

ISSUE BRIEF

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10 Guiding Principles for Agriculture Policy: A Free-Market Vision

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Agriculture has changed dramatically over the past 80 years, yet farm and commodity programs are Depression-era relics that are grounded in central-planning philosophies. Even some policymakers who claim to be strong proponents of free markets and limited government tend to forget these core beliefs when it comes to these programs.

Agriculture policy is not just limited to these traditional farm and commodity programs that limit choice, stifle innovation, drive up consumer prices, and cost taxpayers billions of dollars a year. It also includes food safety, international trade, environmental policy and property rights, research and innovation, and general issues applicable to all sectors of the economy, such as labor policy.

There are alternatives to agriculture beyond the status quo of central planning and subsidies. The same free-market solutions that have allowed this nation to flourish are just as applicable to agriculture as they are to other sectors of the economy. The following are 10 guiding principles for agriculture policy.

1. Markets, Not Government Incentives and Controls, Should Inform Farming Decisions.

Farmers make decisions based on the restrictions imposed upon them through central-planning policies and the subsidies that distort their choices through misguided incentives. These policies include loans, disaster assistance, price and revenue guarantees, supply restrictions, import barriers, payments to idle land, marketing orders (which are effectively government-sanctioned cartels), and subsidized crop insurance.

There is an assumption in agriculture that the federal government can use central planning to best allocate resources. Nobody has the knowledge to plan economies. By responding to markets, farmers would be free to produce what they deem fit to meet consumer demand.

2. Free Markets Promote Food Affordability.

Food must be affordable. Consumers are often ignored by existing policies that drive up food prices, such as the sugar program¹ and the Renewable Fuel Standard.²

Higher food prices hurt low-income individuals the most because a greater share of their incomes go to food costs compared to individuals with higher incomes.

3. Subsidies Are Not Necessary for Farmers to Succeed.

Government should not intervene in the market to help ensure that farmers are profitable, such as through the “shallow loss” program that protects farmers from even minor losses.

This paper, in its entirety, can be found at <http://report.heritage.org/ib4213>

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Like any businesspeople, farmers should succeed or fail on their own merits and assume the risks and reap the rewards of doing business.

In addition, though, government should not intervene in the market by making it difficult, if not impossible, for farmers to succeed financially. Burdensome regulations can harm farmers as can restrictions limiting access to capital and labor necessary to meet the unique needs of farms.

4. Property Rights Are the Cornerstone of American Agriculture.

Farmers and ranchers are the best stewards of their property. Property ownership creates powerful incentives to maintain property. Many farmers and ranchers depend on their land for their very livelihood: According to the U.S. Department of Agriculture, “farm real estate (land and structures) accounted for 82 percent of the total value of U.S. farm assets in 2012.”³

Too often, farmers and ranchers have to bear an excessive cost for government regulations that place restrictions on how they use their property. This problem is particularly egregious with laws such as the Endangered Species Act. Farmers and ranchers bear costs that should be borne by society generally, not a narrow group of property owners alone. In many instances, the restrictions are so great as to amount to regulatory takings, which should trigger just compensation to the harmed property owners.

Clearly defined and strongly enforced property rights might also help develop solutions to addressing many agriculture challenges. For example, water rights can be used by the property owner to participate in water markets, likely serving as the best means to allocate scarce water resources.

5. Problematic Regulations Affecting Agriculture Should Be Fixed or Eliminated.

New regulations are often adopted to address problems caused by existing regulations. The solution should be to fix or eliminate the existing regulation, not to use failed policies as justification for more government intervention. This problem was on display in the recent farm bill.

Subsidized crop insurance can distort decisions by farmers because of their reduced risk and potentially encourage them to use land in ways that might be environmentally unfriendly. This was part of the rationale for requiring farmers to comply with land use restrictions⁴ in order to receive crop insurance subsidies. The solution though is not to impose new restrictions on property usage, but to remove the distorting subsidies.

6. The Regulatory Burden on the Agriculture Sector Should Be Minimized and Sound Regulatory Approaches Used.

Regulations can hinder farmers and other businesses throughout the food supply system. Farm-specific regulations should generally be limited to covering health and safety. When agencies promulgate regulations, they should have clear statutory authority and use sound regulatory and scientific analysis, including adopting the least costly alternative to achieve its objective. Unnecessary, duplicative, or outdated regulations should be repealed.

One-size-fits-all regulation does not work, especially given the diverse work of farmers and the unique agricultural challenges that exist on the state and local levels. Regulation should become more decentralized with states and local governments having more influence and responsibility as the federal government plays a smaller role.

