

Executive Memorandum

The Heritage Foundation

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RESPONDING TO THE DROUGHT

Only a few months ago, it looked as if America's farmers finally were recovering from the hard times they had suffered throughout the 1980s. Exports were increasing, debt diminishing, and farm income was reaching record highs. Then came the drought. While the full extent of it is not yet known — rain could resume at any time — it could turn out to be the worst United States drought in forty years.

What is known is that the excruciatingly dry summer is creating a crisis in rural America. The federal government cannot make rain. Yet policy makers can act swiftly, firmly, and compassionately to minimize the suffering this crisis promises to cause. While there is an array of effective measures that Washington can take, policy makers must resist succumbing to election year pressures simply to throw money at the drought problem. Instead, specific steps are needed to ease the problem at hand and to help those suffering the most.

In response to the drought, many policy makers already have proposed an across-the-board debt moratorium on federal government loans to farmers and want to allow farmers to keep rather than return the excess advance subsidies that they have received. The problem with this is that the drought has not affected all farmers equally. While corn farmers in the Midwest may be facing crop failure, for instance, vegetable growers in California may be doing quite well. The Midwest's "winter wheat" crop could be the best in years. Ironically, because of the rising crop prices caused by the drought, overall farm income this year may actually top last year's. There is no reason for emergency drought relief to go to those facing no emergency.

Tragic Dimensions. Agriculture Secretary Richard Lyng already has taken some useful steps to respond to this crisis, ranging from increasing the supply of feed for hungry livestock to allowing farmers who have lost crops to receive in advance a portion of expected subsidy payments. These initiatives should be expanded and accelerated as drought conditions warrant. More generally, and perhaps more important, the federal government must do a better job of demonstrating that it understands the tragic dimensions of the drought. Despite Lyng's actions, the Administration still needs to make it clear that it understands the full urgency of the situation. The Agriculture Department cannot act as if it were business as usual. Normally desk-bound bureaucrats, for example, should spend more time in the fields for firsthand assessments of the tragedy.

The Department of Agriculture also must act now to prepare the necessary mechanisms for processing and administering more direct aid programs should the drought continue. Aid dis-

tribution must not be delayed by last-minute administrative confusion or lack of proper staffing at the Department.

Among the positive actions taken by Lyng are:

- ◆ ◆ Allowing grazing and hay-making on certain land originally set aside for crop reduction purposes, and allowing hay-making on environmentally fragile land in the federal Conservation Reserve program.

- ◆ ◆ Launching emergency programs to buy feed for farmers and to sell them federally owned feed grain at reduced prices.

- ◆ ◆ Establishing a national hay hotline, or "haynet," in cooperation with state departments of agriculture, to identify areas where hay is available and where it is needed.

- ◆ ◆ Careful auctioning of surplus federal crops, which should keep down prices and reduce federal storage costs.

- ◆ ◆ Removing restrictions on sales by individual farmers from reserves that had been held off the market under federal programs, pursuant to the statutory "trigger."

- ◆ ◆ Allowing farmers who were not able to plant due to the drought to receive 92 percent of their otherwise expected subsidies.

Fundamental Revision. While these actions are positive responses to the growing farm crisis, policy makers also must explore more comprehensive initiatives that not only would alleviate the immediate drought-caused problems, but put American agriculture on a more sensible footing. As a first step, farmers could be required to purchase crop insurance as a condition of receiving federal aid. This would offset financial losses in future drought years. More fundamental, would be a revision of the federal crop subsidy program so that payments do not continue to soar in good years and plummet in bad. To do this, subsidies should be "decoupled" from levels of production.

This year's severe drought poses an extremely dangerous threat to U.S. farmers, who were just beginning to recover from the farm depression of the 1980s. Policy makers must take swift and firm action to ease the problems of those farmers who have suffered most from the drought. The Department of Agriculture's useful, but modest, steps must be accelerated and expanded. Policy makers too must make more comprehensive changes in farm programs to reduce the harm situations like this can cause. Droughts cannot be prevented, but sensible reform of farm programs could do much to ease the pain they cause.

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For further information:

Robert G. Chambers, "How to Wean the American Farmer from Washington," Heritage Foundation *Backgrounders* No. 657, June 22, 1988.

"The mercury is as high as an elephant's eye," *The Economist*, June 25, 1988, p. 25.

Warren Brookes, "No drought in farm aid," *The Washington Times*, June 28, 1988, p. F1.