

Department of Agriculture

Significantly Reduce the Size of the Farm Service Agency

RECOMMENDATION

The Farm Service Agency (FSA), which administers the farm commodity programs and some conservation programs,¹ should be significantly reduced. This action can be achieved by Congress eliminating many of the commodity subsidy programs that the FSA administers.

RATIONALE

Agricultural producers, and primarily the largest producers,² receive handouts that go beyond any reasonable concept of a safety net. Instead of assisting producers to get back on their feet after major crop losses, the current system tries to insulate farmers from managing even ordinary business risk. The current system deems large agribusinesses incapable of managing in a market economy, as other businesses do.

In the 2014 farm bill, Congress created two massive new handout programs for farmers: the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. The ARC program helps to ensure that farmers meet expected revenue targets by providing payments if they incur “shallow losses,” which simply means that revenue is a little lower than expected. The PLC program triggers payments when commodity prices fall below a set price in statute. Both of these programs, premised on central planning and anti-market philosophies, are now projected³ to cost nearly double the original estimates⁴ at the time of passage of the 2014 farm bill (\$32 billion instead of \$18 billion over the first five years of the program).⁵

Other programs that should be eliminated include the dairy and sugar programs. The U.S. sugar program takes central planning to a new level. The program uses price supports, marketing allotments that

limit how much sugar processors can sell each year, and import restrictions that reduce the amount of imports. As a result of government attempts to limit the supply of sugar, the price of American sugar is consistently higher than world prices; domestic prices have been as high as double that of world prices.⁶

This big government policy may benefit the small number of sugar growers and harvesters, but it does so at the expense of sugar-using industries and consumers. An International Trade Administration report found that “[f]or each sugar-growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost.”⁷ The program is also a hidden tax on consumers. Recent studies have found that the program costs consumers as much as \$3.7 billion a year.⁸ Further, the program has a disproportionate impact on the poor because a greater share of their income goes to food purchases than it does for individuals at higher income levels.⁹

In the next farm bill, which is expected in 2018 when many programs are required to be reauthorized, Congress should eliminate these costly market-distorting handouts. In doing so, the role of the FSA will be significantly reduced, and its size and organization should reflect these policy changes.

ADDITIONAL READING

- Daren Bakst, ed., *Farms and Free Enterprise: A Blueprint for Agricultural Policy*, The Heritage Foundation, Mandate for Leadership Series, 2016.

Streamline the Risk Management Agency

RECOMMENDATION

Congress should streamline and simplify the operations of the Risk Management Agency (RMA).

RATIONALE

The RMA administers the federal crop insurance program. Congress should maintain the federal crop insurance program, but a specific type of policy known as revenue-based policies should be eliminated,¹⁰ which would help streamline and simplify the RMA's operations. To the extent that there is any federal role in assisting agricultural producers in managing risk, it should be to help farmers when they experience a major crop loss. These revenue policies can provide farmers with indemnities even when farmers have record production and the weather is perfect; like most of the commodity programs, these policies are anti-market and assume that farmers are unable to operate in a capitalist system as other businesses do.

There are generally two types of federal crop insurance policies: yield-based and revenue-based. Yield-based policies assist farmers when there are crop losses, whereas revenue-based policies do not require any crop loss. Congress should eliminate these revenue-based policies and have yield-based policies only. It was not that long ago when there were only yield policies; revenue-based policies are relatively new, created in 1997,¹¹ and only became more popular than yield-based policies in 2003.¹²

The subsidies for yield policies should be limited to coverage levels that would require major crop losses before farmers receive the help of taxpayers. By simplifying the federal crop insurance system, the RMA should be able to streamline and simplify operations.

ADDITIONAL READING

- Daren Bakst, ed., *Farms and Free Enterprise: A Blueprint for Agricultural Policy*, The Heritage Foundation, Mandate for Leadership Series, 2016.

Eliminate the Center for Nutrition Policy and Promotion

RECOMMENDATION

Congress should eliminate the Center for Nutrition Policy and Promotion and get the federal government out of providing dietary and nutritional advice.

RATIONALE

The federal government should not be in the nutritional advice business.¹³ The Dietary Guidelines for America that are developed by this agency (along with the Department of Health and Human Services (HHS)) are emblematic of nutritional advice in general. The most recent Dietary Guidelines Advisory Committee that made recommendations to both the U.S. Department of Agriculture (USDA) and HHS on the Guidelines veered away from its dietary and nutrition mission and considered environmental concerns when developing its recommendations. Diet,

according to this committee, should not just focus on human health, but also on issues such as sustainability and global warming.¹⁴

Believing that the government can provide a definitive source of nutritional advice when such information is constantly changing requires a significant level of arrogance. Numerous sources of quality information on nutrition already exist, and the public can easily access them. Such services also do not have the imprimatur of the federal government providing unwarranted legitimacy.

