farmers Union supports it. In the farm bill, the goals of cotton, wheat, corn, sorghum, and fruit and vegetable growers differed. Corn growers wanted fundamental changes in the farm program, whereas cotton growers defended the status quo. The rise of the biofuels industry has been good for growers of corn (ethanol) and soybeans (biodiesel); but there is a strong push-back from hog, poultry, and cattle feeders (not to mention food processors and retailers) because of the upward pressure on feed prices caused (in part) by demand for grain from biofuel refiners.

Even in the House Agriculture Committee, a bastion of resistance to change, the broader tensions between Old Ag and New Ag are evident. The 2008 election brought new blood to the panel in the form of 11 new Democratic freshmen, some from states outside the farm belt, such as Oregon and Maryland. Two Democratic freshmen from New York State joined the committee, and one from Pennsylvania.

Traditionalists among the 28 Agriculture Committee Democrats opposed the climate bill, citing studies showing that a “cap and trade” system would mean higher energy bills for many farmers. But 7 of the 11 freshmen voted for it. One of them, Betsy Markey of Colorado, personifies the Old Ag–New Ag tensions. Voting for the legislation was “tough,” Markey conceded. Wheat and cattle dominate her huge eastern Colorado district, but the district’s economic future may rest more with “new economy” alternative energy development. It is a center of pioneering activity on renewable fuels, with wind farms, makers of solar panels and turbine blades, and biofuels research facilities—all of which would benefit from tax credits and other incentives in the climate bill.

1 The Reform Effort Begins

The farm lobby Goliath got a scare in 2001. A would-be David came within a handful of votes of upending a new farm bill on the floor of the House. An amendment authored by Congressman Ron Kind would have shifted some farm program funds to conservation, undoing the farm bill's delicate balance between competing interest groups.[11]

In 2007 the clean-cut former Harvard football quarterback from a rural Wisconsin congressional district had larger ambitions. "Farm 21," which Kind and his Republican colleague Jeff Flake (Arizona) unveiled in May 2007 with 109 House cosponsors, was advertised as a "bold new direction for farm policy." Sen. Richard Lugar (R-Indiana) put forward a nearly identical plan in the Senate. Farm 21 would have phased out some subsidies, such as direct payments, funneling the money instead into "risk management accounts" (RMAs) that farmers could tap in bad years to pay for losses not covered by crop insurance. The plan was estimated to bring down the cost of the government safety net for farmers by $20 billion over five years. Farmers with adjusted gross income over $200,000 a year would not be eligible for countercyclical payments when prices plunged, and farmers would have to repay government loans on which crops had been put up as collateral. But other titles of the farm bill—those funding conservation, antihunger programs, renewable energy investments, and rural development—would grow significantly.[12]

For reformers allied with Kind, farm programs presented an inviting target.

[11] The amendment would have shifted $19 billion over ten years from farm subsidy payments to conservation, increasing acreage in the Wetlands Reserve and Conservation Reserve programs, establishing a new grasslands reserve, and providing as much as $500 million annually to farmers near urban areas who pledge not to sell land to developers. Although the House tally was close, opponents said later they had additional votes "in their pockets" if more had been needed to defeat Kind.

[12] Andrew Martin, "Making Waves in Dairyland," *The New York Times,* June 22, 2007, Section C, page 1.

U.S. farm programs grew out of a comprehensive New Deal economic stimulus effort. Restoring the purchasing power of the one-fourth of the U.S. population that lived on farms was seen as a key to pulling the nation's overall economy out of the Great Depression. The strategy was to raise the price of commodities such as wheat by controlling the volumes being produced. The government assigned acreage allotments to farmers based on their historic production levels, and agreed to support the price of the crops harvested on those authorized acres.

Today that acorn of government intervention has grown into a large oak with many branches. At a time when voters and many members of Congress are expressing outrage at government spending on health care and financial bailouts, the federal contribution to agriculture has gone largely unremarked.

Prior to the 2008 farm bill, Title I (the "commodity title") established price guarantees (through loans collateralized by harvested crops) and two kinds of income support (direct payments and countercyclical payments) for nine crops: wheat, corn, soybeans, grain sorghum, barley, oats, long-grain rice, medium-grain rice, and upland cotton. (Three more—chickpeas, lentils, and dry peas—were added to the list of those receiving direct payments in 2008.) Separately, the title establishes the parameters of government support for dairy, sugar, peanuts, wool, mohair, and honey. Dozens of crops are eligible for a variety of subsidized, commercial crop insurance policies. Livestock and dairy producers can also get limited coverage under pilot programs. And there are other forms of indirect federal help: tariff protections that limit imports of sugar, dairy products, and ethanol; Western water projects; grazing rights on public lands; federal "marketing orders" that control the price of fruits, vegetables, and nuts by regulating the volume and quality of what comes to market; and

Section 32, which gives the secretary of agriculture authority to buy up fruit, vegetables, meat, and fish to support prices and relieve financial stress on producers.[13] Billions of federal dollars also go into agricultural research. And the food stamp program uses taxpayers' money to vastly expand the food purchasing power of low-income Americans.

Few dispute the need for a safety net to reduce the financial risks faced by today's heavily capitalized farmers. All countries support their farm economies to some degree, and the United States' direct support is lower than that of many. Farming is a uniquely risky business. Weather, pests, plant diseases, sudden changes in consumer purchasing trends (witness the sudden concern about trans fats and the huge new demand for walnuts and almonds), the success or failure of harvests abroad—all are factors. Oil prices, interest rates, global economic growth, and fluctuations in the value of the dollar also make large year-to-year changes in farm income inevitable.[14] (Witness the collapse of milk and dairy prices in the United States in the first half of 2009, and the subsequent decline of corn and pork prices.)

Even so, critics of the modern farm program contend that the web of overlapping subsidies and payments is detached from the reality of a fundamentally robust farm economy.

[13] Section 32 is a 64-year-old program dating to the New Deal. It is funded with import duties collected by U.S. Customs and Border Protection. While most of the money is used to purchase commodities for child nutrition programs, the secretary of agriculture traditionally uses about $1.5 billion annually to purchase commodities to aid farmers, fishermen, and the meat industry. Some commodities (such as peaches and cherries) have been more favored with large-scale federal purchases than others, and, as a result, "some have questioned the decision-making process," according to Congressional Research Service.

[14] See Ashok K. Mishra, Hisham S. El-Osta, Mitchell J. Morehart, James D. Johnson, and Jeffrey W. Hopkins. "Income, Wealth and the Economic Well-Being of Households," Economic Research Service, U.S. Department of Agriculture, Agricultural Economic Report No. 812, page 26.

In 1957, Pulitzer Prize–winning author Lauren Soth wrote that "one third of American farm families live in poverty even in boom times."[15] Many farms continue to struggle. But by 2003—well before the sharp run-up in commodity prices—the average value of farm assets on family farms already was approaching $665,000, and the average net worth of family farm businesses was nearing $600,000.[16] (The farm belt from the Canadian border to Texas has been relatively well-insulated from the recent recession and collapsing land values.)

Most farm households no longer rely solely on income from farming. According to the USDA, 95 percent of the aggregate income of farm households is derived from jobs or businesses away from the farm, and average household income is above median U.S. household income. "Changing economic conditions and trends in agriculture suggest that many of the original motivations for farm programs no longer apply," concluded a 2006 White House report.[17]

Bruce A. Babcock and Chad Hart of Iowa State University suggested in 2004 that the web of price guarantees, income support, federally subsidized crop insurance, and special appropriations for disasters has so dramatically reduced risks that "we may have entered a new era of risk-free farming."[18] Indeed, the list of protections is a long one.

For example:

- There are two, not one, taxpayer-subsidized safety nets for farmers. One is the web of

[15] Lauren Soth, *Farm Trouble,* (Princeton, N.J.: Princeton University Press, 1957).

[16] Mitch Morehart and James Johnson, "Agriculture Economy Improves in 2003," Amber Waves online, U.S. Department of Agriculture, Economic Research Service, October 2003.

[17] Economic Report of the President, February 2006.

[18] Bruce A. Babcock and Chad Hart, "Risk Free Farming?" Iowa AG Review online, Winter 2004.

public programs. The other is crop insurance delivered by the private sector. About 80 percent of insurable acres (about 272 million acres in 2008 and growing) are covered by an increasingly diverse selection of crop insurance products for which taxpayers pay about 60 percent of the premiums.[19] Many farmers, such as citrus and vegetable growers, rely entirely on this coverage, and the system is being steadily expanded.[20] Yet the growth of the program has not diminished the scope—or potential cost—of the separate government safety net. Both the public and the private systems have defenders inside the USDA bureaucracy: The Farm Service Agency operates traditional farm programs while a separate entity, the Risk Management Agency, oversees commercial insurance.

- The USDA sends out more than $5 billion a year to farmers based solely on what they used to plant on a fixed number of "base acres." The checks are unrelated to current yields or prices, or even to what a farmer is growing. These direct payments are, in essence, an entitlement tied to ownership of land—a construct that some would associate more with 19th-century Prussia than 21st-century America. A second pillar of the program, countercyclical payments based on a target price, uses a similar criterion—base acres—to pay farmers when prices are low.

[19] The government periodically negotiates its share of the risks and administrative costs with the companies, resulting in a Standard Reinsurance Agreement. In 2007 the Bush administration, citing concerns about "collusion," objected to farm bill provisions stating that crop insurance companies could negotiate as a group with USDA. Congress let the provision stand. Law firms hired by the crop insurance industry say the provision merely allows the companies to do what is already permitted by statue.

[20] A new program, Livestock Gross Margin (LGM), is available for dairy and hog farmers. It will protect against a combination of higher raw material costs and lower milk or pork prices.

- Title I of the farm program is crop-centric. Nearly half the 2.1 million farms in the United States are not eligible for direct payments, countercyclical payments, or loans collateralized by crops, because they do not grow row crops.[21]

- Title I is not a true safety net because it often rewards farmers in good years while denying them the protection they need when conditions deteriorate. Corn farmers had record yields and strong prices in 2007, yet received $2 billion in federal direct payments (income supplement checks).[22] In 2006, under the separate loan deficiency payment (LDP) program, farmers—predominantly corn growers—pocketed an estimated $3.8 billion more than was needed to make them whole under the government's price floor. (When commodity prices temporarily dipped below a guaranteed price, farmers collected a "deficiency" payment, yet retained their crops and sold them above the price floor when the grain market improved.)[23]

- Benefits in Title I are tilted toward the wealthiest and most productive farmers. Including large-scale farmers in the farm program made sense when the government managed prices by controlling the acreage cultivated for various crops. Without the participation of large farms, voluntary supply controls would not have worked. But such production controls were abandoned for most crops in 1996.

[21] These ineligible farmers purchase various forms of federally subsidized commercial insurance that protect against poor yields, revenue losses (a combination of low yields and low prices), and spikes in costs of materials and feeds.

[22] Dan Morgan, "Corn Farms Prosper But Subsidies Still Flow," *The Washington Post,* Sept. 28, 2007, Section A, page 1.

[23] Dan Morgan, Sarah Cohen, and Gilbert Gaul, "Growers Reap Benefits Even in Good Years," *The Washington Post,* July 3, 2006.

- U.S. sugar, cotton, rice, sorghum, and corn subsidies may harm farmers and consumers in less-developed countries by encouraging overproduction, deflating prices, and, through tariffs or cheap exports, reducing the incomes of poor unsubsidized farmers overseas. Of the 21 sugar-exporting countries listed among the world's 50 poorest nations, just 4 have a quota to sell sugar into the heavily protected U.S. sugar market, according to Marietta Bernot, global trade and customs advisor to U.S. confectioner Mars. A 2005 Oxfam International study asserted that U.S. subsidies for corn, rice, and sorghum could be challenged at the World Trade Organization by as many as 25 countries.[24] The WTO ruled in 2005 that U.S. cotton subsidies violated global trade rules by exceeding negotiated limits and suppressing world prices. At the time, cotton was selling for 40 cents a pound in world markets. But by taking advantage of a raft of federal subsidies and legal loopholes, cotton farmers could boost their income to more than 70 cents a pound.[25]

- Overall, farm programs transfer large sums to crop farmers with limited effect on rural development. The USDA paid out nearly $1.2 billion in the first five years of this decade on agricultural subsidies for Mississippi Delta farmers, most of whom are white. Only a fraction of that sum went to rural development projects to build up the economy of the region, where the population is predominantly black.[26]

- Farm subsidies sometimes have perverse environmental consequences. The ready availability of crop insurance, for example, has encouraged the expansion of sunflower, corn, and soybean production into sensitive virgin prairie in the Great Plains.[27]

- The payment system is easily scammed. The 2002 farm bill denied subsidy payments to farmers with adjusted gross income above $2.5 million. But 2,702 rich individuals collected $49 million in farm subsidies over four years in apparent violation of the income limit, according to the Government Accountability Office.[28]

Kind's strong showing in 2001 highlighted concerns in Congress over these programs and suggested to many in the NGO community that a better-organized effort during the next farm bill had a real chance to succeed. The Environmental Working Group (EWG) and Environmental Defense had been working to shift resources within the farm bill for a number of cycles. Other groups, such as the grass roots–based Sustainable Agriculture Coalition, had long advocated stricter limits on government payments to the biggest and wealthiest farmers.

In 2004 a few groups began meeting to share insights and strategies, and to lay the groundwork for a broader advocacy campaign. Groups such as Bread for the World and Oxfam America, which had not previously participated in farm bill initiatives, expressed interest, as did several conservative groups, including the Cato Institute and the Club

[24] Oxfam International, "Truth or Consequences," briefing paper, November 2005. On the eve of farm bill debate, Canada initiated a World Trade Organization dispute settlement case charging that U.S. corn subsidies caused "serious prejudice" to Canadian corn farmers from 1996 to 2006.

[25] Dan Morgan, *The Washington Post,* "An End to Days of High Cotton?" March 8, 2005, Section A, page 1.

[26] Gilbert Gaul and Dan Morgan, *The Washington Post,* "A Slow Demise in the Delta," June 20, 2007, Section A, page 1.

[27] Government Accountability Office, "Farm Program Payments Are an Important Factor in Landowners' Decisions to Convert Grassland to Cropland," Sept. 2007.

[28] Government Accountability Office, "USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits," Oct. 2008.

for Growth. American Farmland Trust, a strong advocate of farmland protection, agreed for the first time to endorse shifting funds out of Title I, even though some of its members received farm payments. Helping to organize the early meetings was Rick Swartz, a private consultant with extensive advocacy experience on issues such as immigration. Swartz was funded by Environmental Defense.

A strategy paper drafted in November 2004 by Environmental Defense's Scott Faber emerged from these early discussions. It envisioned a $15 million, three-year effort by farm, conservation, nutrition, religious, labor, public health, consumer, energy, and rural development organizations to transform U.S. farm policy in the next farm bill. The effort would be aimed at shifting U.S. agriculture from traditional price and income supports that mainly benefited a minority of large farms in a few states, to "green" payments that rewarded a much broader constituency of farmers for improved land stewardship.

The idea had broad appeal and became a blueprint for the reform movement. The notion that savings in the Title I program could be used for activities with a long-term payoff appealed to conservation and antihunger organizations and to sportsmen who wanted more money for their programs. Fiscal conservatives viewed farm subsidies as a poster child for wasteful big government. Groups supporting small farmers, minority farmers, and "sustainable" agriculture wanted farm program benefits distributed more equitably.

Overarching all these goals was a broader moral and economic argument that had emerged earlier in the decade from thinking at the Rockefeller and the William and Flora Hewlett foundations. It made a connection between farm subsidies in rich countries and global poverty and hunger. Subsidies for large-scale commercial farmers using massive amounts of fertilizer and heavy equipment were seen as leading to overproduction of some crops, dumping, trade distortions, and lost opportunities for unsubsidized farmers in some of the world's poorest countries. While other U.S. foundations and aid organizations focused on providing direct aid (fertilizer, seeds, etc.) to these poor farmers, analysis supported by Hewlett emphasized the importance of looking at farm and trade policies in rich countries to improve agriculture, raise incomes, and reduce hunger in the developing world. The Hewlett Foundation made grants in support of a number of new groups on the left and right, enabling them to join the debate. [29]

Hewlett was also a supporter of the German Marshall Fund of the United States (GMF), which, as a nonpartisan U.S. public policy institution, promotes greater transatlantic cooperation. For GMF, the farm bill presented an opportunity to underwrite education and research that would make a connection between U.S. and European agricultural and trade policies on the one hand, and economic development in poorer countries on the other.[30]

Business interests suggested that concern about the farm program reached beyond NGOs. The Grocery Manufacturers Association (GMA),[31] representing large multinational food processing and distribution companies such as Kraft Foods,

[29] Hewlett made grants to, among others, the Environmental Working Group, Environmental Defense, the American Farmland Trust, Bread for the World, Oxfam America, Citizens Against Government Waste, Taxpayers for Common Sense, the Center for Rural Affairs, the National Wildlife Federation, the Cato Institute, the International Food Policy Research Institute, and the German Marshall Fund of the United States.

