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Question1: Gap financing loan guarantees will be necessary to help young farmers enter production agriculture in light of the past impacts of various farm programs that limited our ability to enter farming upon reaching adulthood.

As a point of introduction, I am one of those people who should have been a part of the current generation of new farmers. My pursuit of higher education and alternative employment was a direct consequence of the removal of farm acres from production in my home community. The vast majority of those acres were placed into the Conservation Reserve Program by farmers who were seeking to retire. Therefore, the acres that would have been available for potential young farmers, like myself, to lease or buy, were instead essentially rented to the Federal Government. As a general rule, no young entrepreneur can win a bidding war against the Federal Government if the Federal Government is willing to pay above market lease rates at zero risk to the seller or landlord.

The other main competition for arable farmland for people situated similarly to myself is the increasing market for rural home-sites for those who commute into cities of all sizes for work. Any new farm program must be sensitive to other policy choices by other agencies that actively encourage the conversion of agricultural land to non-farm uses. New highway construction, expansion of public lands, and most significantly, policies that favor individual investment in new home construction are all areas beyond the scope of a new farm bill which will directly discourage new farmers from entering the farm workforce in future generations.

Thomas Jefferson reportedly once commented to the effect that it was inappropriate to provide excessive assistance to an unemployed man if there was sufficient land available for that man to till for his own survival. There was much of the old Homestead Act that led to disaster and that is inappropriate today. However, one of the genius components of that Act was that directly encouraged individuals to move to under-populated parts of rural America and enter production agriculture. It is still not too late to recover the potential lost farmers from my generation. However, the farming model will have changed. We will most likely prefer to operate at a smaller scale than the size of farms amassed by the prior generations. We will also need to work a second job in order to obtain health insurance for our families. In order to attract new farmers, a rural health and maternity insurance program must be in place. Otherwise new farmers will be paying higher costs per unit for healthcare consumption than people in the rest of the economy. Secondly, we must have access to more comprehensive bridge financing or loan guarantees, just to acquire either land or equipment. When I am unable to pay as much for land based on projected future production from agriculture as a hunter or second-home buyer can pay simply because they

have more effective tax incentives for their purchase, then I need to have additional financing tools to get me past the initial cost of entry. Like many capital intensive industries, the start-up cost of agriculture can be prohibitive, even if the operation would maintain a profitable cash-flow after operations are underway.

To the extent that program benefits have simply reduced operational risk for farms, the capitalization of that reduced risk into land prices might not be inappropriate. However, land prices are essentially the major barrier for entry into farming for young people in eastern Laramie County, Wyoming. My problem was that each time I sought to make an initial land purchase to start-up a farming or ranching operation, I had to find another farmer who would guarantee 35% of my mortgage. That was based partly on the absence of credit history, but it is also representative of the magnitude of gap financing that is necessary for someone to enter farming directly rather than following a circuitous route that often leads to family and career commitments off the farm, which ultimately prevent eventual return to the farm by a young person interested in farming.

The most effective means of addressing land costs as a barrier to entry is to have complete short-term startup financing more available. This could resemble portions of the Student Loan system which relies on loan guarantees and direct financing with a time to refinance the loan as soon as the initial costs have been overcome. Also, transitional program payments to the sellers of land as ownership of the farmland is undergoing transition would help overcome the transaction costs that accompany higher land prices.

Question2: U.S. farm policy must do more to encourage diversification within individual farm units. At a microeconomic level, individual farmers are encouraged to maximize their efficiency by producing one or two complementary cash crops. Selective subsidization and market protection policies further promote this investment strategy. Unfortunately, this is an investment strategy that is more effective in trade theory equations than it is in practicality. Farm policy should do a better job of embracing non-farm investment strategies. Investors in the stock and other capital markets seek security through portfolio diversification. However, farm programs which impose significant limitations on the availability of crop disaster relief for new producers of a crop

Perhaps the most critical position to take in order to ensure American Farmer competitiveness is to resist allowing the participation in multilateral trade talks by countries that either confiscate their own farmer's land or by countries that do not take a similarly environmentally sound approach to farming as the U.S. does. When insecure property rights result in lower land costs as a production input then it is inappropriate for the U.S. to subject our farmers to the economic consequences of bad foreign policy decisions. Part of the reason that we have high land prices is because we have been successful in ensuring the property rights associated with that land and because many of our farm programs have lifted many agricultural producers out of poverty.

Another means of addressing the unintended consequences of agricultural policy is to examine the impact of rural transportation projects (which facilitate long commutes to job centers) upon the land costs of the agricultural property that the project is adjacent to. Transportation, housing, and health policy decisions will ultimately have as much impact

on the long term success of farmers as the explicit language of the Farm Bill.

