2007 Federal Farm Bill: How does Oregon benefit?

Farm Bill history

The most pervasive problem confronting agriculture in the US between the 1930s through 1960s was low commodity prices resulting in low farm income. During this period, farm income averaged only 51 percent of nonfarm income. Agriculture's production capacity expanded faster than demand. The chronic nature of this price-income problem led to extensive government involvement in agriculture, primarily intended to stabilize production and income related to "program crops"—wheat and feed grains, cotton, rice, tobacco, corn, and later soybeans.

In the early 1970s, widespread global weather and disease issues resulted in significant crop reductions and a tight food supply-demand situation around the world. US exports soared. Congress enacted new market-oriented farm policies to capitalize on the situation. Increased international demand, combined with inflationary pressures, resulted in higher domestic food prices. Consumers became concerned with food costs, food safety, and nutrition. Environmental groups questioned the long-term ability of domestic natural resources to supply export markets. Predictions of global food shortages due to exponential population growth were put forth by others.

Agricultural income began to ebb and flow with world demand for exports. Cash flow problems developed for many growers who had invested in land that had escalated in price, and who were paying high interest rates and inflationary input costs. Government policy responded in a lagged and often contradictory manner. Incentives and programs for all-out production and exports were partially negated by export embargoes imposed by both Republican and Democratic administrations. Producer attitudes became increasingly divided between those who preferred the government-dominated pricing policies of the past and those who favored a more volatile market-oriented approach. ("Agriculture and Food Policy," Knutson, Penn and Boehm, 1983).

The go-go production of the 1970s, coupled with inflated land values and input costs, resulted in a farm real estate bust in the early 1980s, leaving farmers unable to service their loans. Many growers went bankrupt and many community banks went under. Congress bailed out the Farm Credit System and rewrote federal farm finance and loan laws.

Farm bills, from 1990 to the present, straddle many interests, including conservation and natural resource management, international trade agreements and obligations, agricultural price and income instability, nutrition and hunger programs, food safety issues and bioterrorism concerns, and renewable energy.

Connection to Oregon

Oregon has historically grown few of the crops that have been supported by federal farm bill programs, with the exception of wheat and some feed grains (barley, oats). In contrast, recent farm bills (1996 and 2002) have placed emphasis on conservation programs that have benefited a wider array of Oregon growers. Even so, less than one-tenth of 1 percent (0.01 percent) of total federal farm bill expenditures make their way to Oregon farmers. To state it another way, 51 percent of gross farm income nationally is from specialty crops (fruits, vegetables, nuts, greenhouse/nursery), yet 95 percent of federal dollars are paid to growers of five or six program crops.

Of the $70 million to $100 million in annual federal farm bill support that has come to Oregon in recent years, about half goes to wheat growers, and the other half for conservation purposes, i.e., growers who are involved in projects that address water quality, soil erosion, wetland restoration, animal manure management, etc.

Clearly, wheat growers have a vested interest in existing federal farm programs. Between 15 percent and 20 percent of their gross receipts, which amount to nearly all their net income in recent years, is reliant on farm program payments. Despite a tight world supply of wheat, international grain companies now operate on much lower levels of storage and "just in time" movement of grains, which has resulted in dampened wheat prices from historical stock supply ratios. Increased input costs have placed growers in a tight squeeze. Wheat acreage is responding in Oregon. Plantings of wheat in 2006 are down nearly 100,000 acres, or 10 percent from just two years ago, to 900,000 acres (dropping from 1,000,000 acres). Likewise, barley was planted on only 50,000 acres in 2006—the lowest total since 1892. Barley production in Oregon peaked in 1950 with over 614,000 acres. Average production during the 1990s was about 140,000 acres.

Profits and land values in grain producing areas are tied to federal programs and cannot be "turned on a dime," risking plunging land values and loan defaults. But incremental change is needed. The regional needs of the wheat and grain industry are historically tied to traditional farm bill price support programs. However, the majority of producers of Oregon's diverse agricultural commodities need assistance from federal policies and funding that can help with

- marketing, processing, product development and other value-added activities.

- crop production research and crop protection materials, including plant pest and disease control/prevention for "minor or specialty crops."
- crop insurance and risk management tools for specialty crops and livestock.
- export assistance and foreign market development.
- renewable energy development assistance, including crop research and infrastructure development that fits regional needs.
- research to address the rising costs of fuel, labor, fertilizers, and other inputs.
- transportation and shipping infrastructure concerns and costs.
- water storage and irrigation efficiencies.
- natural resource management and conservation support.

Not to be forgotten, the Farm Bill also funds 15 different food assistance programs, including food stamps, WIC (Women, Infants and Children), school lunch programs, and the reimbursement coupons for senior citizens to use at local farmers' markets. Sixty percent of USDA's budget is related to consumer food programs rather than agricultural production programs.

Some 500,000 Oregonians—one in every six—participate in a food program, mostly food stamps or school meals. The average monthly assistance in Oregon is $160 per household.

USDA expenditures for food assistance, FY 1970-2005