[30] A GMF fellowship enabled the author of this paper to follow the farm bill debate in Congress and report on it for *The Washington Post* and other outlets. GMF also provided a fellowship to Keith Good, a major contributor to this paper, enabling him to continue producing a widely read online daily press review, FarmPolicy.com.

[31] GMA merged with the Food Products Association in January 2007.

Campbell Soup, and Pepsi, joined the alliance. Its president, Calvin M. (Cal) Dooley, was a former Democratic California congressman, and his presence added the weight of a major business organization to the moral heft of church groups.[32] (It is worth recalling that, while in Congress, Dooley had supported raining loan rates on cotton, a major commodity in his Central Valley constituency.) Richard Gilder, a philanthropist, wealthy investor, and chairman of the pro-business Club for Growth, quietly supported selective environmental causes. The Gilder Foundation gave funds to Environmental Defense, and Richard Gilder lent his backing to the alliance's program. He opposed "corporate welfare" in the farm bill and believed reducing farm subsidies would open the door to a global trade deal beneficial to business.

Suggestive of the breadth of interest was the participation of Bread for the World, which describes itself as a "collective Christian voice urging our nation's decision makers to end hunger at home and abroad, by changing policies that allow hunger and poverty to persist." Through his contacts with African religious leaders, the Rev. David Beckmann, the organization's president, had learned that small-scale African cotton farmers were losing out to subsidized U.S. cotton in world markets. As a result, Bread for the World made the farm bill a "tier one" legislative issue in 2007. Under the rubric of "making the farm bill fair" for farmers abroad and at home, the organization supported changes in Title I.

Bread for the World's participation was a significant coup for the reform alliance. It was a true grass roots organization, with activists in every congressional district and a network of close ties to the religious community. Senate Agriculture Committee Chairman Tom Harkin

[32] Dooley is now president and chief executive of the American Chemistry Council.

was an honorary board member. Leon Panetta, a former California congressman who tasted the farm bloc's power as chairman of the House Budget Committee, was an active board member.[33] ("You don't know what you're getting into," he said when the subject of a challenge to the farm program was broached. But he supported the effort.) In September 2006 the organization hired a veteran lobbyist to work on the farm bill.

The following month, the *Atlanta Journal-Constitution* described the alliance in enthusiastic, if somewhat breathless, terms: "A vast coalition of disparate groups…helped form an ad hoc, politically diverse coalition preparing to fight the farm bill. Oxfam along with Yum Brands, the Louisville, Kentucky–based company that owns Pizza Hut and Taco Bell restaurants in 100 countries, decries the impact of subsidies on free trade. So, too, does the Food Products Association, the nation's largest food and beverage trade group."[34]

By the end of 2005, the reform movement had a big tent and a name to go with it: the Alliance for Sensible Agriculture Policy (ASAP). It had an organizer, Swartz; and it had a consultant, M+R Strategic Services, on contract with a number of alliance members to provide support for "media outreach" efforts.

Eventually 35 organizations would sign on. It was a loose confederation, not a tightly organized coalition. It had no statement of principles, no letterhead. But it was seen as having some unique advantages. As part of a "left-right" alliance, members such as the Heritage Foundation and the Cato Institute could appeal to GOP conservatives even as liberal groups worked the other side of the aisle.

[33] Panetta is now director of the Central Intelligence Agency.

[34] The *Atlanta Journal-Constitution*, Oct. 11, 2006.

New ideas offered by a range of groups not directly involved in the reform group held out the promise of a rich debate, and this was one of the reasons for early optimism, recalled Allen Rosenfeld, senior vice-president of M+R Strategic Services. "The farm bill is wide open," said Bob Ehart of the National Association of State Departments of Agriculture. "The time is ripe for a lot more people to have a hand in it and really shake things up."[35]

Washington think tanks and business organizations also joined in. From the fall of 2006 through the spring of 2007, they tossed at least two-dozen farm bill policy proposals into the hopper. The American Cancer Society and the American Heart Association got into the act, with proposals that connected the health of Americans with policy incentives encouraging Americans to choose better diets—including those using less high-fructose syrup from corn grown on subsidized farms.[36] An all-star panel of economists, businessmen, and foundation executives assembled by the nonpartisan Chicago Council on Global Affairs outlined a "Vision for a New Direction," calling for an end to trade-distorting farm subsidies. Citigroup offered a novel plan for a privately financed buyout of farm subsidy recipients that it said could save taxpayers $9 billion in five years. Two former Senate majority leaders, Robert Dole (R-Kansas) and Thomas A. Daschle (D-South Dakota) weighed in with their own proposal, calling for a modified safety net and a strong federal commitment to expanded use of ethanol.[37]

Most important, the reformers had a powerful ally in the Bush administration.

[35] Catherine Richert, *Congressional Quarterly Weekly*, Jan. 6, 2007.

[36] Ibid.

[37] Tom Daschle and Robert Dole, "Succeeding in the 21st Century: New Markets for American Agriculture," May 30, 2007.

As a new president in 2001, Bush had given the green light to rethinking farm policy. It was an early sign of the new president's high-rolling tendencies, for a long line of GOP conservatives had blunted their swords trying to rein in the subsidies.

President Reagan's budget director, David Stockman, bent on reforming what he called "the worst nonsense of all in the budget," had been forced to retreat when confronted by the farm lobby.[38] To Stockman, farm programs ran completely counter to GOP writ. (Sen. Judd Gregg, R-New Hampshire, later would jokingly refer to farm state lawmakers as "the commissars.") Subsidies encouraged overproduction of crops, which forced the government to purchase them at above-market prices and put them in storage in order to support the price dictated by Congress. The result had been years of surpluses and embarrassing, government-owned stockpiles of unsold grain, cotton, sugar, and dairy products (mainly in the form of powdered dried milk).

Nonetheless, the 1985 farm bill did include a significant provision that set the stage for a freer domestic market in most farm commodities. Though it attracted little notice at the time, it led to the dwindling of the huge government-held stocks. The new initiative made it possible for farmers to sell their crops at whatever the market was offering and collect a "deficiency payment"—the difference between the sales price and the support price. Although farmers still had the right to forfeit their crops to the government in return for cash, the incentive to do so faded.

The USDA still managed the farm economy through controls over what and how much farmers grew, but in 1995 the newly installed Republican majority in Congress went further. "Freedom to

[38] David Stockman, *The Triumph of Politics.* (New York: Avon Books, 1986), 166.

Farm," the nickname for the farm bill enacted in 1996, was a radical break with the past that probably would not have occurred without an ideologically driven GOP. It ended decades of government controls over the acreage individual farmers could use for specific crops. (Acreage controls or quotas continued for sugar, tobacco, and peanuts.) Republicans touted it as an ideological victory for conservatives who wanted to "get the government out of agriculture." But behind the scenes, the legislation was crafted by shrewd farm state lawmakers to make sure agricultural interests were well taken care of.

Countercyclical payments were scrapped, but in return farmers got cash income support. These fixed payments were a top priority of Rep. Pat Roberts (R-Kansas), chairman of the House Agriculture Committee. The payments locked in a continuing stream of federal cash in the face of a recent slide in subsidy payouts caused by temporarily higher commodity prices. And Roberts saw them as a reliable source of federal cash for Kansas wheat farmers when their crops failed due to drought or disease. Meanwhile, after behind-the-scenes logrolling, payments to rice farmers were pegged at nearly $100 an acre—enough to bring Southern lawmakers such as Sen. David Pryor (D-Arkansas) on board.[39]

The fixed payments were tied to "base acres" in the former farm program—regardless of whether that land was still being farmed. The payments, known originally as "production flexibility contract payments" and later "direct payments," amounted to a lucrative new entitlement for landowners. The value of the payments was soon factored into land values and rents. And, as legally binding multi-year contracts, they arguably were not subject to tinkering during budget reconciliation.

[39] Roberts was elected a U.S. senator just months after "Freedom to Farm" became law.

George W. Bush, whose administration took office in 2001, was no fan of farm programs. Bush had been an oil man before he became a gentleman rancher. Not long after taking office, Agriculture Secretary Ann M. Veneman released a white paper, "Taking Stock for the New Century," noting the changing conditions in agriculture. Key parts of the paper were based on research done by Under Secretary of Agriculture J. B. Penn while he was still a consultant in the private sector.

According to a summary, Penn's analysis showed that the total acreage devoted to planting corn, wheat, soybeans, and cotton tended to remain constant or increase regardless of whether prices were high or low, although the share of acres for each crop might change. In other words, despite the 1985 provisions and the reforms of 1996, farmers were not responding to market signals as expected. The 1996 farm bill, Penn demonstrated, offered deficiency payments that provided effective price guarantees well above what it cost in fertilizer, seed, and fuel to grow a crop. The effective support price for soybeans, for example, was 139 percent of the farmers' costs. Penn had "cracked the code." He showed that, with subsidies, the largest farmers' effective returns were 50 percent above the price they received in the marketplace.[40] Penn typed farms into three categories—small, medium, and large—and suggested that the USDA offer programs tailored to each, rather than continue the one-size-fits-all system.

But Congress largely ignored the department and instead enacted one of the most generous farm bills in history. Though many believed they would phase out, the production flexibility contracts were made permanent. Countercyclical payments, jettisoned in 1996, were restored. Congress used its leverage—the White House wanted approval

[40] Susan Sechler, Rockefeller Foundation internal memorandum, Dec. 10, 2002.

of trade promotion authority—to head off a veto. With mid-term elections just months away, Bush reluctantly signed the bill, and then he faced a storm of criticism from GOP fiscal conservatives.

Determined not to be outflanked again, the administration began work on the new farm bill well ahead of the congressional debate. Starting in 2006 members of the reform alliance had regular contact with USDA officials such as Deputy Secretary of Agriculture Charles F. (Chuck) Conner. Conner had been a top aide to Sen. Richard Lugar (R-Indiana), and later a senior advisor in the Bush White House. Agriculture Secretary Mike Johanns, a former Nebraska governor with more political weight and credibility in farm country than his predecessor, Veneman, toured states and held forums soliciting ideas from farmers. When *The Washington Post* published a series of stories detailing flaws and loopholes in the subsidy system, Johanns ordered his staff to draft a memo addressing each point in the *Post* series. The memo was used as background for the administration's subsequent farm bill proposal.

Johanns was upbeat during a January 2007 rollout of the administration's plan. "Times have changed," he said.[41] Though criticized for not going far enough, the 183-page USDA outline won considerable support from reformers and small farmers, but got a jaundiced reaction from Capitol Hill and commodity organizations. The administration proposed saving almost $10 billion over ten years by making cuts in countercyclical payments and the market loan program, and making households with more than $200,000 in adjusted gross income ineligible for subsidies. Challenging two of the most influential farm lobbies, Johanns also proposed cuts in the sugar program and in crop insurance subsidies. Along with the spinach, Johanns served up some ice cream: $7.8 billion more for conservation programs, a 17 percent increase. There was also more money for biofuels research and young farmers.[42]

With the new benefits, USDA calculated that the legislation was $5 billion over the ten-year baseline. That fact displeased political operatives at the White House who feared criticism from GOP conservatives. But officials at the USDA saw it as a pragmatic compromise that would help appease both the farm bloc and others with an interest in the legislation. "It seemed to be a way to say we have new priorities but we still want to be friendly to production agriculture," said one official.

[41] *The Washington Post,* "USDA Outlines a Plan to Cut Farm Subsidies," Feb. 1, 2007, Section A, page 1.

[42] USDA 2007 Farm Bill Proposals.

2 The November Surprise

Many in the reform group had been elated by the Democratic victories in the November 2006 mid-term election. The new House Speaker, California Congresswoman Pelosi, had voted for the Kind amendment in 2001. But as leader of a shaky new Democratic majority, she had markedly different priorities. "It is a real challenge, because we want to make some changes [in farm policy] but we don't want to put our members at risk," explained House Majority Leader Steny Hoyer (D-Maryland).[43] Looking ahead to the election of 2008, party strategists wanted to contrast Democrats with the GOP's ideologically driven antipathy to farm programs after their 1994 victories. In that sense, Democrats saw the farm bill as "an opportunity for our party," said Congressman Chris van Hollen (D-Maryland), who led the effort to elect Democrats to the House in 2008.

The 2006 election unseated 19 rural House Republicans in states that went for President Bush in 2004. Many of the Democratic freshmen were anxious to join the Agriculture Committee—not to fight for reforms but to associate themselves with legislation that would bring home the bacon. With that in mind, Democratic leaders placed eight freshmen (seven from red states) on the Agriculture Committee, positioning them to take credit for a farm bill that would be popular in rural America.[44] As the process unfolded, new rural members told leaders that passage of a farm bill was something Democrats "need to get done." A senior Democratic staffer later described the situation this way: "It is not someone's imagination that this is life and death for a lot of them. The intensity of the need in farm districts cannot be over emphasized." It was an early sign that the Agricrats would be a force to be reckoned with.

[43] Interview with author.

[44] The freshmen were: Brad Ellsworth (Indiana), Nancy Boyda (Kansas), Zack Space (Ohio), Tim Walz (Minnesota), Kirsten Gillibrand (New York), Steve Kagen (Wisconsin), Joe Donnelly (Indiana), and Tim Mahoney (Florida).

Across the aisle, the election weakened the GOP reform faction. GOP advocates of change, such as Sens. Lugar and Gregg, and Republican Leader John Boehner of Ohio, were relegated to the minority. And the ranking Republican on the Senate Agriculture Committee, Saxby Chambliss of Georgia, spokesman for cotton and Southern farming interests, was famously unsympathetic to reform arguments.

The arrival of a Democratic majority in both houses also called into question the overall "left-right" strategy. The plan had been for conservative groups to appeal to budget hawks and "small government" Republicans, while pro-Democratic antihunger and environmental groups worked on urban liberals, and African-American and Hispanic lawmakers. Now Democratic-leaning advocacy groups fighting for improvements in the food stamp and environmental programs had a direct line to the congressional leadership and were in less need of the leverage a left-right alliance could deliver.

Still, members of the alliance were hopeful. To backstop Kind, they divided the labor.

Monica Mills, Bread for the World's director of government relations, hired retired Rep. Eva M. Clayton (D-South Carolina) to lobby members of the Congressional Black Caucus on behalf of Title I reform, rural development funding, and provisions helping minority farmers. Together they visited each member of the caucus to plead for support for Farm 21, antihunger programs, and rural development funds. With help from the Food Resources Bank,[45] Mills organized a meeting in Conrad, Iowa, attended by farmers, an equipment dealer, a banker, and a farm investment advisor,

[45] FRB describes itself as a "Christian response to world hunger." Its goal is "to engage the grassroots agricultural community in the U.S., along with individuals, churches and urban communities, to grow solutions to hunger problems in our world."

among others. From them, Mills heard a different tune than that coming from the Washington, DC–based farm and commodity organizations. "They all supported reform," she recalled. In June 2007 Bread for the World's grass roots contingent came to Washington for its annual "lobby day" to explain the reform position to members of Congress.

Bread for the World also helped organize a working group of religious organizations that included the U.S. Conference of Catholic Bishops, the National Council of Churches, the Episcopal Church, and the Evangelical Lutheran Church in America. The group's statement of principles—distributed to members of Congress—declared that "broad reform of U.S. food and farm policy, including adjustments to the commodity payment programs," was "important to progress against hunger and poverty in this country and around the world."

Meanwhile Oxfam was running its farm bill effort "like a campaign," according to one of the organization's senior Washington aides. It used research by academics, media advertising, and conventional Washington lobbying to affect the debate. It spread money to black and Latino organizations, and student and church groups, such as the Progressive National Baptist Convention, to mobilize grass roots support for a farm bill that would shift resources from wealthy farmers and reduce subsidies that were indirectly damaging to poor farmers in developing countries. To put a human face on the issue of unfair U.S. cotton subsidies, the organization brought several delegations of West African cotton farmers to the United States. It also worked with the lobbying firm of Clark & Weinstock, which has close ties to the GOP, on farm bill and trade issues.

