

ISSUE BRIEF

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Six Reforms for the House Farm Bill

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On June 20, the House voted down its farm bill by a bipartisan vote of 234–195. This action was a major victory for fiscal responsibility and the American people. Now, instead of locking the country into five years of bad public policy, the House can develop a bill that provides significant reforms for *both* farm policy and the food stamp program. The following six critical reforms are a blueprint for common-sense change.

1. Separate Food Stamps from Farm Policy. The House farm bill was projected to cost \$940 billion over 10 years. About 80 percent of these costs was attributable to food stamps and nutrition programs.¹ Therefore, it is extremely misleading to call the legislation a “farm” bill. It was a food stamp bill.

The food stamp program and farm policy should be considered in two distinct bills. Combining these programs is done solely for political purposes. As Senator Thad Cochran (R–MS), ranking member of the Senate Agriculture, Nutrition, and Forestry Committee, recently explained, food stamps should continue to be included in the farm bill “purely from a political perspective. It helps get the farm bill passed.”²

Combining the two programs into one massive bill creates an unholy alliance of food stamp and farm policy proponents that lobby for the bill,

making it easier to get enacted. This tactic also serves as a way for Congress to rubberstamp legislation without having to take a serious look at its policy implications. If there is to be real reform of food stamps or farm policy, Congress needs to take the time to address them separately.

2. Do Not Add New Programs. The House bill adds two new programs that are paid for completely by taxpayers. Farmers can choose to participate in either a “shallow loss” program or a reference price program. The shallow loss program guarantees farmers protection from even minor losses covering 85 percent of their revenue, thereby eliminating virtually all risk.

The reference price program is supposed to cover major losses only. If the price of a commodity goes below the reference price that is set in law, then farmers will receive payments. The reference prices had been set so high in the House bill that even minor losses would be covered, and peanut farmers would effectively be guaranteed payments as soon as the law went into effect.³

3. Do Not Add Costs to the Most Expensive Farm Program. From 2000 to 2006, crop insurance costs averaged \$3.1 billion per year. From 2013 to 2022, this figure was projected to triple to about \$9 billion.⁴

Even though crop insurance costs are spiraling out of control, the House bill was projected to *add* \$8.9 billion more in costs to the crop insurance program.⁵ In stark contrast, President Obama’s budget would *cut* \$11.7 billion from this costly program.⁶

4. Make Sensible Reforms in Crop Insurance. The House bill was so extreme that it did not even make modest crop insurance reforms that have

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been suggested by the independent Government Accountability Office (GAO).

For example, other farm programs place a cap on the amount of subsidies farmers can receive each year. Crop insurance has no such cap. The GAO estimated that a \$40,000 annual cap on premium subsidies would have saved taxpayers \$1 billion in 2011. In addition, only 3.9 percent of farmers receiving crop insurance would have been affected.⁷ This cap would not deny all subsidies to those affected but would merely place a limit on them.

5. Do Not Artificially Drive Up Food Prices: Repeal the Dairy and Sugar Programs. At the same time the House would spend close to \$750 billion to help people purchase food, it would make food more expensive, which would devalue food stamps. Both the sugar and dairy programs restrict supply, thereby driving up food prices.

According to the Department of Commerce, U.S. sugar prices over a 25-year period have generally been two to three times higher than the world price.⁸ The GAO analyzed the dairy program and found that between 1998 and 2004, U.S. butter prices were more than double international prices and U.S. cheese prices were up to 58 percent higher than international prices.⁹ The House should repeal both

programs. They hurt all Americans by imposing great costs on their food bills.

6. Convert Food Stamps into a Work Activation Program. Today, many households receiving food stamps that include an able-bodied adult perform no or little work. In 2010, of the 18.8 million households receiving food stamps, 10.5 million included an able-bodied, non-elderly adult. Over half of the individuals in those households—5.5 million—performed no work during the month, and another 1.5 million to 2 million performed less than 30 hours of work per week. Low levels of work were not simply due to the recession but are typical of food stamp households even during good economic times.¹⁰

Converting food stamps into a work activation program is a crucial step in promoting self-sufficiency and personal responsibility among food stamp recipients. Able-bodied adults should be required to work, prepare for work, or at least look for work as a condition of receiving food stamps.

