ACTIVITY 2 – The U.S. Sugar Program

A Strong Farm Safety Net is Essential Right Now

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During debate of the 2014 Farm Bill, many ag leaders reminded farm policy detractors that farm bills were written for the bad times not the good.

Back then, commodity prices were strong, farm incomes were up, farmland values were at all-time highs, and the global demand outlook was bright. Even though farm policy was operating well under budget because of a resilient rural economy, critics didn't understand the need for a safety net and even championed gutting farm supports, including no-cost sugar policy.

But anyone who's been around agriculture knows times like that don't last, which is why it was important to have strong policies in place when the pendulum inevitably swings. And, boy, has it swung.

The U.S. Department of Agriculture recently predicted a decline in farm income for the third straight year due to lower commodity prices. The Kansas City Federal Reserve Bank just noted that agricultural debt is quickly accumulating due to depressed farm income. And the Federal Reserve Bank of Chicago warned that farmland values experienced the largest quarterly decline in 30 years.

This is affecting more than just growers, too. Creighton University tracks economic conditions in the Heartland through its monthly Rural Mainstreet Index (RMI). When releasing its May RMI results, Creighton's Ernie Goss noted:

"This is the ninth straight month the overall index has remained below growth neutral… Farm prices are down by 17 percent and grain prices are off by 49 percent.

"Weakness in farm income and low agriculture commodity prices continue to constrain the sale of agriculture equipment across the region. Reductions in farm prices have negatively affected local agricultural equipment dealers and regional manufacturers of farm equipment."

It's not just the equipment industry, either. Two-thirds of community bank CEOs told Creighton that they viewed slow or negative economic growth in rural America as the biggest threat to their banks for the next five years.

Ninety percent of those same bankers also said low commodity prices were the biggest economic challenge facing rural America's economy today.

Unfortunately, the price sugar producers receive is headed in the wrong direction, too. When the Farm Bill was being debated from 2011 to 2013, U.S. wholesale sugar prices averaged 42 cents per pound. By 2014, that price had fallen to 33 cents, and today it is down to 30 cents.

Yet agriculture's opponents are still complaining and looking to cut holes in the farm safety net. To do so would only compound the tough times.

Farm Bureau President Zippy Duvall recently noted in testimony before the House Agriculture Committee, "The last thing the [farming] sector would need at this point is some substantial reduction in the level of federal commitment."

As for agriculture's opponents looking to unwind policies for sugar and other commodities, Committee Chairman Michael Conaway (R-TX) summed things up best at the same hearing:

"Today's hearing was also a reminder that farm policy critics live in a fantasy land where markets are fully functioning, foreign countries play by the rules, and the weather always cooperates. Unfortunately, our farmers and ranchers must operate in the real world, and it is in our nation's best interest to continue providing them with the risk management tools they need to continue feeding and clothing our nation."

In other words, stop complaining and be happy Congress had the foresight to design policies like the no-cost sugar program to help weather the bad times.

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