In the run-up to the congressional debate, Oxfam financed a study of how U.S. cotton subsidies affected the incomes of West African farmers. Conducted by economist Daniel Sumner from the University of California at Davis, it concluded that eliminating subsidies in the United States would raise world cotton prices 6 to 14 percent. That in turn would increase the incomes of West African cotton farmers by 2.3 to 5.7 percent—enough to cover health care costs of four to ten people for a year, or schooling for one to ten children, or a one-year supply of food for one or two children.[46]

The Grocery Manufacturers Association weighed in with a study that focused on sugar policies that raise prices for processors and consumers. Behind the scenes, GMA's Dooley also worked to drum up support for farm bill reform from the U.S. business community. In a July 2007 letter to House and Senate leaders, several key business groups called on Congress to enact long-needed reforms in farm policy "that will create a dynamic opportunity for U.S. trade negotiators to increase the pressure on our trading partners to offer substantial new market access opportunities that would benefit American farmers, manufacturers and services providers." It was signed by big guns in American business, including the Business Roundtable, the U.S. Chamber of Commerce, the National Retail Federation, the National Association of Manufacturers, and the Information Technology Industry Council. (Disappointingly, groups such as the Motion Picture Association, which had major intellectual property issues at stake in the Doha talks, did not agree to sign the letter.)[47]

While the Environmental Working Group hammered on inequities in farm payments, using its widely viewed website and a rapidly growing list of email subscribers (now numbering 680,000), Environmental Defense attempted to persuade

[46] Daniel Sumner, "Impacts of Reductions in U.S. Cotton Subsidies on West African Cotton Producers," Oxfam International, June 22, 2007.

[47] Dan Morgan, "Analysis from Washington," FarmPolicy.com, July 23, 2007.

House freshmen that the Kind plan would be good for farmers back home. An Environmental Defense analysis showed that Kind's plan to shift traditional subsidies to clean water, clean air, and wildlife habitat programs would *increase* the flow of federal dollars from the farm bill in several dozen districts represented by Democratic freshmen. Environmental Defense examined scenarios in which $10 billion, $15 billion, and $20 billion of direct payments were shifted to conservation programs benefiting working farms. It found that rural congressional districts in Ohio, Wisconsin, Pennsylvania, New York, Vermont, Florida, and California stood to benefit.

In April 2007 all the groups with a stake in the legislation met at the Wye Plantation in Maryland. Swartz's company, Strategic Solutions, began to convene regular conference calls and monthly meetings, and M+R Strategic Services continued to coordinate the media campaign.

Reformers had grounds for optimism. The alliance had developed a network of friends and supporters on the Hill. Kind served on the powerful Ways and Means Committee. Democratic Rep. Jim McGovern (Massachusetts) was second-ranking on the Rules Committee, and Rep. Paul Ryan (R-Wisconsin) was top Republican on Budget. Democratic Rep. Joe Baca of California, a member of the House Agriculture Committee, was drafting a bill that dovetailed with some aims of the alliance. Aimed at the Latino community, it expanded programs for farmers' markets, organic food producers, and healthier foods in schools.

The tight budgetary picture going into 2007 could also be a plus, Swartz reasoned. To signal that there was a new gang in town after years of soaring budget deficits, Democrats had restored "paygo," a budget rule that prohibited bills from increasing the deficit without an exemption from the Budget committees. In theory, paygo forced Congress to make tough choices. Spending increases in one part of a bill had to be offset by spending cuts in other parts—or with tax increases that (in the case of the farm bill) lay outside the jurisdiction of the agriculture panels.[48] Given these budget pressures, Swartz figured, the Agriculture committees might be willing to make cuts in Title I in order to pay for the funding increases in antihunger and conservation programs needed to pass the overall bill.

48

3 Money, Politics, and the Farm Lobby

Still, few in the alliance underestimated the biggest hurdle: the political power of the farm bloc.

During an interview that Keith Good and I conducted while working on this paper in 2007, a prominent Washington lobbyist excused himself for about 45 minutes. He had been summoned to the House Agriculture Committee to consult on an important piece of legislation. When he returned we settled down to questions, but he frequently consulted his Blackberry. At one point he confided that in just the few minutes he had been talking to us he had received three invitations to attend fund-raisers for members of Congress.

It was a good example of the interlocking connection between agriculture policy, politics, and money. In 2006 *The Washington Post* published this sketch of the agricultural lobby: "It is an efficient, tightly knit club of farmers, rural banks, insurance companies, real estate operators and tractor dealers. Many of its Washington lobbyists are former lawmakers or congressional aides. Harnessed to dozens of grass roots groups, such as the American Farm Bureau Federation, the National Cotton Council and the USA Rice Federation, farm-state lawmakers—the 'aggies,' as they call themselves—fight with the fervor of the embattled."[49]

Relatively quiescent in the 1980s and 1990s, the farm lobby recently has been mobilized by new issues such as climate change, food safety, and, of course, the continuing battle over farm subsidies. New groups have sprung up, such as the Corn Farmers Coalition (representing the National Corn Growers Association and state corn-growing groups). It recently placed advertisements in *Politico*, the Capitol Hill newspaper, pointing to the success of corn farmers in cutting soil erosion. The rapidly expanding ethanol industry, with close ties to its suppliers, corn growers, has added political muscle. Lobbying alongside farm groups for changes in the climate change bill in 2009 was Growth Energy, a new group representing 51 ethanol plants, and Poet LLC, one of the largest companies in the Midwest "ethanol patch." Growth Energy's chief executive, Tom Buis, president of the National Farmers Union, worked closely with Peterson on the farm bill.

But in 2007 and 2008, the lobby was exercising its power in traditional ways: through its influence on the Agriculture committees in both houses of Congress; a broad, bipartisan base of support in the U.S. Senate; dozens of farm and commodity organizations with permanent offices in Washington; lobbyists; campaign contributions; and roots in almost every county in America. Money is part of the farm bloc's influence. Sugar, cotton, and dairy interests—"white power"—vie with other big lobbies in campaign contributions and political fund-raising. But political contributions are not the only reason for the farm bloc's enduring influence.

Agriculture's interests are deep and wide. For example: The American Farm Bureau Federation, the nation's largest farm organization, reported lobbying on 70 separate pieces of legislation in the first quarter of 2008. The issues ranged from animal cloning to national ambient air quality standards. The Farm Bureau has an annual budget of more than $25 million and a membership of 6.2 million. It runs an online store, operates a foundation, sells crop insurance policies, and maintains a staff of 70 in Washington. Many state-based farm bureaus employ lobbyists and have their own political fund-raising operations.

Given that ranching and farming activities cover about half the land in the lower 48 states—and that the U.S. corn crop takes up an area roughly the size of New Mexico—it is hardly surprising that agriculture has influence on Capitol Hill. Looking down from a

[49] *The Washington Post*, "Powerful Interests Ally to Restructure Agriculture Subsidies," Dec. 22, 2006, Section A, page 1.

coast-to-coast flight, one sees farms, small towns, and the roads and rail lines connecting them. Drop into a farm town, and agriculture's role as the economic lifeblood is evident in the pickups outside the local diner, the USDA office at the edge of town, and the farm equipment dealer on Main Street.

The fact that there are only a few hundred thousand full-time commercial farms belies the political importance of agriculture. "We are different from Microsoft or Fannie Mae," a Washington-based agricultural lobbyist said. "When groups with ag interests come to us we ask, 'Who are the mortgage bankers in your district?'"—implying that almost every issue involving farmers has a local financial interest as well. Financial, real estate, and insurance groups give more money to members of the Agriculture committees than do agribusiness companies and farm groups.[50]

About 1.2 million farmers and farmland owners received $15 billion in income support or price guarantees in 2005, according to a *Washington Post* analysis of USDA payment records.[51] The benefits were tilted to large commercial farmers growing a few row crops in a handful of states. But a middle group of more than 100,000 farms received between $25,000 and $100,000 each in 2005. That is a significant sum in any household budget. The federal dollars ripple through local economies, helping stores, rural banks, insurance companies, equipment dealers, aerial spraying companies, grain elevators, and trucking companies, and creating a grass roots constituency in favor of the status quo.

That was the landscape when a 56-page policy recommendation from the Farm Bureau set the tone in early 2007 for a broad defense of the status quo. It argued that "the basic structure of the 2002 farm bill should not be altered" and warned that adequate funding for conservation programs "should not come at the expense of full funding for commodity programs." It was imperative, the Farm Bureau said, "that baseline funding for the commodity title ($7 billion per year) and for the conservation title ($4.4 billion per year) currently available for 2008–2013 spending be maintained." It also warned that the farm bill should not make changes in farm programs on the assumption that the Doha Round would produce an agreement from the United States to lower its subsidies.

The National Farmers Union, the nation's second-largest farm organization, had roots in the fighting days of farm populism, and was closer to Democrats, including such powers as Peterson and Conrad. But it echoed the Farm Bureau's essential plea to keep basic farm programs intact, even as it offered some new ideas. Reflecting a long-standing NFU bias toward a safety net for farmers based on their costs and purchasing power (harking back to the ancient populist watchword of "parity"), the NFU proposed subsidy payments to farmers "indexed to the cost of production."[52]

Going into 2007, however, farm organizations were far from united. The 2002 farm bill had produced a windfall for some, but less bounty for others. At the same time, the fortunes of crops had varied. Politically well-connected groups representing corn, wheat, cotton, and other major staples were pulling Peterson in different directions.

Apart from the reform alliance, and mindful of West African farmers, Oxfam was working to persuade members of the House and Senate Agriculture committees that farm programs were unfairly tilted toward cotton. Cotton depended

[50] Eamon Javers and Victoria McGrane, *Politico*, June 18, 2009.

[51] Dan Morgan and Sarah Cohen, "Powerful Interests Ally to Restructure Agriculture Subsidies," *The Washington Post*, Dec. 22, 2006, Section A, page 1.

[52] "NFU Members Lay Out 2007 Farm Bill Priorities," NFU news release, March 5, 2007.

heavily on traditional subsidies, which (as noted earlier in this paper) made up the difference between the high operating costs of a U.S. cotton farm and the lower world prices. While higher prices were reducing subsidies for grains, world cotton prices continued to drift well below the support price.

By contrast, corn growers were prospering under the 2002 farm bill. They had capitalized on a loophole in the farm bill—the loan deficiency payment—that locked in billions of dollars in windfalls. (Corn growers could claim the deficiency payment when the price dipped below the support price, but retain ownership of their crop and sell it later after prices improved.)

On the other hand, the 2002 farm bill had been little help to Western wheat growers, who were coping with dry weather, lackluster markets, stagnating yields, and losses from diseases. "Since 2002," the National Association of Wheat Growers noted in its statement to Congress, "wheat growers have received little or no benefit from two key commodity components of the farm bill, the countercyclical program and loan deficiency payment program."[53]

Most vexing to Peterson as he began shaping his bill was what, if anything to do about direct payments, the income support engineered by Roberts in 1996. These automatic payments were an entitlement that attached to ownership of farmland. But several USDA studies suggested that by indirectly increasing land prices (and rental costs) the payments raised the costs of farming for beginner farmers and contributed to the concentration of farm holdings.

The National Farmers Union had never liked direct payments: Hardworking farmers hated the idea of taking money for nothing. NFU president Buis considered direct payments a "legacy of the 1996 farm bill that didn't work." In Congress, both Peterson and Harkin had serious reservations. "I don't know how we can justify them," Harkin said.[54]

But Western wheat growers and Southern rice and cotton growers put a high priority on maintaining this subsidy. It promised a steady stream of government cash to growers of wheat, a notoriously fickle crop. For cotton growers, these payments were an insurance policy against cuts in traditional U.S. price support subsidies then being challenged by Brazil. The World Trade Organization had found that the U.S. direct payments did not affect planting decisions and therefore did not distort trade.

"It's hard to explain to people, but it's built into the whole farming structure now," Peterson said. "It's the bankers and the landlords and everything else that wants them. You get everybody stirred up if you try to do something. The farm credit people and the local bankers are more vociferous about direct payments than the farmers."[55]

One major group that believed the farm programs needed more than minor tweaks was the National Corn Growers Association and many of its affiliated state organizations. Corn was the nation's largest crop, and the National Corn Growers were well-financed, with an annual budget of nearly $10 million. The organization had long agitated for a farm program better suited to corn's particular needs.

Iowa corn growers wanted a new kind of government farm program that guaranteed a farm's bottom line revenue: a factor of price per bushel times bushels harvested per acre. Traditional government farm programs didn't work that way.

[53] National Association of Wheat Growers, "Road Map to the 2007 Farm Bill."

[54] Teleconference with reporters, May 24, 2007.

[55] Interview with the author and Keith Good.

They only offset low prices, based on targets and guarantees set by Washington. They were little help when prices were high but a farmer's crop failed.

Efforts to insure farmers' overall revenues date to at least 1933. But they were slow to catch on because of their complexity and cost. The idea gained traction in the 1990s, however, and some commercial crop insurance companies began offering products that insured revenues pegged either to the expectations of an individual farm or those of a group of farms in a particular area. These products, which included Crop Revenue Coverage (CRP), Revenue Assurance (RA), and Group Risk Income Protection (GRIP), offered some protection if prices fell sharply after crops were planted, or if yields plummeted below historic norms. The drawbacks were that policies such as GRIP, first offered in 1999, did not necessarily cover losses on an individual farm, whereas CRP and RA had premiums so steep that farmers seldom could afford to insure for more than 75 percent of their losses. (A revenue policy with a deductible of 25 percent means that prices or yields or both must fall fairly steeply for a farmer to collect an indemnity.)

In the lead-up to the 2007 farm bill debate, the corn growers faced several problems that made a new kind of government revenue insurance program particularly attractive. Corn prices, driven by exports to Asia and the booming, government-backed ethanol industry, were rising above the level at which growers were eligible for either countercyclical or deficiency payments under traditional USDA programs. But the increasingly popular commercial revenue insurance policies carried hefty premiums—premiums that would be reduced if the USDA assumed some of the risk.

With Iowa State University economist Bruce Babcock on tap crunching numbers, the corn growers called for a new government safety net option—an "Average Crop Revenue" (ACR) plan that would replace the countercyclical payment program and take over some of the functions of GRIP. The legislative outline, written by then President Ken McCauley, stated: "Farm programs must recognize agriculture's dynamic changes."[56]

Within the agribusiness community, the corn growers' proposal was political dynamite. To some policymakers, ACR was a significant initiative that could lead to a simpler, more rational government safety net. But the crop insurance industry saw it as a dangerous encroachment on its turf. (The industry is a significant lobby in its own right. Fifteen companies employ some 18,000 agents and loss adjusters, many of whom are also farmers.) ACR also aroused a wary reaction outside the corn growers, because in return for the revenue protection, farmers would give up some of their traditional subsidies, including a portion of their direct payments. To some, therefore, ACR seemed like a step toward a "single payer" safety net—a camel's nose under the tent of traditional programs.

Given these facts, ACR looked to be a long shot going into the farm bill discussions. But it would ultimately be accepted, with some significant changes—not because it represented a step toward reform but because Congressional Budget Office scoring procedures credited it with saving money. (See below.)

The disagreements between commodity organizations was in some ways the least of Peterson's problems, however. The biggest one, as Swartz had predicted, was money. Peterson was a leading Blue Dog, a member of the caucus of conservative Democrats who tried to keep spending and deficits in check. The chairman

[56] National Corn Growers Association, "Forging a New Direction in U.S. Farm Policy: 2007 National Farm Security Act," March 2007.

had "been for paygo before it was cool."[57] But paygo left him in a bind. It assumed entitlement programs would simply go forward unchanged, using up all the funds made available by the Budget committees. That left Peterson with no room to add new initiatives while protecting the farm program. While Peterson held out hope—raising expectations throughout the House—that the budget committee would create a special "reserve fund" allowing him to bust the budget baseline, he knew this was mainly wishful thinking. Yet he needed 218 House votes to pass a farm bill and to get them he would have to satisfy many groups.

Satisfying antihunger groups had always been essential to winning votes of the Democratic Party's urban base in the House. For many cycles, farm bills had been deals between the rural farm lobby and the city-based nutrition lobby. This year would be no different. The Center for Budget and Policy Priorities, one of the most influential and politically well-connected participants in the reform alliance, was ready with proposals for strengthening the food stamp program after years of what it saw as neglect by Republicans. An upward adjustment of the minimum benefit and of the minimum deduction was needed. That would require billions of dollars in new funding.

On that score, the Bush administration had been little help to Peterson. Its proposal *cut* ten-year funding for the food stamp program by $67 million, though it did cater to Harkin with $500 million to increase the use of fruits and vegetables in the school lunch program.

Food stamps had solid support in the Senate. But in the predominantly rural House Agriculture Committee, food stamps were widely viewed as a political necessity. Conservative lawmakers in both parties were unhappy with food stamps' soaring costs. The program gobbled up two-thirds of the farm bill's total spending, a consequence of a steady rise in the number of eligible beneficiaries.

The program was especially unpopular with GOP conservatives who considered it to be riddled with waste, fraud, and covert assistance to illegal immigrants. Ranking Republican Bob Goodlatte of Virginia was an enthusiastic supporter of community food banks run by churches and volunteers. A former Goodlatte aide lobbied for America's Second Harvest (now called Feeding America), the nation's largest hunger-relief charity. (During the House Agriculture Committee's consideration of the farm bill, Rep. Randy Neugebauer (R-Texas) moved unsuccessfully to prevent food stamp benefits from being indexed to inflation.