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1. See Daren Bakst, “Should Government Restrict the Candy Supply?,” The Heritage Foundation, The Foundry, October 31, 2013, <http://blog.heritage.org/2013/10/31/should-government-restrict-the-candy-supply/>. See also U.S. Department of Commerce, International Trade Administration, “Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices,” November 2006, <http://www.ita.doc.gov/media/Publications/abstract/sugar2006desc.html> (accessed April 25, 2014).
 2. Nicolas Loris, “Congress Should Scale Back the Renewable Fuel Standard—to Zero,” Heritage Foundation *Issue Brief* No. 4012, August 13, 2013, <http://www.heritage.org/research/reports/2013/08/renewable-fuel-standard-congress-should-scale-back-to-zero>.
 3. U.S. Department of Agriculture, Economic Research Service, “Land Use, Land Value and Tenure,” February 21, 2014, <http://www.ers.usda.gov/topics/farm-economy/land-use,-land-value-tenure.aspx> (accessed April 25, 2014).
 4. See Daren Bakst, “Farmers and Property Rights: Conservation Compliance Should Not Be Connected to Crop Insurance,” Heritage Foundation *Issue Brief* No. 3946, May 22, 2013, <http://www.heritage.org/research/reports/2013/05/farmers-and-property-rights-conservation-compliance-should-not-be-connected-to-crop-insurance>.

7. Obstacles to Agriculture Research and Innovation Should Be Removed.

There are groundbreaking innovations in fields such as agricultural biotechnology⁵ that will help the agriculture sector feed Americans and the world. These innovations can yield many benefits including greater productivity, reduced food costs, and improved nutrition. However, misinformation campaigns instead of sound science are creating obstacles that are undermining innovations.

Any approval process for these innovations should be streamlined, consistent, and based on sound science. When approval is arbitrary and unpredictable, innovators are discouraged from moving forward with their research.⁶ Other unnecessary government obstacles that hinder research and innovation should be removed, including any taxpayer-funded research that discourages private research.

8. Free Trade in Agriculture Benefits Farmers and Consumers.

Trade opportunities are lost when Congress subsidizes domestic agriculture industries, thereby inviting other countries to respond in kind or even to retaliate if the U.S. is in violation of World Trade Organization rules.⁷ While other countries will inevitably create protectionist schemes, taking comparable action only hurts American consumers by restricting competition and making it far more difficult to have free trade.

Trade policy should not focus on the narrow interests of one industry. This approach usually comes at the expense of consumers, other industries, and the economy as a whole.

Free trade in agriculture should be aggressively pursued. This means eliminating domestic trade barriers, which would promote competition by giving consumers access to foreign agricultural products while aggressively seeking the removal of barriers that block American products from entering foreign markets.

9. Individual Dietary Decisions Should Be Respected.

From mandatory menu labeling requirements to the Food and Drug Administration's proposed de facto ban on trans fat in processed food, the federal government presumes that the public is incapable of making informed dietary choices. These policies also assume that the government knows what the "right" dietary decisions are for individuals, including what is best for them nutritionally.

Dietary decisions are complex and based on numerous factors that may include nutritional value but are just as likely based on individual preferences such as taste. These are personal choices that should be made by individuals themselves, not by government officials who believe they should try to manipulate or limit what Americans can eat.

10. Agriculture Policy Should Not Promote Special Interests.

Everyone is affected by agriculture policy because after all, everyone eats. When agriculture policy debates occur, farming interests and other "stakeholder" interests are usually at the table, but consumer and taxpayer interests are not. Lawmakers should develop agriculture policy remembering that agriculture exists to meet the needs of consumers and that the government is not spending its own money on agriculture programs but taxpayer money.

Agriculture policy debates should be conducted in an open and transparent manner. Political maneuvers should not be used as a way to push legislation through at the expense of thoughtful discourse on agriculture policy, as is currently employed in the farm bill, which combines farm programs with food stamps.

Moving Forward

A free-market vision for agriculture starts with having principles that recognize the flaws of government intervention while embracing freedom and

5. U.S. Department of Agriculture, "Agricultural Biotechnology," December 30, 2013, <http://www.usda.gov/wps/portal/usda/usdahome?navid=BIOTECH> (accessed April 25, 2014).

6. For example, see Henry Miller, "With a Forked Tongue: How the Obama White House Stymies Innovation in Food Production," *Forbes*, March 19, 2014, <http://www.forbes.com/sites/henrymiller/2014/03/19/the-white-house-flouts-the-law-while-the-fda-commissioner-provides-cover/> (accessed April 25, 2014).

7. See, e.g., Daren Bakst, "Farm Bill: Taxpayers and Consumers Are Getting Catfished," The Heritage Foundation, The Foundry, November 19, 2013, <http://blog.heritage.org/2013/11/19/farm-bill-taxpayers-consumers-getting-catfished/>.

individual rights. These broad-based principles, if applied, can help change agriculture policy from an area of excessive government control to an area of individual freedom.

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