When President Bill Clinton signed the 1996 welfare reform—which inserted work requirements into the largest cash assistance welfare program—he stated that it would “make welfare what it was meant to be, a second chance, not a way of life.”¹¹ Within five years, welfare rolls declined by roughly

1. Congressional Budget Office, letter to Representative Frank Lucas (R-OK), May 23, 2013, <http://www.cbo.gov/publication/44271> (accessed June 27, 2013), and Congressional Budget Office, “Supplemental Nutrition Assistance Program—May 2013 Baseline,” May 14, 2013, <http://www.cbo.gov/publication/44211> (accessed June 27, 2013). To get the 80 percent estimate, the baseline outlays for 2014–2023, less the \$20.5 billion reduction from baseline, should be divided by \$940 billion.
2. Jerry Hagstrom, “Food Stamps Are Key Component to Getting Farm Bill Passed,” *National Journal*, April 10, 2013, <http://www.nationaljournal.com/daily/food-stamps-are-key-component-to-getting-farm-bill-passed-20130410> (accessed June 27, 2013).
3. Daren Bakst, “Proposed New Farm Programs: Costly and Risky for Taxpayers,” Heritage Foundation *Backgrounders* No. 2815, June 14, 2013, <http://www.heritage.org/research/reports/2013/06/proposed-new-farm-programs-costly-and-risky-for-taxpayers>.
4. U.S. Government Accountability Office, *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-13-279SP, April 2013, <http://www.gao.gov/assets/660/653604.pdf> (accessed June 27, 2013).
5. Congressional Budget Office, letter to Representative Frank Lucas (R-OK), May 23, 2013.
6. U.S. Office of Management and Budget, Budget of the United States Government, Fiscal Year 2014, p. 177, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/ccs.pdf> (accessed June 27, 2013).
7. U.S. Government Accountability Office, *Crop Insurance: Savings Would Result from Program Changes and Greater Use of Data Mining*, GAO-12-256, March 2012, <http://www.gao.gov/assets/590/589305.pdf> (accessed June 27, 2013).
8. U.S. Department of Commerce, International Trade Administration, “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices,” February 2006, <http://www.ita.doc.gov/media/Publications/abstract/sugar2006desc.html> (accessed June 27, 2013).
9. U.S. Government Accountability Office, *Dairy Industry: Information on Milk Prices, Factors Affecting Prices, and Dairy Policy Options*, GAO-05-50, December 2004, <http://www.gao.gov/assets/250/245016.pdf> (accessed June 27, 2013).
10. See Robert Rector and Katherine Bradley, “Reforming the Food Stamp Program,” Heritage Foundation *Backgrounders* No. 2708, July 25, 2012, http://www.heritage.org/research/reports/2012/07/reforming-the-food-stamp-program#_ftnref24.
11. AllPolitics, “Clinton Signs Welfare Reform Bill, Angers Liberals,” August 22, 1996, <http://cgi.cnn.com/ALLPOLITICS/1996/news/9608/22/welfare.sign/> (accessed June 27, 2013).

half, child poverty rates plummeted, and employment rates among low-income individuals increased. If the 1996 welfare reform law is any indicator, a work requirement would significantly decrease dependence on food stamps and boost employment rates among recipients.

A Valuable Second Chance. The House farm bill was projected to cost 56 percent more than what was projected for the last farm bill in 2008.¹² Actual costs will likely be much greater, as they were for the 2008

bill. These massive costs combined with the lack of reforms make the current House bill fundamentally flawed. The House now has a second chance to pass a farm bill that benefits taxpayers, farmers, and food stamp recipients.

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12. The last farm bill was projected to cost \$604 billion. See Renee Johnson and Jim Monke, "What Is the Farm Bill?" Congressional Research Service Report for Congress, October 3, 2012, <http://www.nationalaglawcenter.org/assets/crs/RS22131.pdf> (accessed June 27, 2013).