Democratic leaders were slow to grasp the problem that Peterson faced in the nutrition accounts, but that changed when Rep. Rosa DeLauro (D-Connecticut) picked up the food stamp cause. Through 2007 and 2008, DeLauro pushed for more food stamp funding and nutrition generally, even clashing with Harkin at one point over the trade-off between more money for food stamps and more for Harkin's favored school snacks initiatives.

DeLauro, an intense, skilled legislator, could not be ignored. In 2007 she took command of the appropriations subcommittee that provides annual funding for farm bill programs. She was close to Pelosi, with whom she had served on the House Appropriations Committee. (In 2003 Pelosi, then minority leader, named DeLauro co-chair of the Democratic Steering Committee, an important leadership post that controls committee assignments.) DeLauro had the speaker's ear.

She soon emerged as a new voice in agriculture, sensitive to the growing grass roots interest in food safety, local foods, farmers' markets, organic

[57] Peterson teleconference with reporters, June 29, 2007.

produce, and smaller, Northeastern farmers. Of the farm bill, she said later, "This was a bill that was going to fold unless it took into consideration some new people."[58]

With considerable fanfare, DeLauro and Republican Congressman Wayne Gilchrest (Maryland) unveiled a farm bill plan of their own geared to the interests of Northeastern agriculture. The rollout press release noted that commodity programs support just 39 percent of the nation's farms and that 35 million Americans do not have enough to eat—an unsubtle reminder that a lot of those who should be benefiting from farm bills were not. Written in close collaboration with the American Farmland Trust (a key member of the reform alliance), the DeLauro-Gilchrist proposal called for expanding and improving food stamp benefits, adding more fresh vegetables in school meals, and strengthening programs helping organic and small farmers. When the final farm bill became law in 2008, DeLauro emerged as one of the biggest winners, with many of her priorities—including food stamps—better funded than before.

Significantly, however, DeLauro's proposal did not sign on to the movement to make substantive changes to Title I. Her view was that Title I provided few benefits for Northeastern farmers and therefore was outside her area of interest. The reform alliance needed strong champions in both the House and the Senate. But when it came to reforming Title I in 2008, DeLauro would not be one of them.

Peterson, meanwhile, faced a well-organized effort by the fruit and vegetable industry ("specialty crops" in farm bill vernacular) to capture a larger share of farm bill funds. The lobby represented everything from the billion-dollar-a-year citrus industry to tiny organic vegetable growers.

Although these crops were not eligible for Title I direct payments, countercyclical payments, or crop loans, they still received considerable federal support through the federal marketing order program, Section 32, and various export promotion activities. With the help of its trade group, the United Fresh Produce Association, the fruit and vegetable industry girded itself to fight for more. It set up the Specialty Crop Farm Bill Alliance, a coalition of more than 120 fruit and vegetable organizations. Running interference was California Democratic Rep. Dennis Cardoza, a senior member of the Agriculture Committee. His "Healthy America Act," which had 64 cosponsors, emphasized support for fruits and vegetables and family farmers.

[58] Interview with author and Keith Good.

4 Doubts Emerge

As the key moments approached in the House in the spring and early summer of 2007, all these disparate interests wanted "reform." But it was also clear that holding the alliance together in the face of concessions that the Agriculture committees were prepared to offer would be challenging.

Swartz summed up the problem in a nutshell: "I think a lot of people used us. We created opportunities for leverage. Until it was clear we were not a credible threat, people [told lawmakers] they would support Title I reform unless they got what they wanted." Once these provisions had been won, support for the alliance's goals evaporated. The most vivid example was the specialty crop coalition, branded "the cheapest date in town" by EWG's Ken Cook. It eased out of the alliance as soon as it had won additional funding.

Some important environmental groups, such as the Natural Resources Defense Council, were not participants in the alliance. Ducks Unlimited, was not signed on; nor were several key antihunger groups, such as the Food Research Action Coalition and America's Second Harvest.

The W. K. Kellogg Foundation was involved in the farm bill. Significantly, however, it did not join the battle over Title I. Its Farm and Food Policy Project, set up to promote "healthy, green, fair, and affordable food," made grants totaling $5.7 million to five groups. But the grantees could not agree on the specifics of Title I reform and concluded that "the political costs were too great to risk a try" in that part of the legislation.[59]

While groups signed on to the alliance, their lobbyists and activists sometimes worked separate tracks. Oxfam, for example, supported Kind. But it also pursued a "Plan B" strategy. A top priority for the organization was reducing rich-country subsidies that hurt nonsubsidized cotton farmers in some of the poorest countries in the world. Oxfam officials considered the cotton target price, set well above the world price of cotton, to be an incentive for U.S. farmers to overproduce. When prices were below the target price, cotton farmers received a countercyclical payment to make up the difference. Oxfam lobbyists sought to play on resentments over cotton's outsize share of subsidies to persuade lawmakers from corn- and wheat-growing districts to support a cut in cotton's target price. It was a shrewd tactic that implicitly acknowledged radical reform was unlikely. But Plan B sent a mixed message: Kind was calling for the elimination of the target price system altogether as part of more sweeping farm policy change.[60] Plan B ultimately failed.

None of the rifts in the alliance would prove to be as deep as the one with the American Farmland Trust.

The AFT brought an important asset to the alliance. It represented farmers. Its mission was protecting farmland from urban sprawl and other environmental threats. President Ralph Grossi was a California dairy, cattle, and grain farmer. His board of directors boasted senior statesmen of the U.S. farming establishment: Richard E. Rominger, a fourth-generation California farmer who had been that state's secretary of agriculture and later deputy secretary at the USDA; John Hardin, an Indiana pork producer; Thomas J. Gallo from the wine-making family; and former U.S. Under Secretary of Agriculture Augustus Schumacher Jr., who

[59] The Headwaters Group, "An Assessment of the Farm and Food Policy Project," October 2008. Kellogg grantees were Environmental Defense, the American Farmland Trust, the Community Food Security Coalition, the Northeast-Midwest Institute, and the Rural Coalition.

[60] Oxfam "burned its bridges early" with Peterson, according to an Oxfam officer. Well before the farm bill, it had teamed up with a Minnesota-based conservation group to run radio ads calling on Peterson to support a payment limits provision. The Minnesota congressman did not appreciate the pressure, members of his staff subsequently informed Oxfam. Oxfam officials said access to the chairman was difficult thereafter.

had deep roots in New England farming. During the farm bill debate, the AFT was advised by two former secretaries of agriculture, Dan Glickman, a Democrat, and Clayton Yeutter, a Republican.

By late 2006 Grossi had concerns about the alliance strategy. He was skeptical that Kind, who was not a member of the Agriculture Committee, was the right standard-bearer. He and his organization worked closely with DeLauro, who was drawing up her farm bill proposal—one that would *not* include recommendations for reforming Title I.

The American Farmland Trust was also heavily involved in the corn grower–backed movement to establish a new kind of farm program that would insure a farm's overall revenues: the ACR idea. In 2006 AFT announced a revenue insurance proposal of its own, growing out of work by Carl Zulauf, professor of agriculture at Ohio State University and an expert on commodity futures and options markets. To Zulauf, the most glaring flaw in the current farm system was its two parallel safety nets: one public, one semiprivate. Merging the two in a kind of "single payer" system that protected farmers' revenues would save taxpayers money and create a true safety net, Zulauf believed. By early 2007 the corn growers were also calling for an integrated program, so that ACR was not an idea that the agriculture committees could ignore.

The AFT supported the concept embraced by both the corn growers and Zulauf. "New approaches should replace the current counter-cyclical and loan deficiency payments with programs that are less distorting and cost significantly less money," the AFT told Congress.[61] The group urged lawmakers to "replace current price-based commodity payments with market-oriented and revenue-based risk protection." The government would cover risks caused by "market-wide factors, uninsurable natural disasters and unexpected drops in prices." Commercial crop insurance companies would handle other types of exposure.

For the reform alliance, the AFT's support for a new public revenue insurance plan posed serious tactical and policy dilemmas. On the positive side, ACR *was* reform. Farmers participating in ACR would have to give up some of their traditional subsidies, including countercyclical payments and a portion of their direct payments. There would be limits, as well, on their participation in the collateralized crop loan program—for decades, the bedrock of the farm program. By going their separate way, the corn growers signaled a significant break in the ranks of the farm bloc.

On the other hand, the revenue insurance proposal was a clear alternative to the more sweeping reform that Kind and Lugar were proposing. The corn growers' plan had been put together with little input from most farm bill stakeholders. In the minds of key alliance players, it did not advance the broader goals of the reform: a Title I less skewed toward the interests of the most prosperous farms. Ken Cook of the Environmental Working Group viewed the revenue plan as a cynical maneuver by one of the richest segments of U.S. agriculture—the corn growers—to lock in government subsidies while corn prices were moving above the level at which countercyclical payments would be made. Key members of the alliance said they were under the impression the AFT was fully "on board" the campaign to reform Title I. Eventually, the AFT was no longer invited to Swartz's meetings. "We felt Ralph [Grossi] was on the other team," he said.

[61] American Farmland Trust, "Agenda 2007: A New Framework and Direction for U.S. Farm Policy," May 8, 2006.

5 The Doha Wrinkle

Another problem was Doha. Potentially, a trade agreement in which the United States pledged to reduce farm subsidies would put pressure on Congress to make reforms in Title I. But Doha had the effect of prioritizing cuts in some subsidies, but not others. Some groups, such as Cato and Citizens Against Government Waste, favored eliminating subsidies entirely. Environmental and antihunger groups opposed that approach, preferring to see Title I funds shifted to other activities funded in the farm bill.

To several alliance groups, the most politically vulnerable part of Title I was direct payments—the income support that was created in the 1996 farm bill. But Oxfam, the German Marshall Fund, and several others were working for an international trade deal in the Doha Round. Direct payments had won the World Trade Organization's seal of approval and were not counted as a "trade-distorting" subsidy that would be limited by a new subsidy-reducing agreement. They were broadly considered to be "green box"—not distorting trade—since they were not tied to what or how much a farmer grew. Therefore, for tactical reasons some groups muted their objections to direct payments.

The Bush administration was committed to continuing—and even expanding—these payments. It wanted a successful Doha outcome, and officials feared that cuts in direct payments could be weakening U.S. support for a breakthrough there. Administration officials also reasoned that by continuing direct payments to farmers they strengthened their hand with Congress. If there were to be cuts in some of the most offensive subsidies, the political impact could be softened by continued support for what the WTO allowed: direct payments. To make this point, the administration proposed increasing direct payments by $5.5 billion as part of its ten-year farm spending plan—almost all of which would go to the cotton program. The logic was clear; but the reform message was muddied.

6 The Committee

Under established practices of the two parties in the House, five committees—Ways and Means, Energy and Commerce, Appropriations, Financial Services, and Rules—are "exclusive" committees requiring balanced regional membership. With no requirement for such regional balance, the Agriculture Committee by tradition has been stacked with lawmakers from states growing the staple crops that are the main beneficiaries of traditional farm programs covered by Title I of the farm bill.

In 2007–08, three Georgians sat on the panel, but none from all of New England or the Pacific Northwest. North Carolina had four members—the same as California, the nation's leading agricultural state. Only one African American sat on the committee. (The Congressional Black Caucus currently has 42 House members.) Eight congressional districts represented by members of the House Agriculture Committee ranked among the top ten recipients of federal farm subsidies between 2003 and 2005. Six took in more than $1 billion each.[62]

This makeup comes about largely by default. Non-rural lawmakers seldom seek the assignment. Farm bills come along only every five or six years. In between, the Appropriations Committee is where the power over the USDA budget resides. The appropriators' ability to make changes in programs authorized or mandated by the farm bill—a process known as "chimping"[63]—infuriates members of the Agriculture Committee, and according to senior staffers, may discourage members from making a career serving on it.

Although Title I accounts for only about 15 percent of farm bill spending,[64] the committee makeup ensures that Title I is the committee's top priority. The farm bloc's leverage has only been strengthened by the bill's expanding jurisdiction. In 1981, 9 of the 14 titles dealt exclusively with the subsidy program for specific commodities. In 2008 only 1 of 15 did.[65] The agriculture committees' authority over the budgets for nutrition, soil conservation, biofuels, and other aspects of food and agriculture that previously had been largely ignored provides leverage for deal making as the process moves forward. In 2001, many members of the Congressional Black Caucus deserted the reform cause, fearing that funding for nutrition programs would be jeopardized if a major reform bill was defeated on the floor. In 2007 a new "horticulture and organic agriculture" title enabled the farm committees to channel more funds to the fruit and vegetable industries—and to cut deals along the way with lawmakers from politically powerful states such as California, Florida, and Michigan.

Critics of farm programs have discussed the possibility of moving some titles, such as nutrition, to the jurisdiction of other committees for separate legislative action. In theory that would force Congress to consider farm programs separately, forcing "up or down" votes on controversial aspects such as payment limits. In practice, such a change would amount to a seismic shift of turf. No politician interviewed for this paper believed there was the slightest chance that such a jurisdictional change will happen anytime soon.

Adding to the rigidity of the system, most committee members are closely linked to the

[62] Environmental Working Group database.

[63] "Chimp" stands for "changes in mandatory programs."

[64] Nutrition programs—food stamps, school lunch, international food aid, and others—account for roughly two-thirds of the spending.

[65] The others were: conservation, trade, nutrition, credit, rural development, research, forestry, horticulture and organic agriculture, livestock, crop insurance, commodity futures, and miscellaneous matters.

interests of one or more commodities. Sen. Chambliss (Georgia) defends the cotton and peanut interests of his southwest Georgia home region; Sen. Roberts (Kansas) is identified with wheat and crop insurance; Sen. Lincoln (D-Arkansas), with rice, cotton, dairy, timber, and the processed-chicken industry; and Sen. Patrick Leahy (D-Vermont), with dairy. In the House, Peterson looks out for sugar beets and other Northern crops; Leonard Boswell (D-Iowa), for dairy; Jerry Moran (R-Kansas), for wheat and sorghum; and Dennis Cardoza (D-California), for fruits and vegetables. And so it goes.

A number of farmers serve on the committee, and some receive government farm payments.[66] Lincoln grew up on her father's rice farm in Arkansas and "walked the levees and cut the weeds in the fields."[67] Until 2005 she had a 12.7 percent interest in her family's Grand Acres farming partnership, which has received wheat, rice, sorghum, soybean, and cotton subsidies.[68] Sen. Grassley (R-Iowa) drives a tractor and owns a corn farm that brought in $225,000 in federal payments between 1995 and 2005. Interests of his son and farming partner, Robin Grassley, received $685,000.[69] Oklahoma Republican Frank Lucas, who became ranking Agriculture Committee Republican in 2009, reported owning a 480-acre farm and, with his wife, a separate 828-acre farm property, on which his wife received $14,394 in farm payments between 1995 and 2005.[70]

Everett (now retired), who oversaw the panel in charge of peanut policy when Republicans were in charge, once owned a quota to grow peanuts on his 400-acre farm outside Dothan, Alabama. He voted on the 2002 legislation that authorized a buyout of quota holders, and received a buyout payment. Chambliss, who also served on the House Agriculture Committee when it approved the buyout, received $35,000 from peanut organizations and growers when he ran for the Senate that same year. Several Chambliss supporters and campaign contributors were directly affected by farm legislation. One, a large cotton farmer and owner of a tractor dealership in the senator's home town of Moultrie, was listed as "contact person" on a committee that raised soft money from corporations for Chambliss' successful 2002 Senate bid.

The chief House architect of the 2002 farm bill, regarded as one of the most generous to farmers, was Congressman Larry Combest, a West Texas Republican who began chairing the Agriculture Committee in 1999. Combest was not a farmer himself, but he came from three generations of cotton farmers. Others on his committee included a tobacco farmer from Tennessee, a Missouri corn and hog farmer, and a rice farmer from Arkansas—all recipients of federal subsidies. The ranking Democrat, Charles W. Stenholm of Texas, had an ownership interest in cotton farms that got more than $300,000 in subsidies between 2001 and 2005.[71] After leaving Congress, Combest went on to lobby for rice, sugar, corn, dairy, and crop insurance interests. Stenholm, defeated for re-election in 2004, went to work for cotton, sugar

[66] This does not violate congressional conflict of interest laws, according to Kenneth A. Gross, an ethics expert at the Washington law firm of Skadden Arps. Though ethics rules generally forbid a lawmaker from involvement in legislation that could convey to him or her a limited and focused benefit, it is acceptable if the benefits conveyed go to a broad class of people—such as farmers—Gross said.