Eliminate the Agricultural Marketing Service

RECOMMENDATION

Congress should eliminate the Agricultural Marketing Service (AMS).

RATIONALE

The AMS performs numerous tasks, including developing grade standards for food and running the national organic program. These tasks, and others, could be run by private entities if there is the requisite demand. Other programs, such as grant programs to help farmers market their food, and the Farmers Market Promotion Program, are inappropriate roles for government. The AMS also runs the infamous marketing orders that can trigger volume controls (supply restrictions) on the sale of fruits and vegetables.¹⁵

ADDITIONAL READING

- Daren Bakst, "The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables," Heritage Foundation *Issue Brief* No. 4466, September 29, 2015.

Eliminate the Rural Business Cooperative Service

RECOMMENDATION

Congress should eliminate the Rural Business Cooperative Service (RBCS).

RATIONALE

The RBCS is an agency of the U.S. Department of Agriculture that has a wide range of financial assistance programs for rural businesses. It also has a significant focus on renewable energy and global warming, including subsidizing biofuels. Rural businesses are fully capable of running themselves, investing, and seeking assistance through private means. The fact that these businesses are in rural areas does not change the fact that they can and should succeed on

their own merits like any other business. Private capital will find its way to worthy investments. The government should not be in the business of picking winners and losers when it comes to private investments or energy sources.

Instead of handing taxpayer dollars to businesses, the federal government should identify and remove the obstacles that it has created for businesses in rural communities.

ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.

Move the Functions of the Food and Nutrition Service to the Department of Health and Human Services

RECOMMENDATION

Congress should move the work of the Food and Nutrition Service to the Department of Health and Human Services (HHS).

RATIONALE

The Food and Nutrition Service administers the food and nutrition programs, including the food stamp program. The work of this agency, including the food stamp program, should be moved to HHS, the primary welfare department of the federal government. Other programs, like the school meal programs, should also be moved to HHS.

Further, the USDA has veered off of its mission by working extensively on issues unrelated to agriculture. This is mostly due to the nutrition programs. By moving this welfare function to HHS, the USDA will be better able to work on agricultural issues impacting all Americans.

Eliminate the USDA Catfish Inspection Program

RECOMMENDATION

Congress should eliminate the USDA catfish inspection program.

RATIONALE

The USDA catfish inspection program, which is still in the process of being fully implemented,¹⁶ is a textbook example of cronyism and trade protectionism.

The Food and Drug Administration (FDA) inspects seafood for safety. The 2008 farm bill, however, included a provision that would move catfish inspection from the FDA to the USDA. This move was not in response to a catfish-safety crisis. The FDA and Centers for Disease Control and Prevention consider commercially raised catfish to be a low-risk food.¹⁷ The Government Accountability Office (GAO) has said that such a switch to the USDA will not improve safety.¹⁸

Moving catfish inspection to the USDA requires foreign countries to develop new catfish inspection schemes that are the regulatory equivalent¹⁹ of the more burdensome USDA system. If they do not meet the USDA's requirements, foreign exporters from various countries that currently supply the United States with catfish will be blocked from selling their catfish in the U.S. Some countries may not even bother to go through the regulatory equivalence process. Domestic catfish producers might benefit as a result of less competition, but they would do so at the expense of

consumers. The program risks trade retaliation from other countries since it is merely a non-tariff trade barrier;²⁰ such retaliation would likely focus on other agricultural interests, such as meat packers and soybean farmers.

The program is also duplicative. As a result of this program, the USDA inspects catfish, and the FDA inspects all other seafood. This creates duplication because seafood-processing facilities that process both catfish and any other seafood will have to deal with two different types of seafood regulatory schemes, instead of just one.²¹

The GAO has repeatedly been critical of the program.²² President Obama called for eliminating the program in his FY 2014 budget.²³ President Trump called for eliminating the program in his FY 2018 budget.²⁴ In May 2016, the Senate, in a bipartisan manner, passed legislation that would have effectively eliminated the program.²⁵ In the House, a bipartisan group of 220 members went on record²⁶ asking House leadership to take up the Senate bill. (House leadership failed to do so.)

Congress needs to eliminate this program, and there is wide bipartisan agreement to do so.

