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The Farmer to Fix Farm Policy

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By George F. Will
Thursday, July 12, 2007; A23

Time was, Riley Webster Lugar, a Hoosier farmer, vociferously disapproved of the New Deal policy of killing baby pigs to control supply in the hope of raising prices. When his son Marvin ran the family farm, if a cashier giving him change included a Franklin Roosevelt dime, he would slap the offending coin on the counter and denounce the New Deal policy of supporting commodity prices by controlling supply -- by limiting the freedom to plant.

Today, Marvin's son Dick is carrying on two family traditions -- running the farm and resenting the remarkable continuity connecting today's farm policies with the New Deal's penchant for economic planning. The grandson, now 75, is again trying to reform what [Franklin Roosevelt](#) wrought.

Last year, [Lugar](#) was elected with 87 percent of the vote to his sixth Senate term (no other Hoosier has served even four). He is best known for his work on the Foreign Relations Committee, but he chaired the Agriculture Committee in 1996 when Congress passed the Freedom to Farm Act. It was supposed to phase out subsidies by 2001, but when commodity prices fell in 1998, Congress responded with "emergency" spending. In 2002, price supports were reenacted. Still, against all evidence, Lugar believes that rational reform is possible.

An Eagle Scout and Rhodes scholar, Lugar became mayor of [Indianapolis](#) at 35. There he achieved the consolidation of the city and county, which brought into the city hitherto suburban tax resources -- and the 604-acre Lugar farm. On it he raises corn, soybeans and black walnut trees. Because his trees sequester carbon, he participates in the trading of carbon allotments. Farmer Lugar is up to date.

Farm policy is not. America's prodigiously productive farmers are never more so than when a minority of them are cultivating [Capitol Hill](#). Their lobbyists have toiled to preserve the New Deal approach. They stress the romance of the family farm, but their fog of sentimentality obscures pertinent facts:

Fifty-seven percent of farms receive *no* payments and two-thirds of those that do receive less than \$10,000. The largest 8 percent of farms receive 58 percent of the payments. Farms with revenue of \$250,000 or more receive payments averaging \$70,000. Lugar wants to redirect the flow of federal funds from subsidizing favored crops to rural development, because fewer than 14 percent of residents in rural areas work on farms.

Under the continuing New Deal approach, five commodities -- corn, soybeans, cotton, rice and wheat -- got about 90 percent of last year's \$19 billion in subsidies. This is a perverse incentive for overproduction of the five, which depresses prices, which triggers federal supports.

Lugar, who proposes capping annual farm assistance at \$30,000 per recipient, is attempting reform at a time when federal energy policy is making matters worse. By subsidizing corn-based ethanol, the government is making the "crop specific" approach to subsidies increasingly irrational: Ethanol enthusiasm has produced a one-year increase of 12 percent in acres planted in corn, the price of which has risen 20 percent in a year. So farmers are planting fewer acres in soybeans, which therefore also are being made more expensive by federal policy. Furthermore, U.S. agriculture subsidies, which have the [World Trade Organization](#) properly frowning, are becoming major impediments to further liberalization of global trade, and hence to the huge potential growth of U.S. farmers' incomes from exports.

Lugar understands farming's timeless hazards -- weather and foreign trade. He does not want to remove, but he wants to reweave the safety net for agriculture. He would abandon the "crop specific" approach

for one that responds to "whole farm income" by providing an income insurance program for all farms.

On the conservative principle that the way to reduce the supply of government is to reduce the demand for it, Lugar would help to make farmers financially secure, but not with market-distorting entitlements keyed to particular commodities. Rather, he would make all farmers eligible for risk management accounts. Farmers would put up to \$8,000 a year into RMAs, to which government also would contribute some of the money saved by sunseting subsidies.

Agriculture policy -- another manifestation of the welfare state, another contributor to another faction's entitlement mentality -- involves a perennial conundrum of welfare, corporate as well as individual: How do you break an addiction to government without breaking the addicted? If Lugar and like-minded legislators can accomplish their aims, their achievement will be comparable to the welfare reform of 1996 -- the fecund year of the short-lived Freedom to Farm Act. As Lugar again puts his hand to the plow, attempting to plow under a New Deal remnant, wish him well.

georgewill@washpost.com

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