[67] Background interview with a Senate staffer.

[68] Environmental Working Group database.

[69] *The Los Angeles Times*, "Senators Benefited From Farm Subsidies," Dec. 15, 2007.

[70] Environmental Working Group database and Rep. Lucas' financial disclosure report for 2005.

[71] *The Washington Post*, "Powerful Interests Ally to Restructure Agriculture Subsidies," Dec. 22, 2006.

beet, wheat, organic foods, and ranching interests, according to Senate lobby disclosure records.

By May, Kind was on a collision course with the House committee. Peterson let it be known that he would protect “my farmers.” At his weekly teleconferences with reporters, Peterson frequently indicated that he was open to changes in Title I, even some tinkering with the controversial direct payments. But he was adamant that any savings go to other farm programs—not to priorities outside Title I. Kind’s proposal was, therefore, a “nonstarter” in the eyes of the House chairman.

7 Reality Check: Pelosi Backs Peterson

In retrospect March 25, 2007, was a significant date in the chronology of the 2008 farm bill. Pelosi showed up at the National Farmers Union convention in Orlando, Florida, to party and rub shoulders with heartland America. "It wasn't just her speech about the importance of farming that won over attendees," wrote *Congressional Quarterly*. "The fact that she stuck around for hours to dance, eat and talk convinced NFU members she was committed to agricultural policy. By all accounts, everyone—including the California Democrat—had a blast." Pelosi was dancing to Peterson's tune. But such write-ups were worth their weight in gold. They kicked a little barnyard dust onto her Armani wardrobe, and underscored her interest in rural America.

Pelosi and Peterson were a political odd couple. She was a wealthy San Franciscan and one of the most liberal members of the caucus; he was a plain-talking, Marlboro-smoking Midwesterner, and one of the most conservative. (He opposes abortion and has voted against federal funding of stem cell research.) While Pelosi hit the Bay Area social scene, Peterson, now 65, was out on the Farm Aid circuit, playing guitar and serving as lead vocalist at gigs of the Capitol Hill country rock 'n roll band, The Second Amendments.

But appearances can be deceiving. Peterson had served as one of Pelosi's lieutenants in 2001 when she defeated Rep. Steny Hoyer (Maryland) for the position of House Minority Whip, the stepping-stone to minority leadership in 2003 and the speakership in 2006. Pelosi was steeped in the values of political loyalty passed down from her father, the late mayor of Baltimore. She liked strong men as political allies, and Peterson was in a long line of strong chairmen of the Agriculture Committee. (Earlier ones included Rep. Tom Foley, D-Washington, who went on to be speaker, and Texas Republican Larry Combest, who resigned from Congress in 2003.)

An underappreciated aspect of Peterson's personal power was his ability to outwork almost anyone. Divorced and not remarried, he lived and breathed agriculture and politics, traveling the country to meet farmers, hearing out lobbyists, applying his accountant's training to an understanding of the minutiae of the USDA budget, working in his Longworth Building Office on Capitol Hill until all hours, or piloting his plane around his huge rural district in northwestern Minnesota. He made a point of spending time with Southern farmers, indulging his love of duck hunting. "They raise rice and they raise cotton, and you can't learn about them without going out there and being in their environment, their culture and going to the local café at five in the morning," he told us.[72] He was a Northerner, but he worked to earn the Southerners' trust, sitting in duck blinds or meeting the lawyers in Pine Bluffs, Arkansas, who specialize in setting up corporate entities that legally avoid limits on government farm payments.

Like DeLauro, Peterson had the speaker's ear. He was her "quarterback" on farm issues, and he let her know what he thought rural Democrats needed to be reelected, according to one official. Pelosi was "not a farm bill person," acknowledged Rep. Marion Berry (D-Arkansas). "Quite honestly her only interest in a farm bill is the political aspect of it. She is perfectly willing for someone else to make those decisions."[73] That someone was Peterson. He was warning Pelosi that the party could lose a lot of House members if the farm bill were mishandled.

Was this concern exaggerated, as Kind and Environmental Defense lobbyists contended? Maybe not, according to Brent Gattis of the Washington law and lobbying firm Olsson Frank

---

[72] Interview with author and Keith Good.

[73] Leigh Kreimeier, posted to Web site of the Stuttgart, Arkansas, *Daily Leader,* Nov. 21, 2007.

Weeda. "There's no swing voter like a farmer," he told *Congressional Quarterly.*

On June 19, 2007, the reform alliance got its first reality check. At a meeting of the House Agriculture Committee subcommittee responsible for Title I, Deputy Secretary Conner urged that the new farm program be tailored to "the very dynamic changes in American agriculture." That view found little support. Rep. Lucas said it was time to "circle the wagons."[74] By a voice vote the subcommittee rejected the Bush administration's proposals for changes in the commodity title, then shouted out their "no's" on the Kind proposal. Finally, the panel voted to keep Title I intact for another five years.

Peterson allowed that he was "not displeased." The subcommittee, he said, "sent a resounding message to so-called reformers, whether they be Mr. Kind or the secretary of agriculture…If the Ron Kinds are successful they will destroy production agriculture." Peterson was toughening his line on reformers, saying he had "almost concluded that you'll never satisfy those folks."[75] Of Kind, he said later, "He's out on a limb and I'm going to cut it off."[76]

The subcommittee's hard line also sent a message to the Democratic leadership, then seeking to maneuver between conflicting pressures from the farm bloc, antihunger groups, various other interests, and reformers. Pelosi's office had promised that Kind would get a vote on the floor. The speaker was feeling pressure back home to stay with the reform cause. In a no-holds-barred series of articles in the *San Francisco Chronicle*, Carolyn Lochhead kept the heat on her. As Lochhead noted, the Bay Area had become "a hotbed of opposition to this year's farm bill," and went on to write that "food activists have teamed with environmentalists to form the most potent coalition in 75 years against the traditional farm lobby, one of the most powerful in Washington… Led by Michael Pollan [author of the best-selling *Omnivore's Dilemma*] and Berkeley restaurateur Alice Waters, food activists have become a force against crop subsidies, pushing for what Pollan calls a food bill, not a farm bill."[77]

Behind the scenes, however, Peterson and Democratic leaders were working overtime to cobble together a path to 218 votes by providing a fig leaf of reform while winning support from the farm bloc and special interests. To that end, they agreed to eliminate several loopholes in Title I, and to tighten modestly the means test for farm payments, making ineligible those with adjusted gross income above $1 million, five times higher than what the administration proposed. Behind the scenes, DeLauro and Congressman Jim McGovern (D-Massachusetts) worked to focus Pelosi's attention on the food stamps issue—thus far largely neglected by administration lobbyists and even liberal Democrats.

With the Agriculture Committee set to mark up the farm bill on July 17 and 18, a Pelosi staffer signaled to a lobbyist for the reform group that the bill would, in fact, contain major gains for nutrition—but little or no change in Title I. The markup took place on the third-floor hearing room of the Longworth House Office Building. In the corridor outside the committee room, a who's who of agricultural lobbyists milled and watched. Late on the first day came the stunner: Pelosi put out

[74] *The Washington Post*, June 20, 2007, Section A, page 9.

[75] Teleconference with reporters June 21.

[76] This comment was made to several reporters during a recess in the House Agriculture Committee's farm bill markup. Peterson later put the remark on the record. Reporters learned to keep their pencils and notebooks handy in the presence of the genial but straight-talking chairman.

[77] Carolyn Lochhead, "Pelosi Takes Heat for Stand on Farm Bill," the *San Francisco Chronicle*, July 21, 2007.

word that she considered the emerging farm bill "a good first step toward needed reform."[78]

The *Chronicle*'s Lochhead, as well as numerous editorial writers, quickly excoriated the speaker. She noted that Pelosi was hailing "legislation that would grant subsidies to farmers earning up to $1 million," and she quoted Kari Hamerschlag, policy director for the California Coalition for Food and Farming, as saying, "Bush seems to be taking a harder stance on millionaires than the Democratic Party [is taking]."[79]

In fact, the bill was still in serious trouble. It was unclear how it would be funded—how Title I would be left intact while new funds were provided for nutrition and conservation—and still meet the paygo requirements. As Peterson and his aides puzzled about how to fund everyone's demands, they were drawn to a well-stocked piggy bank: Title X—"Miscellaneous"—and the funding for crop insurance. With little fanfare, federal costs of the crop insurance program had become one of the largest items in the agricultural budget. The administration's ten-year estimate was $54.6 billion—not far below the total cost of all traditional commodity programs ($74.5 billion).

Crop insurance had begun to grab public attention. In 2006 *The Washington Post* carried a story headlined "Crop Insurers Piling Up Record Profits." The article made the point that in 2001 the companies made $346 million, whereas the government lost $335 million.[80] In May 2007 Chairman Henry Waxman of the House Oversight Committee followed up with a hearing in which he criticized the industry for "excessive" profits, and proposed major changes to reduce waste, fraud, and abuse.[81]

Peterson had a close working relationship with the industry's top Washington lobbyist, Michael McLeod. But many of the companies that McLeod represented as executive director of the American Association of Crop Insurers had enjoyed a recent windfall. Underwriting gains had been historically high through the early part of the decade due to relatively good weather. In 2004 insurance companies negotiated a favorable deal with the government for determining loss sharing and USDA reimbursements for administrative expenses. At the same time, insurance premiums (which are tied to expected prices) were rising rapidly due to the ethanol boom and dwindling grain stocks. Commissions for insurance agents, which are pegged to premiums, were also soaring. The administration proposed a $2.5 billion, ten-year reduction in subsidies to the industry, and the only question was how much more the House would demand.

Meanwhile, the corn growers' proposal for a new revenue guarantee plan was going nowhere in the House. But at the eleventh hour, Peterson agreed to include an essentially meaningless revenue guarantee plan not endorsed by the corn lobby, after the Congressional Budget Office reported that including it could reduce estimates of 10-year government payouts under the farm program.

Even so, more money was needed. With Pelosi twisting arms, the tax gurus at the House Ways and Means Committee came up with last-minute relief, a proposal to tighten rules on the use of tax havens by U.S. subsidiaries of foreign companies. For Republicans, the tax increases were a deal-breaker that drastically altered Democrats' political equation. With only a few Republicans expected

[78] *The Washington Post,* July 19, 2007, Section A, page 2.

[79] Lochhead, op. cit.

[80] Gilbert M. Gaul, Dan Morgan, and Sarah Cohen, "Crop Insurers Piling Up Record Profits," *The Washington Post*, Oct. 16, 2006, Section A, page 1.

[81] Dan Morgan, "Big Profits From Crop Insurance Criticized," *The Washington Post*, May 4, 2007.

to support a bill containing new taxes, Democrats could count on little help from the GOP. That gave individual Democrats more leverage to cut deals with Pelosi.

That became clear in the small hours of July 26, just hours before the bill went to the floor. Rep. McGovern, a Kind supporter, used his influence as number-two Democrat on the Rules Committee to negotiate $840 million for an international nutrition program that was his top priority.[82] McGovern would get the money, and then vote for passage of the farm bill. (To McGovern's chagrin, the guaranteed funding for the program was sharply reduced in 2008 as part of a final House-Senate compromise that Pelosi blessed.)

In the speaker's office, the concession to McGovern sparked yet another urgent search for money to satisfy the paygo requirements. Harried staffers thumbed through an old standby—the Congressional Budget Office's annual "idea book" listing dozens of potential program cuts. Out of that came a decision to trim $300 million over five years from the "export credit guarantee program" (one lobbyist noted wryly that "it took us six months to get most of it put back"). And since Republicans were already a lost cause, it was decided to increase fees paid by deepwater oil and gas drilling companies. Still short of money, Pelosi and her people returned to the crop insurance trough. Shortly after midnight, Peterson recalls, Pelosi called him in his office. "They were saying there was all this money in crop insurance and I was protecting them [the crop insurance companies]," the chairman recalled. "Rosa [DeLauro] and them were trying to get me and her [Pelosi] to take a big extra cut out of crop insurance to cover [nutrition]. We couldn't sell that. It was going to destroy the program. We were giving them too much."[83] McLeod had pleaded with Peterson for restraint, but Pelosi held a bargaining chip: Waiting in the wings was an amendment by Rep. Jim Cooper (D-Tennessee) calling for an even more Draconian bite of the program. Finally, Peterson settled for a cut of $3.4 billion, with an understanding that the leadership would make sure Cooper's amendment was defeated. All in all, for the crop insurance industry it could have been worse. As budget experts studied closely what had been done, it was clear that the "savings" were largely illusory, and had been obtained largely by shifting payments outside the period covered by the Congressional Budget Office review.

The bill that went to the floor was loaded with benefits for key constituencies: $11.4 billion more for nutrition, $1.4 billion for fruits and vegetables, and $5.6 billion for conservation, among other concessions. One senior Democrat described it as a bill "to help our members," and Pelosi herself had a parochial concern: ensuring that California's fruit and vegetable industry got a larger share of the farm bill pie.

On the floor, the leadership tightly choreographed the drama, using its power to head off amendments that, if passed, would cost precious Democratic votes on final passage. Meeting just hours before the gavel sounded, the Rules Committee, a reliable servant of the speaker, disallowed an amendment by Reps. Earl Blumenauer (D-Oregon) and Ryan to tighten eligibility for farm payments. To keep the carefully crafted package from unraveling, Democrats turned out in force to soundly defeat two amendments strongly opposed by the sugar and crop insurance industries.. One was the Cooper amendment, which would have cut even more deeply into federal payments to crop insurance

[82] The McGovern-Dole International Food for Education law, named for two former senators, not Congressman McGovern, donates agricultural products for schools and for maternal and child feeding programs abroad.

[83] Interview with author and Keith Good.

companies. The other would have derailed a new $1 billion, ten-year subsidy plan for beet- and cane-sugar producers.

Antitrade Democrats defended their votes on behalf of domestic sugar interests, saying they wanted to prevent sugar from going the way of the U.S. shoe, steel, and textile industries hurt by imports. A less-publicized reason was sugar's open pocketbook: Several days after the vote, Rep. Carolyn Maloney (D-New York) held a "sugar breakfast" at Bullfeathers Restaurant on Capitol Hill. Her campaign fund collected $9,500 from sugar growers and refiners.[84]

Late on the night of July 26, a version of Kind's Farm 21 proposal reached the floor. The Democratic machine, taking no chances, deployed the party's whip operation to rally last-minute waverers against Kind. After a snappy ten-minute debate, the House voted 309 to 117 to reject it. The next day the House passed the farm bill, 231 to 191. Sensing the time had come to heal wounds, Pelosi came to the floor to praise the legislation—and to compliment Kind's "exceptional leadership" for making the bill "look quite different than it would have without his brilliant advocacy."

Among those voting no on Kind were all eight freshmen Democrats on the Agriculture Committee and a ninth Democrat, Congressman Nick Lampson (Texas), who had returned to Congress in 2006 to a highly vulnerable seat.[85] Two rural Democratic freshmen listed by Environmental Defense as potential reform supporters—David Loebsack of Iowa and Betty Sutton of Ohio—voted against Kind.

But the leadership's victory came at a price: a veto threat from the White House and a revolt by House Republicans, all but 19 of whom voted against the bill. Goodlatte, feeling betrayed by the Democrats, boycotted further farm bill discussions with Peterson for months.

[84] Dan Morgan, "Sugar Industry Expands Influence; Donations Spread Beyond Farm Areas," *The Washington Post*, Nov. 3, 2007.

[85] Three of the four incumbent Democrats who lost in 2008 were on the House Agriculture Committee. In each case, though, there were special circumstances. One of the three, Tim Mahoney of Florida, was embroiled in a sex scandal.

8 Lessons Learned

The House results carried several lessons for reformers.

As some had foreseen, the new class of Democratic freshmen from red states would not be a reliable force for farm bill change. Of those 19 freshmen, only one, Gabrielle Giffords of Arizona, voted with Kind. Ohio Democrat Zachary Space explained his position to *The Washington Post:* "I'm not in the reform camp. I'm with the farmers back home who are generally satisfied with the commodity program we have now."[86] Republicans—traditionally wary of farm subsidies—were of little help, either. Only 44 voted with Kind, while another 155, including Minority Leader John Boehner (Ohio)—longtime critic of government farm programs—voted no.

Other constituencies proved equally difficult to corral. An example was the Congressional Black Caucus, heavily lobbied by Mills and Clayton. Most caucus members had no love for the farm program; but as Democratic leaders and Peterson added money for nutrition, urban deserts, minority farmers, and other causes, the bill became increasingly difficult to oppose.[87] The lone black on the House Agriculture Committee, Rep. David Scott (D-Georgia), voted against the Kind amendment. So did Congressman Jim Clyburn (South Carolina), the top African American in the Democratic leadership and an early supporter of reform, "after Pelosi brought the hammer down," said one lobbyist.