ADDITIONAL READING

- Daren Bakst, "Addressing Waste, Abuse, and Extremism in USDA Programs," Heritage Foundation *Backgrounder* No. 2916, May 30, 2014.
- Daren Bakst, "House Leadership Should Allow a Vote Against Cronyism," Heritage Foundation *Commentary*, September 19, 2016.
- "Blueprint for Balance: A Federal Budget for Fiscal Year 2018," The Heritage Foundation, March 28, 2017.

ENDNOTES

1. U.S. Department of Agriculture, Farm Service Agency, <http://www.fsa.usda.gov/> (accessed May 10, 2016).
2. Daren Bakst, "Farm Subsidy Apologists Are Painting a Misleading Picture. Here Are the Facts," *The Daily Signal*, March 7, 2017, <http://dailysignal.com/2017/03/07/farm-subsidy-apologists-are-painting-a-misleading-picture-here-are-the-facts/>, and U.S. Department of Agriculture, "America's Diverse Family Farms," 2016 edition, <https://www.ers.usda.gov/publications/pub-details/?pubid=81401> (accessed May 25, 2017).
3. Congressional Budget Office, "CBO's January 2017 Baseline for Farm Programs," January 24, 2017, <https://www.cbo.gov/sites/default/files/recurringdata/51317-2017-01-usda.pdf> (accessed May 25, 2017).
4. Congressional Budget Office, "H.R. 2642, Agricultural Act of 2014," <https://www.cbo.gov/publication/45049> (accessed May 25, 2017).
5. See, for example, Daren Bakst, "Congress Should Resist Cotton Cronyism in Upcoming Spending Measures," *The Daily Signal*, April 24, 2017, <http://dailysignal.com/2017/04/24/congress-should-resist-cotton-cronyism-in-upcoming-spending-measures/>, and Daren Bakst, "Conservative Agricultural Policy Certainly Doesn't Include Central Planning and Cronyism," *The Daily Signal*, May 4, 2017, <http://dailysignal.com/2017/05/04/conservative-agricultural-policy-certainly-doesnt-include-central-planning-cronyism/>.
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8. Agralytica, "Economic Effects of the Sugar Program Since the 2008 Farm Bill & Policy Implications for the 2013 Farm Bill." See also John C. Beghin and Amani Eloibeid, "The Impact of the U.S. Sugar Program Redux," Iowa State University Center for Agricultural and Rural Development, May 2013, <http://www.card.iastate.edu/products/publications/synopsis/?p=1183> (accessed February 6, 2017).
9. Daren Bakst and Patrick Tyrrell, "Big Government Policies that Hurt the Poor and How to Address Them," Heritage Foundation *Special Report* No. 176, April 5, 2017, <http://www.heritage.org/poverty-and-inequality/report/big-government-policies-hurt-the-poor-and-how-address-them>.
10. For a wide-ranging discussion of agricultural policy and crop insurance, see Daren Bakst, ed., *Farms and Free Enterprise: A Blueprint for Agricultural Policy*, The Heritage Foundation, Mandate for Leadership Series, 2016, http://thf-reports.s3.amazonaws.com/2016/Farms_and_Free_Enterprise.pdf.
11. Dennis A. Shields, "Federal Crop Insurance: Background," Congressional Research Report to Congress, August 13, 2015.
12. *Ibid.*, p. 10.
13. U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, <http://www.cnpp.usda.gov/> (accessed May 10, 2016).
14. See, for example, Daren Bakst, "Extreme Environmental Agenda Hijacks Dietary Guideline: Comment to the Advisory Committee," Heritage Foundation *Commentary*, July 17, 2014, <http://www.heritage.org/public-health/commentary/extreme-environmental-agenda-hijacks-dietary-guidelines-comment-the>.
15. Daren Bakst, "The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables," Heritage Foundation *Issue Brief* No. 4466, September 29, 2015, <http://www.heritage.org/research/reports/2015/09/the-federal-government-should-stop-limiting-the-sale-of-certain-fruits-and-vegetables>.
16. U.S. Department of Agriculture, Food Safety and Inspection Service, "Operations/Inspection," <https://www.fsis.usda.gov/wps/portal/fsis/topics/inspection/siluriformes/operations-inspection> (accessed February 6, 2017).
17. Department of Agriculture Food Safety and Inspection Service, "Mandatory Inspection of Catfish and Catfish Products; Proposed Rule," *Federal Register*, Vol. 76, No. 37, Part II (February 24, 2011), <https://www.federalregister.gov/documents/2011/02/24/2011-3726/mandatoryinspection-of-catfish-and-catfish-products#t-2> (accessed February 6, 2017).
18. See, for example, U.S. Government Accountability Office, "High-Risk Series: An Update," *Report to Congressional Committees*, February 2013, <http://www.gao.gov/assets/660/652133.pdf> (accessed February 6, 2017).
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