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Edited by Lee Walczak

Why Farm Subsidy Cuts Might Actually Stick

Few groups have proved as loyal to President George W. Bush as farmers and ranchers. Bush claimed 64% of the rural vote in November -- and more than down-home values were at work. The First Rancher endeared himself to red-state rurals by signing an $80 billion farm bill in 2002 so laden with subsidies that government support now accounts for nearly a quarter of all U.S. farm income. But as the Administration struggles with $400 billion deficits, White House budget-cutters have stunned their farm friends, proposing to cut $1.2 billion in direct payments and to cap subsides to individual farmers at $250,000 in the fiscal 2006 budget.

Bush's Good Timing

Ex-Nebraska Governor Mike Johanns, whom Bush recruited to head up the Agriculture Dept., hints that the reductions may just be the beginning. On Feb. 7, Johanns even suggested that farmers buy their own crop insurance instead of relying on federal payments for weather-related losses. Farm staters are outraged. "The perspective here is that we gave [Bush] the votes...and now we are getting clobbered," says University of Nebraska political scientist Loree Bykerk. Led by the American Farm Bureau Federation, 151 farm and nutrition groups wrote Johanns that the cuts "come at precisely the time that these supports are most needed."

But the time may be right for Bush's proposed reductions -- especially those aimed at grain farmers -- and he may actually get some traction. Agriculture outlays over the past fiscal year zoomed 32%, to $94.9 billion, because of higher subsidies and disaster aid. As subsidies have increased, the disparity in aid has opened fissures in farmers' ranks that the Administration can exploit. So capping payments, closing loopholes that allow some farmers to pocket triple allocations, and excluding wealthy urban investors are all ideas with appeal -- even in Iowa. Bush's proposal led Senator Charles Grassley (R-Iowa), the only working farmer in Congress, to praise the Administration for "the wisdom in developing reasonable, legitimate payment limits."

Studies indicate that about 10% of farmers collect nearly 70% of subsidies. Huge cotton and rice farms in Texas and California are big winners. And hefty payments flow to wheat, sugar, soybean, dairy, and corn producers. Left out: Family cattle and hog farms in the Midwest and fruit and vegetable growers throughout the nation.

Farmers not on the dole have more pressing issues than protecting the subsidies of their brethren in overalls. Fruit and vegetable growers, intent on preserving a ready supply of cheap labor, are eager for passage of Bush's proposal to grant guest-worker status to illegal aliens. Export-dependent U.S. pork and beef producers want to press for a global trade agreement in the stalled World Trade Organization talks. But as long as America coddles its grain farmers, other nations won't drop import tariffs on U.S. meat.

In the past, farm groups from llama ranchers to peanut growers to beekeepers united to fight off even modest reforms. Lately, though, the grand coalition has shown signs of strain -- especially since tobacco growers and sugar producers have been singled out for cuts. If the Bush Administration can portray the nation's pampered grain producers as receiving more than their share, it could divide and conquer.

By Paul Magnusson, BusinessWeek