The reformers' cause was not helped by disarray in the Doha Round of international trade talks. Peterson's marching orders from Pelosi were to make sure the farm bill conformed to international trade rules. But with no agreement on the horizon, Pelosi's instructions had little practical impact.

On the trade issue, Peterson's sympathies, in any case, were with U.S. cotton farmers, then under siege at the WTO.[88] Peterson told reporters that he considered cotton subsidy payments a form of trade adjustment assistance, justified by the rapid decline of the U.S. textile industry resulting from globalization. He had been duck hunting with Chambliss and, though a Minnesotan, had worked hard to understand Southern agriculture's concerns. "You learn a hell of a lot more when you are sitting [in a blind] and the ducks aren't flying," he said.[89]

Reformers also discovered that the paygo "straitjacket" was nowhere near as tight-fitting as hoped. The House simply found creative ways to fund the programs that would rally votes for the bill without being forced to cut into farm programs. This was to be the pattern in the Senate, and in the final House–Senate negotiations.

The moral argument made by church groups—that poor farmers in developing countries would benefit from a reduction of U.S. farm subsidies—did not appear to sway many members. While the argument had a cultural and philosophical appeal to some members of the Congressional Black Caucus, few bucked the party leadership to vote against a bill that offered significant improvements in the food stamp program and international feeding programs such as McGovern-Dole.

The alliance strategy may also have rested on a questionable premise, that lawmakers would take from one program (Title I) in order to fund

---

[86] Dan Morgan, "Democrats Divided Over Farm Bill Changes," *The Washington Post,* July 14, 2007, Section A, page 3.

[87] The House bill provided $100 million to help the USDA settle discrimination lawsuits filed against the agency by minority farmers, and $75 million for programs that educate and support poor farmers. The final farm bill included $3 million to bring healthy produce to underserved urban areas.

[88] The WTO ruled in 2004 that U.S. cotton subsidies exceeded the limits agreed to under existing trade agreements and suppressed global cotton prices.

[89] Interview with Dan Morgan and Keith Good.

other programs (in Titles II through XV). The tactic is frequently tried, but is seldom successful. Lawmakers understand that while they may be the beneficiaries of such a beggar-thy-neighbor ploy this time, they may be the victim next time around. Advocacy efforts by business groups, and conservative think tanks such as Cato and Heritage, also proved to be disappointingly lackluster.

After House passage, Peterson spoke effusively about Pelosi's role. "They [Democratic leaders] were under a lot of pressure not to support us," he said in an interview. "But they had seen the other side, which 80 percent of our members have never seen who don't know these farmers. She was under a lot of pressure from guys who said we shouldn't have a Title I. The San Francisco papers beat the hell out of her. I could tell sometimes when I talked to her she wasn't sure, because she didn't understand."[90]

Soon after the farm bill vote, Pelosi attended Farmfest, an annual agricultural fair held at Redwood Falls, Minnesota, in Peterson's home district. It featured a forum: "The New Farm Bill—Shaping the Future of Rural America." If there had been any doubt of Pelosi's support, Peterson dismissed it in an interview with the *San Francisco Chronicle*. "She just had a great time [at Farmfest] and her staff did, and they bonded with the farmers and she was eating pork chops on a stick and riding around in an ethanol four-wheeler. And that had a lot to do with her being as engaged and helpful as she was in finally getting the farm bill through."[91]

Pelosi turned out to be the "Achilles heel," acknowledged an Oxfam official. "It was a hurdle we just never got over…and probably could never have gotten over."

[90] Interview with author and Keith Good.

[91] *Qualis Environment*, Dec. 14, 2007.

9 The Senate's "Gang of Four"

On Oct. 9, 2007, Ken Cook of the Environmental Working Group called for "a serious effort to reform the farm bill in the Senate." He faulted the House bill for "phony reforms" of farm subsidy limits. Simultaneously, Oxfam and nine other environmental and taxpayer watchdog groups announced a series of television and newspaper advertisements with the tagline "Make the Farm Bill Fair." Oxfam America said it paid for the $225,000 TV and print ad campaign, targeted at audiences in Washington, DC, Minnesota, and New Hampshire.[92] "The ball is clearly in the Senate's court now and they need to make the Farm Bill fair," said Liam Brody, farm bill campaign director at Oxfam.

Perhaps so, but it was clear that many senators had a different view. The two Dakotas (combined population: 1.4 million) have only 2 out of 435 representatives in the House, yet in the Senate they have twice as many votes as Florida (18.3 million), Texas (24.3 million), or Illinois (12.9 million). As age and illness have diminished the influence of such liberal Democratic legends as Robert C. Byrd (West Virginia) and the late Edward M. Kennedy (Massachusetts), power has shifted to moderate-to-conservative Democratic lawmakers as Conrad of North Dakota (population 641,480), who chairs the Budget Committee, and Montana Democrat Max Baucus (population 967,440), chairman of Finance.

Senate Agriculture Committee Chairman Harkin was the go-to person for reformers. He had a unique vision for a 21st-century agricultural policy that would ease away from handouts, to programs that rewarded the contribution a farm or ranch made to a better environment and a stronger rural economy. He imagined the grasslands of the western Great Plains producing low-cost, renewable fuels from biomass. His signature initiative, the Conservation Stewardship Program (CSP), rewarded working farms for adopting low-impact soil and water conservation practices. Harkin viewed CSP as a template for a future farm program that linked farm payments to farm practices—a new departure.

Harkin was critical of direct payments, which did not come with any obligation to improve the environment, protect food safety, or treat farm animals more humanely.[93] He also supported ACR. "We need new ideas," Harkin told reporters early in the process. "We have to change what we have been doing in the past."[94]

As the debate began, however, Harkin was hemmed in. A "baseline" bill that continued spending at current levels had little chance of winning Senate approval. Therefore Harkin would need to "find" additional money. That meant turning for help to the Senate Finance Committee. The good news for him was that seven members of the tax panel sat on his committee. They included the chairman, Max Baucus of Montana; the ranking Republican, Grassley of Iowa; and Kent Conrad of North Dakota, who also chaired the Budget Committee. But help from Finance would come at a price, one Senate aide made clear: "The attitude was if we're coming up with the [spending] offsets, we're writing the policy."

More of a liberal idea man than a classic Senate deal-maker—and lacking the ruthlessness of a legislator willing to break kneecaps—Harkin was not a powerful chairman. But even an arm-twisting Lyndon Johnson would have faced big obstacles. On his side of the table, senior Democrats on the

---

[92] Charles Abbott, agricultural writer for the Reuters news agency.

[93] The EU's "single farm payment," adopted as part of a 2003 reform, requires a recipient farm to comply with environmental, food safety, animal welfare, and occupational safety requirements. In addition, 3 percent of these payments are shifted annually to rural development.

[94] Teleconference with agricultural reporters.

Finance Committee could call the shots. Across the table sat a formidable group of Republicans: Saxby Chambliss of Georgia, representing cotton and Southern agricultural interests; Pat Roberts of Kansas, an architect of the 1996 farm bill in the House; Thad Cochran of Mississippi, top Republican on the House Appropriations Committee and an effective advocate for his home state's heavily subsidized cotton program; and Grassley, top Republican on Finance.

Soon four senators on the Agriculture Committee, but not Harkin, were working behind the scenes to reach a deal that would satisfy the basic interests of Southern and Northern agriculture. Baucus, Conrad, and Grassley—three "Northerners"—were in touch with the needs of corn, soybeans, and wheat. Chambliss would safeguard the interests of Southern crops.

"Harkin was overwhelmed by those guys at times," Peterson later observed. "It's not anything against him. He had people in the room with more resources than he had…with Baucus having the money."[95]

Harkin tacitly acknowledged this in an interview later with Keith Good and myself. "There were times when I thought it was best to let others get out there and do their things," he said. "Some of these things were not so important to me, but if they wanted them, that's fine."

Each of the gang of four had non-negotiable needs; but each was prepared to make compromises as well. If there was anything that characterized all of them, it was skill in legislating and deal-making. And the gang demonstrated a willingness to use tough tactics. When Harkin invited Bread for the World President David Beckmann to testify on the farm bill, Chambliss' staff complained that was unethical given Harkin's position as an honorary board member. Beckmann testified anyway, but at the hearing Conrad complained that Beckmann did not represent farmers. The implication was he had no business testifying.

None of the four senators was more important than Grassley, whose consent to new revenue raising measures in the Finance Committee would give cover to Republicans who wanted to vote for the farm bill but didn't want to support "new taxes." As one Senate aide put it, "Getting Grassley was the key to getting a deal on the farm bill."

The Iowan had long championed limiting farm payments to the richest farmers, a stand that made him a favorite of the reform alliance. But his top priority was less high-minded: protecting the exploding biofuels industry in the Midwest's "ethanol patch," centered in Iowa. It was a tricky role. As grain prices ratcheted up in 2007, cries of protest about federal ethanol subsidies came from Iowa's pork, beef, and egg industries. Cheap corn—encouraged in part by federal subsidies—had been central to prosperity in the meat industry. Now ethanol plants were gobbling up a third of the U.S. corn crop, contributing to tighter supplies and higher prices of the basic animal feed. In 2007 pressure mounted on the administration and Congress to suspend ethanol use requirements in the 2007 energy act, and to end the tariff on imported ethanol. The governor of Texas formally requested that EPA suspend the ethanol requirement. Environmentalists, antihunger groups, and the retail food industry also raised concerns. But as these pressures swirled around him, Grassley laid down a marker: A cut in the U.S. tariff on imported ethanol or in the ethanol requirements would doom the entire farm bill.

ACR, the top priority of the Iowa Corn Growers, also presented Grassley with a ticklish political situation. The version favored by the corn lobby was viewed with suspicion by Des Moines–based crop insurance

[95] Interview with author and Keith Good.

companies and agents. Under the corn growers' plan, farmers who elected ACR could still take out private crop insurance. But in that case, losses covered by USDA would be subtracted from the indemnities paid by private insurers. With less risk, crop insurance premiums would be reduced—the goal of the corn growers. But lower premiums would mean lower commissions for thousands of crop insurance agents around the country.

The Senate Agriculture Committee was well stocked with friends of the crop insurance industry. During a huddle involving Grassley, Conrad, and Roberts at an October 2007 drafting session, ACR provisions that encroached on private insurance coverage were dropped, effectively gutting the key reform proposal, according to National Corn Growers Association President Ron Litterer. That move ended for the time being any hope of merging the public and private crop insurance systems. But the "tweak" took care of Grassley's political problem with the insurance industry. From that point on he was a strong supporter of ACR.

Southern agriculture, represented by Chambliss, had a whole different set of interests. It was protecting an elaborate safety net that had been created by such legendary Southern Democrats as Lyndon B. Johnson (Texas) and James O. Eastland (Mississippi), and later expanded by a new generation of Southern GOP legislators.

Southern lawmakers had nothing against ACR (as long as it was optional), but they had little interest in it, either, since participating in the program required renouncing a portion of direct payments. Southern rice, cotton, and peanut growers had several good reasons for giving top priority to protecting that particular subsidy. As part of the deal that led to enactment of the 1996 farm bill, cotton, rice, and peanut growers received larger direct payments per acre than most other crops. For the Southerners, direct payments had the added appeal of not being considered "trade-distorting" by the World Trade Organization. Thus, direct payments appeared to be one subsidy that would stand, even if Brazil continued to press its case against the U.S. cotton program at the WTO.[96]

Chambliss' second priority was fending off the effort by Grassley and the administration to limit subsidy payments to farmers with high incomes. Southern farmers argued that their share of subsidies, though high, was appropriate given the per-acre costs of producing cotton, rice, and peanuts. Raising those crops, they argued, was very different from raising dryland wheat or corn in the Midwest. Chambliss also argued that payment limits "penalized the successful." He could count on the support of several key Democrats with close ties to the rice industry, Lincoln of Arkansas, and Mary Landrieu of Louisiana. (Like cotton growers, rice farmers tend to have large landholdings that generate big per-acre payments.)

Conrad and Baucus, the Northerners, had yet another set of interests. For both senators, the creation of a new fund to compensate farmers and ranchers hit by bad weather was not negotiable. The idea had the strong support of the NFU, and of its then president, Buis. It would remove the uncertainty of coming to Congress for emergency funding when weather disasters struck. But the idea was not popular with Harkin, who viewed it as duplicating private crop insurance. Nonetheless, a disaster fund was something Chambliss could support, even though it was of little interest in the South, which generally had ample rain (or irrigation) to stave off weather-related crop losses.

[96] There was some uncertainty as to whether U.S. direct payments were fully compliant. In the cotton case, a WTO panel hinted that a challenge to these payments might be feasible, since U.S. law limited production of fruits and vegetables on the "base acres" generating direct payments—a limitation that might distort growing decisions and, ultimately, prices.

For Conrad, the Senate's most relentless defender of traditional farm programs, protecting funding for "production agriculture" in Title I was the top priority.[97] There could be no significant reduction in the basic farm program, which enabled farmers to take out a government loan against their harvested crop. That was what farmers "took to the bank." Wheat needed higher loan rates and target prices, and new Northern-grown commodities, such as dry peas, lentils, and chickpeas, needed more support.

Despite the challenge posed by the one-for-all, all-for-one coalition of four powerful senators, reformers still hoped to make gains by working for passage of four key amendments.

Sens. Lugar and Frank R. Lautenberg (D-New Jersey) backed a top-to-bottom overhaul similar to Kind's. In their plan, subsidies would be replaced with an insurance program tying benefits to fluctuations in farm revenue. Fruit and vegetable growers would be covered, as well as grain and cotton farms. "Our amendment provides a much more equitable approach, produces higher net farm income for farmers, increases farm exports, avoids stimulating overproduction, and gives more emphasis to environmental, nutritional, energy security, and research concerns," Lugar said.

Grassley himself, with Byron L. Dorgan (D-North Dakota), revived a nearly seven-year effort to limit subsidy payments to wealthy producers, even though this put him at odds with Chambliss. The Grassley-Dorgan amendment would have capped annual subsidy payments at $250,000 per person, down from the current $360,000, and it would have provided tougher eligibility requirements. Savings would have been used for rural business development and to help new farmers.

Sen. Amy Klobuchar (D-Minnesota) had an even more stringent means test proposal. It would have barred subsidies to full-time farmers making more than $750,000 a year and part-time farmers making more than $250,000. Reformers also supported Sen. Sherrod Brown's (D-Ohio) amendment to make deeper cuts in federal crop insurance subsidies.

Lugar, defending his amendment, contended that farm policy was on a "misguided path." The Indiana Republican had an impressive list of supporters: both senators from California; Senate Minority Leader Mitch McConnell (R-Kentucky), and the Senate's second-ranking Democrat, Richard Durbin (Illinois). But on December 11, the Senate decisively rejected his amendment, 58 to 37, after a brief debate. Even Harkin, showing solidarity with his farm state brethren, opposed it. "The problem is that it just moves too far too fast," he said.

Reformers took comfort from the fact that the Lugar proposal had garnered seven more votes than it had in a previous attempt. "I hope that the reform momentum can continue to build until we have a more fiscally responsible safety net for all farmers rather than subsidies for a select few," Lugar said.

Two days later, though, reformers suffered a more disappointing setback. A head count of senators showed a comfortable majority in favor of the Grassley-Dorgan payment limits amendment. All four Democratic senators competing in the Iowa primary—Hillary Clinton (D-New York), Barack Obama (D-Illinois), Christopher Dodd (D-Connecticut), and Joseph Biden (D-Delaware)—planned to return to Capitol Hill to vote for it. Former President Jimmy Carter and the bishops of the Episcopal Church put in a last-minute plea.

[97] Conrad's top agricultural aide was James W. ("Jim") Miller, an effective political operator who previously ran a wheat farm in eastern Washington state. After enactment of the farm bill, he worked briefly for the National Farmers Union and then was appointed under secretary of agriculture for farm and international programs, one of the three most important jobs in the department.

But a straight up-or-down vote was not to be. To prevent an embarrassing Democratic-led filibuster by Lincoln and Landrieu, Majority Leader Reid agreed to pull the amendment unless 60 senators agreed to hold a vote on it. Reformers fell four short of the number needed to invoke cloture. To prevent an unraveling of the deal with Chambliss, even Conrad—usually a supporter of payments limits—voted no. So did Gregg (R-New Hampshire), usually a reliable vote for limits. Aides suggested his vote was "payback" for Grassley's opposition to a Gregg amendment denying farm subsidies to Washington state asparagus growers facing competition from foreign produce.

The outcome suggested the unpopularity of the payments structure for farming, even in a chamber that was notorious for catering to agriculture. Forty-eight senators voted to bring up the even tougher Klobuchar amendment. But a defeat was still a defeat. Sen. Brown's amendment to cut federal crop insurance payments also failed. The next day the Senate passed the bill overwhelmingly, 79 to 14.

Reformers directed much of their anger at Conrad. "Sen. Kent Conrad engineered the defeat of [the Grassley-Dorgan] amendment. More than anyone else, he is responsible for continuing the policy of destroying family farming and undermining rural communities by subsidizing mega farms to drive smaller operations out of business," said Chuck Hassebrook, executive director of the Center for Rural Affairs. "Democrats have totally caved and refused to allow reform to move forward," said Bread for the World lobbyist Monica Mills.

10 Three-Cornered Endgame

The stage was now set for a three-cornered endgame involving the House, Senate, and the Bush administration. There was no doubt where the White House stood. It had made clear that the House and Senate bills contained too little reform, cost too much money, and contained too much in the way of taxes. House and Senate bills exceeded the ten-year baseline by $12.9 billion and $11.6 billion, respectively.[98]

For the reform groups, however, the months of maneuvering that followed in Capitol Hill hideaways were an anticlimax. As a reform lobbyist noted, the House and Senate had laid down their markers, and negotiators had little choice but to live within those parameters. The shape of the final compromise was set. There would be more money for nutrition programs and for guaranteed disaster aid. And the basic farm programs would be tweaked but left essentially unchanged. Through the spring, Harkin often reminded people that changing agricultural policy is a process of "bending the tracks," rather than turning sharp corners.

The Senate approached the negotiations with confidence. Lawmakers had demonstrated they had more than enough votes to override a presidential veto, and they felt under little pressure to please the White House. Moreover, the chairman of the tax-writing Finance Committee, Max Baucus of Montana, a member of the Agriculture Committee, was in a position to "find" revenues that could offset programs dear to senators. "They had so much power on that committee they could do whatever the hell they wanted," Peterson said later.

Peterson faced a far more complicated task, however. Only a handful of Republicans had voted for the original House bill because of the "new" taxes used to finance it. In addition, the House GOP was far more likely than Senate Republicans to provide disciplined support to the president in a veto fight. For Peterson—and Republican farm state representatives, for that matter—working out a final bill that the White House would accept therefore became a driving factor. But that was not going to be easy. Any new "revenue-producing" provisions (lawmakers shunned the word "taxes") would have to win approval from the Ways and Means Committee—a separate fiefdom under the control of Rep. Charles B. Rangel (D-New York).

The administration's own position had been weakened by the resignation of Agriculture Secretary Johanns the previous September. Johanns was running for the U.S. Senate from Nebraska. Reformers hoped the administration would soon make Conner the next secretary. Instead, Bush named former North Dakota Gov. Ed Schafer, a former brother-in-law of Sen. Conrad. Schafer promised to "narrow the gap" between the administration and Congress.

Peterson first made peace with Goodlatte, who had been smarting for months over the last-minute tax increases that had been shoehorned into the House bill. Then he set to work over the Christmas holidays and in the early weeks of 2008 attempting to cut a deal with the administration, dealing head-to-head with Conner and aides at the USDA. On February 14, 2008, he and Goodlatte unveiled the framework for a deal they believed could take care of most farm interests, appease the nutrition bloc, and win White House support. It would include $6 billion in new spending but no new taxes—the *sine qua non* for the White House and the House GOP. The whittled-down House proposal trimmed $8 billion from the bill approved by the House the previous July, and total spending was close to that originally proposed by the administration, which itself had added $5 billion to the ten-year baseline.

[98] Statements of administration policy, Office of Management and Budget.

The Peterson-Goodlatte talking points accepted a number of modest reforms in Title I. They proposed a $5 billion cut over ten years in direct payments, and agreed to eliminate all subsidy payments in 2013 and beyond if farmers had adjusted gross income of $300,000 or more and less than two-thirds of it came from farming. They adopted an administration proposal for closing a loophole in loan deficiency payments. Nutrition spending would grow by $9 billion over ten years—a major increase above the initial administration numbers. Sugar supports would be held at 2007 levels. The Sustainable Agriculture Coalition called the proposal a "step in the right direction."

In the Senate, however, the House talking points landed with a thud. *Politico*'s David Rogers reported, "Farm bill negotiations teetered at a make-or-break stage Wednesday after House Democrats and Republicans joined forces to press the Senate to scale back its demands or risk a historic disruption of the current commodity programs next month." Senators scolded Peterson for negotiating deals behind their backs. Chambliss, furious at the concessions on payment limits, said the Peterson-Goodlatte proposal should be "thrown in the trash barrel." Associated Press writer Mary Claire Jalonick reported that Baucus, Conrad, and Thune of South Dakota were critical of the Peterson-Goodlatte draft. She quoted Baucus as saying that the proposal "isn't going to fly." Grassley agreed that it "left a lot to be desired."

Peterson later described his "education by Senate" in an interview. "I had never had to deal at this level with the Senate. I never understood that you can't get anything done over there unless everybody in the Senate gets something. I should have been more on the ball. It always puzzled me how the hell they could pass a bill like [the Senate farm bill]. It was so different from ours and they put all this stuff in there, all these gimmicks and tax stuff. I didn't really comprehend what they were up to until we actually got in the room with them. And then I realized: that was the only way they could pass it…Because they had to use all these gimmicks to cover up what they were spending in order to buy everyone off…."

At times, Pelosi also grew frustrated. At one meeting, she scolded Baucus for piling more tax breaks into the farm bill—a technique she had witnessed in the energy bill as well. By the end of the dressing-down, Baucus was "stuttering," Peterson recalled with a chuckle. (A Baucus aide explained: "The senator has a long history of crafting legislation that can get votes and be signed into law. Sometimes that makes people mad.")

As House–Senate negotiators got serious over the next few months, a key question was whether Bush wanted to sign a farm bill at all—or preferred the symbolism of a veto. To Harkin, the White House attitude appeared to be "my way or the highway." If a Bush signing was a realistic possibility, Congress had an incentive to meet administration objections; but if the best reading was that Bush was going to veto regardless, the tactics would shift to the tried-and-true pork barrel technique of loading the bill with enough plums to rally votes for an override. Throughout the spring of 2008, negotiators hammering out the details of the bill vacillated between believing in a veto versus hoping that compromise was possible. But as the likelihood of a veto increased due to a lengthening list of Senate provisions in the bill, "there came a point where [Deputy Secretary] Chuck Conner wasn't invited back" to the negotiations, an aide recalled. Soon rural lawmakers were cutting deals to benefit owners of Kentucky racehorses (Minority Leader McConnell), timber magnates in Arkansas (Lincoln), and a handful of geographically disadvantaged" farmers in Alaska (GOP Sen. Ted Stevens), to cite just a few examples of the logrolling.

In the House, too, rural Republicans were growing restive. It was an election year. The White House was rallying the GOP "base," then deeply disappointed with soaring government spending during eight years of Bush rule. But the base included many GOP lawmakers from farming districts. They did not relish running in 2008 after an unpopular GOP president had vetoed a popular farm bill.

The $307 billion, 673-page compromise bill that negotiators unveiled on May 13 appealed to a broader range of interests than previous farm bills. The Senate team had rejected the no-new-taxes assumption in the Peterson-Goodlatte talking points, and piled on new spending that could be "paid for" by closing tax loopholes designated by the Senate Finance and House Ways and Means committees.

The result was a bill that many could like. More than 500 grassroots and advocacy groups, including dozens of local food banks, lined up behind it. The drafters gave a nod to the growing grass roots movement for "local food," allocating $33 million for the promotion of farmers' markets. To that extent, it reflected the farm bill's increasing importance in areas such as the environment, energy development, and the war on hunger at home and abroad. Tucked into the massive document were new funds for research on biofuels from nontraditional sources such as wood and prairie grasses; a green light for rules that would require labeling all meat and vegetables by country of origin; and help for new farmers.

All four members of the Senate's gang of four gave some ground. For example, in a nod to Iowa pork producers concerned about rising corn prices attributed to demand from ethanol refineries, Grassley went along with a 6-cents-a-gallon cut in the tax credit for blenders of ethanol. Chambliss accepted a token cut in direct payments. Other than that, members of the gang accomplished most of their main goals.

Conrad got higher target and loan prices for his wheat and barley growers. And effective lobbying by the U.S. Dry Pea & Lentil Council, and its Washington lobbyist, Gordley and Associates, helped obtain a new federally guaranteed price for chickpeas, dry peas, and lentils—an increasingly popular crop in the upper Great Plains.

Baucus and Conrad got the special fund to pay for weather-related disasters (SURE). Grassley protected the ethanol tariff, keeping Iowa ethanol plants safe from direct foreign competition, and the others closed ranks with Chambliss to block all but a symbolic cut in direct payments. ACR, another priority of Grassley (and Harkin), was approved in the form of Average Crop Revenue Election (ACRE). To protect the crop insurance industry, the final version made sure ACRE would not overlap with privately issued policies.

In the final closed-door deal-making, Conrad and Chambliss teamed up to effectively gut a favorite program of the environmental movement, the "Sodsaver" provision—a proposal to end federally subsidized crop insurance for farmers breaking up fragile, habitat-rich virgin grasslands.

Grassley got some of what he wanted on payment limits, though one administration official suggested any farmer with a decent accountant could get around the new ceilings. The new law mandated that farmers could not get any subsidies if their adjusted gross nonfarm income exceeded $500,000 ($1 million for couples), and they were made ineligible for direct payments specifically if their adjusted gross farm income was more than $750,000 ($1.5 million for couples). The new law capped at $300,000 the total amount of passive losses that could be written off on a tax return against farm income, and it did away with a loophole that allowed farmers to game the system by setting up as many as three entities (such as corporations or partnerships) to qualify for the limit. (The Bush administration interpreted the new law to mean that all members of a farming corporation that rents land must contribute some labor or management to qualify the corporation for payments—a modest reform, but one vehemently opposed by the farm bloc.)

In an ironic twist, Harkin was arguably the biggest winner, securing some modest gains in his signature reform programs in return for overall support for a farm bill that contained many provisions with which he disagreed. One lobbyist suggested that he had effectively used his own weakness as chairman as leverage to obtain what he most wanted. After battling over priorities with food stamp advocates such as DeLauro, he came away with a $1.02 billion, ten-year increase in the program that provides fruit and vegetable snacks for schoolchildren. Harkin also won a $1.1 billion increase in the Conservation Stewardship Program. The new ACRE program had also been a Harkin priority.

"I had some goals I wanted to accomplish. I hung onto them, but I let others get their things," he said in an interview. "There's a lot of things I don't like, but that's the art of compromise. I got a continuation of what I started in 2002, which is shifting away from paying farmers for how much they grow and what they grow, to how they grow it."[99]

But the final package hardly merited the "reform" adjective attached to it relentlessly by members of the Agriculture committees in both chambers. Defending it on the House floor, Peterson himself described it as "very much like the current law that we have been operating under."

[99] Interview with author and Keith Good.

The legislation reflected the conservatism, parochialism, and change-resistance of the Agriculture committees. It also sidestepped the most important long-term issues facing U.S. agriculture: the food vs. fuel conflict arising from surging use of subsidized biofuels; agriculture's role both as a contributor to and mitigator of greenhouse gases; the long-term sustainability of agricultural practices that utilize large amounts of fossil fuels and water; the signs of growing resistance to the industrialization of food production and processing; the implications of increasing concentration of farm ownership; and the aging of the on-farm population.

Harkin acknowledged his disappointment that direct payments had not been cut more than a token amount. But that was political reality. "We don't have the votes. Baucus is a big supporter [of direct payments]. Conrad. Lincoln. On the Republican side, Chambliss, Cochran, Roberts, and Grassley wasn't enthusiastic about cutting. [Sen. John] Thune in South Dakota. Conrad was a little more supportive than Baucus. But who doesn't like free money? The Farm Bureau are big supporters, though not the NFU. And you don't find any of the other commodity groups opposed to them."[100]

For cotton, "the positives far outweigh[ed] the negatives," according to the vice president of the National Cotton Council.[101] The dairy industry fared so well that a December 2008 economic analysis by the American Farm Bureau Federation reported: "With very little fanfare, questioning, or uproar, the dairy industry managed to check off its Christmas wish early with the 2008 Farm Bill." The "gifts" included $410 million to help defray the rising costs of animal feeds, and a 7.5-cents-

[100] Interview with author and Keith Good.

[101] Gary M.Adams, vice president of policy and economic research, National Cotton Council, *Cotton Outlook* magazine, July 2008.

a-pound fee on imported dairy products to help finance domestic dairy promotion activities. (In July 2009, faced with deteriorating prices, the Obama administration, under strong pressure from Capitol Hill, raised dairy price supports.)

It was no surprise, then, that both houses passed the conference report and sent it to the White House for a certain veto.

To Swartz and the reformers, the moment offered a tiny, last ray of hope. If enough House Republicans stuck with the president—not an impossibility for a bill loaded with extra spending and "pork"—further improvements might yet be possible. Through Swartz, Hunter H. Moorhead, special assistant to the president for agriculture, set up a conference call with alliance participants.

The call was led by Barry Jackson, deputy to Karl Rove and recently promoted to presidential assistant for strategic initiatives. Some farm bill opponents in the Republican Party had already made contact with the White House, and Swartz looked forward to a discussion focusing on the practical steps—calls from the president, visits from lobbyists, and more—that might bring enough Republicans around to override. Instead Swartz and others on the call listened to a tedious recitation of administration talking points. Finally, Swartz called an end to it. "We don't need to take up your time on this," he said. "We need you to tell us your strategy for overriding the veto." In fact, it was suddenly clear to Swartz, the White House had no strategy. "They were just going through the motions," he concluded.

The president's May 21 veto message was strongly worded. "At a time of high food prices and record farm income, this bill lacks program reform and fiscal discipline," the president wrote. "It continues subsidies for the wealthy and increases farm bill spending by more than $20 billion, while using budget gimmicks to hide much of the increase. It is inconsistent with our objectives in international trade negotiations."[102] The president said it was "irresponsible to increase government subsidy rates for 15 crops, subsidize additional crops, and provide payments that further distort markets." He noted that the conference report eliminated the existing ceiling on collateralized post-harvest loans; created a new uncapped revenue guarantee (ACRE); and restricted the government's ability to deal with famines and food crises abroad by buying more food locally.

But on Capitol Hill, the veto message was a call to arms. A few hours after it was issued, the House easily overrode the veto, 316 to 108. One hundred Republicans, including the House's second-ranking GOP member, Missouri's Roy Blunt, joined Democrats in overriding the president.[103] The Senate quickly followed suit.

The long battle over the 2008 farm bill was over.

---

[102] Farm bill veto message, May 21, 2008.

[103] Due to an administrative snafu—failure to include one title of the bill in the document sent to the president—Congress had to pass the conference report a second time so it could be sent to Bush, vetoed, and overridden again.

11 Postmortem

Failure to make more headway was cause for soul-searching among alliance participants. Although better-funded and -organized than at any time in the past, the groups supporting reform were fragmented. The alliance lacked a single, coherent message on reform. Organizations had many agendas and were easily wooed from the reform cause by lawmakers dangling concessions. Some supported reducing U.S. subsidies in order to create a more level playing field for poor, unsubsidized farmers in Africa. Others favored shifting subsidy funds to other agricultural purposes. Some argued for moving resources from Title I to nonagricultural purposes, such as rural development, nutrition programs, food aid abroad, the preservation of wildlife habitat, and the protection of grasslands and wilderness. Reducing budget deficits and eliminating waste in Title I was a priority for others. Still others sought a new kind of farm program that consolidated existing programs in a more rational safety net.

"We didn't have a common notion of what reform was….We didn't have a common vision," said Scott Faber, who worked for Environmental Defense in 2007.[104] Was the principal goal to improve the lot of farmers in developing countries? To create a more equitable domestic system that provided a safety net designed for those who needed it? Or was it to redirect Title I funds to other priorities? While some groups were for reform, others mainly wanted money for their programs or wanted to reduce the deficit.

The collapse of the Doha Round played into the hands of those in Congress who felt it was safe to ignore the trade implications of the bill. Senator Harkin on several occasions felt it necessary to remind colleagues that treaties are the law of the land, not documents that need to be complied with only when convenient. Congress, according to one senior Republican staffer, is "in denial" about the long-term risks of a farm policy that disregards obligations under trade treaties.

But congressional cynicism about the effectiveness—or relevance—of the WTO was understandable if not excusable. In the cotton case, the WTO first ruled in 2005 that U.S. subsidies exceeded the limits agreed to under existing trade agreements and suppressed global cotton prices. A WTO appellate board upheld that ruling, and a compliance panel affirmed in 2007 that the United States had not complied. That ruling was also upheld. The Brazilian complaint charged, among other things, that U.S. cotton subsidies had caused overproduction of cotton in the United States and "serious prejudice" to Brazilian farmers. In the midst of this trade fracas, however, the 2008 farm bill gave U.S. cotton mills a 4-cents-per-pound "economic assistance" payment that some said effectively restores a subsidy the USDA had terminated after the original WTO ruling.

It was not until August 2009 that WTO arbitrators finally ruled that Brazil was entitled to $295 million, and nearly $150 million a year thereafter, for the failure of the United States to eliminate cotton subsidies—about a tenth of what Brazil had asked for in retaliation.[105] As the case dragged on, significant changes were occurring in global cotton markets and in U.S. agriculture that made the WTO decision seem almost quaint. Between 2005 and 2009, U.S. cotton production fell by 45 percent, while output in Brazil, China, and India increased 20 percent.

It would be hard for farm state lawmakers not to draw several lessons from this record. One is

[104] Now wit the Grocery Manufacturers Association.

[105] Peter Fritsch and John Lyons, "U.S. Loses Ruling on Cotton Payouts," *The Wall Street Journal,* Sept. 1, 2009. The authors noted that the ruling opened an important door to retaliatory measures that, under certain circumstances, could enable Brazil to punish American pharmaceutical companies and other owners of patent protections.

that they can ignore the WTO without serious consequences; the other is that the WTO is a clumsy tool for resolving trade conflicts in the here and now. Chairman Peterson has stated that the United States must comply with treaty obligations; but he has not disguised his jaundiced view of trade pacts: "I don't trust that we're going to get a square deal in the world marketplace, and I want to protect production agriculture," he said.[106]

Though final language in the farm bill was crafted to head off legal challenges from foreign governments and U.S. competitors, some provisions stuck out. The new ACRE program was described by one veteran Capitol Hill lobbyist as a potential "time bomb" because its revenue guarantees may give farmers a green light—even an incentive (since revenues are protected against glut-caused price dips)—to overproduce some crops. The February newsletter of the European Union's Monitoring Agri-Trade Policy, summing up foreign sentiment about ACRE, called it "a significant step backwards."

Separately, sugar survived the farm bill process as a throwback to an earlier era of government protection and supply management. The bill carved out 85 percent of the U.S. sugar market for domestic cane and sugar beet growers: a political triumph of beet growers and refiners centered in Minnesota (Peterson), North Dakota (Conrad), Idaho, California, and Michigan, and to a lesser extent, cane refiners on the Gulf Coast. (The stake in continued domestic sugar beet production is highest for Midwest refiners since farmers in that region have profitable alternatives to growing beets: corn and soybeans.) The bill continued the government-managed system of acreage allotments and supply management, and added a new sugar-for-ethanol provision whose economic viability was questioned by the ethanol industry itself. The sugar program survived despite moves in the European Union to end some incentives for overproduction, and complaints from lobbyists for some of the world's poorest countries. Prior to the farm bill, some economists had proposed a "buyout" that would effectively end the current system, placing sugar on roughly the same footing as other crops for which world markets (as reflected in commodity futures prices) determine how many acres a farmer plants. But given the political realities, the proposal was a nonstarter.

[106] Teleconference with farm reporters, June 21, 2007.

12 Aftermath: A New Politics of Agriculture?

Farm bills result from the interplay of politics and ideas. In 2007–08, these were not aligned to the advantage of the reformers. Summing up the political realities, Neal P. Gillen, president of the American Cotton Shippers Association and a veteran observer of farm bills, put it this way: "The U.S. farm sector, despite its diminishing numbers, proved once again that it is a political force to be reckoned with. One can say that for the near term, Congress intends to sustain the farm programs because there is no strong public mandate or political will to change."[107]

Given a different set of circumstances—continued Republican control of Congress; a successful Doha Round; a world "food crisis" starting a few months earlier—pressure for a different outcome might have been greater. As it was, would-be reformers had to get past Sens. Conrad and Chambliss in one chamber—a well-nigh impossible task—and the political priorities of a new speaker in the other.

In the presidential election campaign that followed, the issues of farming and food hardly made a ripple, though Sen. McCain, the GOP nominee, did single out waste in agricultural programs in one debate. Former Agriculture Secretary Mike Johanns' journey in 2007 and 2008 provided a vivid lesson in the political realities. Johanns had been the administration's point man on the farm bill, arguing, among other things, for closing loopholes and establishing stricter payment limits. But as a candidate for the U.S. Senate from Nebraska in May 2008, Johanns announced he would have voted *for* the House-Senate farm bill compromise—the one vetoed by the president—had he been a senator.[108]

[107] Neal Gillen, "The 2008 Farm Bill," *Cotton Outlook* magazine, July 2008.

[108] Johanns said the House-Senate conference report was inadequate in a number of ways, but added: "It's time for farmers to have a farm bill," according to an account in the May 15 edition of the Grand Island, Neb., *Independent*.

Since then, the politics of agriculture has begun to be reshaped as a new president and a Democratic Congress pursue legislation on energy, climate change, food safety, budgetary reform, and agricultural aid to poor countries. This has confronted the farm bloc with a situation that is quite new: Congressional committees and executive branch agencies that are not traditional guardians of agricultural interests have taken the lead in drafting legislation and regulations with major impacts on farmers. (In the House, climate change and food safety legislation was drafted by the Energy and Commerce Committee, and the Agriculture Committee did not "mark up" either bill.)

Agriculture's ability to affect such legislation still remains formidable. But the jury is still out on whether agricultural interests will use their considerable power to play the role of constructive critics—or spoilers of the Democratic reform agenda.

In many respects, the first act in the farm bill debate was passage of the Energy Independence Security Act in December 2007. The legislation sharply increased the requirements for future use of ethanol, biodiesel, and "advanced" biofuels made from new sources (to 36 billion gallons by 2022). That satisfied a key goal of the farm bloc. But the legislation also marked a new chapter. It laid down environmental requirements for the ethanol industry and gave the Environmental Protection Agency—not the USDA—authority to determine whether refineries met standards for reducing greenhouse gases.

To many in the farm community, the climate change legislation approved by the House Energy and Commerce Committee in May 2009 was the second shoe, and the farm bloc's call to action to regain control.

The furious farm bloc reaction caught Democratic leaders off guard. Rural lawmakers charged that the legislation would increase fuel and fertilizer costs for farmers, hurt coal-burning rural electric utilities, and leave the Midwest's thriving biofuels industry vulnerable to regulatory restrictions by the Environmental Protection Agency.

In what looked to some like a reprise of the political logrolling that occurred around the farm bill, Peterson warned Pelosi that climate legislation could jeopardize the re-election of rural Democrats. In league with farm and ethanol interests (now a major source of farm bloc muscle), he won a series of concessions.

Under the final House bill, farmers, ranchers, and owners of timberland could earn credits for practices that reduce carbon. Management of this part of the carbon offsets program was turned over to the USDA, cutting the less farmer-friendly EPA out of the picture. "We don't want EPA anywhere near our farmers," Peterson said.

The biofuels industry was one of the biggest winners. Existing biodiesel refineries, which run mainly on soybeans, were freed from the greenhouse gas requirements of the 2007 Energy Independence and Security Act. And the ethanol industry got relief for at least five years from having to show that its use of U.S. corn was not leading to the destruction of forests and virgin soil elsewhere in the world, as countries rushed to replace U.S. food crops now going to fuel.

To some environmental groups, Peterson has seemed to play a double game. He supported the House bill and won praise from Pelosi for helping the legislation narrowly squeak through the House, 219 to 212. But he put out the word to some politically vulnerable rural freshmen to "vote your district" even if that meant bucking Pelosi. The chairman himself has said he will vote against final climate legislation unless the House bill is improved further.

Lost in the noisy reaction was the fact that agriculture had been excused from the caps on greenhouse gas emissions applied to industry—even though the USDA estimated that agriculture accounts for about 6 percent of greenhouse gases. Also little remarked on was a provision in the 2007 energy act that exempted ethanol plants built or under construction at the end of 2008 from greenhouse gas requirements. Environmentalists also made a larger point. They said U.S. agriculture was ignoring the big picture—the long-term impact on U.S. agriculture of rapid changes in climate patterns.

Farm state lawmakers have insisted they are playing a useful role—forcing the administration to sharpen its arguments in favor of the legislation. For example, they have pressed for better information about the effect it is likely to have on farmers' costs, on the environment, and on food prices.

The 2007 energy act, with its increased requirements for ethanol use, prompted concerns that the burgeoning biofuels industry was setting up a "fuel versus food" conflict. The climate legislation raises legitimate questions about "carbon versus food." If farmers can earn lucrative offsets by converting cropland to timber, will the loss of acreage translate into tighter supplies of commodities and, after that, costlier food? The administration contends the answer is no, because biotech-driven gains in yields will make up for any loss of land on which to grow crops.

The USDA predicts that the short-term impact on farm costs will be less than 1 percent. "Over the medium term and long term, costs to agriculture rise but remain modest: a 3.5 percent and 7.2 percent decrease in net farm income, respectively. However, benefits to agriculture from an offsets market rise over time and will likely overtake costs in the medium and long term."[109] But at this point, there are simply too many moving parts for anyone to be sure. Perhaps the most interesting study thus far is one by Texas A&M, which uses EPA estimates of energy costs, and economic data for 98 representative dairies, ranches, and crop farms to predict winners and losers under the cap and trade system in the House-passed climate bill. The study is useful because it shows just how complex a carbon control system will be in agriculture. It predicts that Western dairies with the economies of scale to install methane digesters (capable of earning credits) would come out ahead, while smaller Eastern dairies would lose. Midwestern corn and soybean farms could generate credits by expanding their "no till" practices, but most cattle ranchers would have no opportunity to earn credits while paying significantly more for fuel. To earn credits, they would have to leave sizable amounts of their grass standing—necessitating the reduction of their herds, an option few would be likely to elect.[110]

The farm bloc is anything but united on these issues. The American Farm Bureau Federation, the National Cotton Council, the National Pork Producers, and the National Sorghum Producers came out against the Waxman-Markey climate change bill even with the changes orchestrated by Peterson. But the bill was endorsed by the National Farmers Union and the American Farmland Trust; and the American Soybean Association, while saying further improvements were needed, supported the changes made by Peterson.[111]

Midwest corn growers and ethanol producers see huge new opportunities in a bill tailored to their strengths. But Southern commodity groups and the Farm Bureau appear to have dug in against it.

Whither Farm Subsidies?

Once the current economic crisis and the bow wave of spending passes, the Obama administration will almost certainly turn to the budget deficit and the nation's precarious fiscal situation. At that point, there could be new opportunities to reconsider what happened in 2007–08, and to reassess the farm bill. Agriculture cannot avoid being involved in "budget reconciliation," the process through which Congress periodically reorders fiscal priorities.

The Obama administration has already taken a first step in paring farm subsidies—and, predictably, has been slapped down hard by farm state lawmakers. It proposed a three-year phaseout of direct payments to farmers with revenues above $500,000. Peterson branded the idea "dead on arrival" and then amended that to say: "We might cremate it." The response from Sen. Conrad was even more hostile.

Yet the proposal signaled that the administration is groping for a way out of the farm subsidy labyrinth. Privately, farm state lawmakers—and farmers themselves—acknowledge that the current farm program will need to be adjusted to an era of rapid transition in both agriculture and energy. A Reuters straw poll of 820 of the 5,350 farmers attending the 2009 American Farm Bureau Federation convention found 59 percent supported Obama's push to cap subsidies and tighten the rules.

Assuming climate legislation passes and includes carbon offsets for farmers and ranchers—and assuming Congress leaves the raft of subsidies and incentives for biofuels intact—there will be pressure on Congress to consider these indirect benefits as it shapes a new safety net for agriculture.

---

[109] Office of the Chief Economist and Economic Research Service, "A Preliminary Analysis of the Effects of HR 2454 on U.S. Agriculture," July 22, 2009.

[110] Agriculture and Food Policy Center, Dept. of Agricultural Economics, Texas A&M University, "Economic Implications of the EPA Analysis of Cap and Trade Provisions of H.R. 2454 for U.S. Representative Farms," August 2009.

[111] http://agwired.com/2009/06/25/debate-heating-up-over-climate-change-bill/.

A farm program that is more philosophically consistent with the government-wary views of rural America would put far more emphasis on the private crop insurance program. In an era when "public options" are being roundly rejected by conservative Democrats and Republicans alike, the Byzantine web of government price guarantees, price floors, and income support in agriculture stands out as an anachronism, considering a private option (crop insurance) is available.

The USDA's former chief economist, Keith Collins (who currently consults for the National Crop Insurance Service, a nonprofit advisory group for the industry), believes that policymakers should examine the "overlaps" between the public and private systems, with a view to seeing where "efficiencies" can be made.

"We are a private sector–oriented economy and it makes sense to emphasize the private sector component [in agriculture] as the linchpin for the future," he said. Collins noted that most lawmakers would "not tolerate this level of public involvement in any other sector of the economy." Crop insurance has expanded rapidly. It covers dozens of crops grown on about 80 percent of farm acreage. New types of policies are being created and others improved all the time. Collins has suggested that new insurance products could be created to protect producers against such risks as liability for tainted food and even the price of the greenhouse gas offsets they sell in a future carbon market.

The government plays a broad role in the private crop insurance industry—much as it does in a health care system run by doctors and private hospitals. It covers some of the administrative costs of the companies, subsidizes premiums, and reinsures companies against losses on the riskier policies—about 20 percent of all policies. Without that backing, the cost of reinsuring crop insurance policies in the private market would make crop insurance prohibitively expensive. "Nobody would seriously suggest no government role," Collins said. "Rather the idea might be a transition to a farm program that has a greater role for the private sector, one with an important regulatory role but less direct financial exposure for taxpayers."

On both sides of the Atlantic, policies have begun to move away from traditional price and income supports to those that require a return on investment. In the EU, budget pressures are pushing policymakers to shift more funds to "Pillar 2" spending, indirect investments in rural development, conservation, and research. In the United States, the Conservation Stewardship Program is linked to environmental results. As noted above, the EU's "single farm payment" requires farms to meet environmental, food safety, animal welfare, and occupational safety requirements.

At the same time, there is growing interest in the United States in healthy foods that are locally grown—and signs of a backlash against a food system that has hidden costs. While food is cheap in the United States, as in so many other things, there is no free lunch. The enormous hidden environmental costs include chemical fertilizer runoff into underground water supplies, rivers, and bays; high carbon output resulting from intensive food processing; declining aquifers; and lost virgin grasslands and wildlife habitat.

Claims by some that farm subsidies have been a significant culprit in the unhealthy American diet—costing billions of dollars in medical expenses—are less well-substantiated. But a White House garden to provide food for the table of the president and his family grabbed headlines in the spring and sparked praise from a nascent grass roots upwelling that promotes sustainable agriculture and less-processed foods. In a pre-election interview, Obama cited the views of best-selling food writer Michael

Pollan, a leading critic of industrial agriculture and food processing. Agricultural "monocultures," Obama told *Time* magazine's Joe Klein, "are partly responsible for the explosion in our healthcare costs because they're contributing to type 2 diabetes, stroke and heart disease, obesity, all the things that are driving our huge explosion in healthcare costs."

Pollan has called on Americans to "vote three times a day" against processed foods with complicated labels—and more Americans are doing just that. Commercial agriculture loathes Pollan, and its critiques of him are not completely without foundation. As one lobbyist told me, "Pollan's ideal of backyard agriculture is realistic only if we are prepared to see mass starvation around the globe. Commercial agriculture has its faults, but it is the only way that the world can be fed." Some antihunger groups that are seeking to improve agriculture and raise calorie intake among the world's poor have heard that message. They view agribusiness giants such as Monsanto—which makes money selling high-yielding genetically engineered seeds and has been widely vilified for police-state tactics against those violating its patents—as potential allies in improving crop yields and easing hunger among 1 billion people.

Pollan concedes that the "movement" is still rather elitist —healthy food such as grass-finished beef, and locally grown food, can be too costly for low budgets. But, he told me, the suffragettes were also an elite group when they began, yet women ended with the vote! Food is changing, if slowly. While the goals of the new food activists are often unclear, Congress has begun to take notice. Tucked into the farm bill was funding for the Farmers Market Promotion Program ($33 million), Community Food Project grants ($5 million), and the Healthy Food Enterprise Development Center. It provided $75 million for competitive grants to new farmers and ranchers. After the 2008 election, two Iowa hog farmers committed to "sustainability" organized a petition drive signed by 50,000 people listing six candidates they supported for secretary of agriculture.

Farmers and consumers should be natural allies in trying to bring about a food system that protects farmers and ranchers against some of their risks, while also encouraging good environmental practices, healthier and safer food, and globally responsible policies. For reformers the way forward may involve helping these two groups to overcome their historical differences and speak with one voice.