Eventually, market conditions within the U.S. will help shift production and land prices in response to a change in agricultural policy focus. Crop diversification combined with increased conservation premiums will lead to changed cost and cash flow models when contemplating land purchases. This diversification will also lead to a changed emphasis from global export markets to local domestic markets that are less subject to land price manipulation by suspect regimes abroad; as long as our trade policy does not reward these regimes by granting trade privileges to them. If we are going to hold our farmers to a higher standard than the rest of the world, and if we are going to do a better job of protecting property rights and alleviating the incidence of poverty on the farm, then we must also be willing to require that our agricultural trade partners live up to those standards if they are going to gain access to the stronger markets that we have established by implementing our policies as we have done.

Question3: Generally, only a purely Marxist approach to public policy will yield programs that treat differently situated individuals identically. Some excellent and appropriate Federal programs are inherently more beneficial to one person than to another. For example, the owner of a trucking firm obtains greater benefits from the highway system than does the owner of a single car. Yet, we have not found it necessary to ration highway use in order to fix the number of miles each person may travel each year, even if this would result in a more "fair" distribution of a public benefit like road usage. Another example of disparate enjoyment of a public benefit is the security enjoyed by depositors under the FDIC. Even though I may only have \$10 thousand dollars on deposit in a bank, the protection enjoyed by someone who has up to \$100 thousand saved at that bank does not render that program unfair or ineffective. At an extreme level, the differential treatment of farmers within the farm programs can be analogous to the differential benefits resulting from the use of public parks and schools by a family with three children compared to a family with only one or two children. Yet I have not heard of a public outcry to limit each family to a fixed number of children who may be enrolled in public schools.

The crop insurance program is a superb program that is effectively delivered through the private marketplace. However, because it is market-driven, the crop insurance program will be used to a greater extent by those producers who plant more acres to insurable crops than other producers do. Like highways and the FDIC, full participation in the crop insurance program by producers of all sizes is evidence that it is an effective program. Farmers who have planted more acres to insurable crops, and therefore have the capacity to receive higher crop loss settlements, also have greater exposure to the various risks that cause a farmer to lose his crop. That farmer also has likely spent more money on crop insurance premiums within the program. There are weaknesses within the crop insurance program, but the ability of two farmers to each insure all of their acres planted to a crop based on their production history, even if that might mean that they each might receive different settlement amounts in the event of a flood, drought, disease outbreak, or even a severe storm is not one of those weaknesses.

To make the crop insurance program work better, there needs to be better training for those insurance agents and crop loss adjusters who service the insurance policies. The range of insurable crops in any given county needs to be expanded to include more crops which may potentially

be grown. Most importantly, new producers of a crop should not face harsh reductions in the Transitional Yield used to set the limit of insurance for a crop. When the crop insurance program is most effective, farmers use it to forward market a portion of their crop. When the program is applied to a too-narrow range of crops or when the program treats places a maximum insurance limit on new producers that is too-low in the first year or two of producing a new crop, the relative increase in both market risk and risk of natural loss becomes a barrier to entry for new farmers and for farmers seeking to diversify their crop mix. Although such limitations might be actuarially sound, on balance the cost to the environment and market is higher than the benefit of risk reduction. My experience is that farmers are becoming more risk adverse and therefore, they respond to changes in crop insurance programs directly by making changes in the mix of crops that they chose to plant. This is further evidence that the program is strong and effective when managed correctly, not evidence that it is ineffective or unfair.

Relying on this difference in potential result as evidence of unfairness or ineffectiveness either have an

Attempts to brand the crop insurance program as an unfair or ineffective program by pointing out that producers of different sizes are able to receive checks of different sizes must be viewed with skepticism. On the global trade stage, one must examine the view of farmers held by opponents of the crop insurance program. In the United States, we made a policy choice long ago that we do not want our farmers to suffer as an underclass of peasants living in a modern-day version of serfdom. Nor do we view our farms as appropriate assets for state ownership. Personally, I refuse to embrace the African, or South American vision of farmers living in squalor and doing the bidding of the state on state-owned monoculture plantations as an appropriate policy goal for the United States.

Similarly, on the domestic front, we have reached a stage where there are a significant number of people who influence policy who have little or no connection with agriculture. Some of these people, might even prefer to see each farmer placed on an identical, fixed income. Others might even advocate for the return of the countryside to a natural state undisturbed by agriculture or human influence. In any event, both groups might agree that there are so few farmers left that agricultural policy is an outdated concept and that our economy should finally move into a post-agricultural stage. Admittedly, trade theory would conclude that Africa is a more appropriate source for our food supply so that Americans can concentrate on becoming investment bankers and research scientists. Policy should accelerate this transition. Trade theory also assumes away the possibility of shifting weather patterns or political unrest in food producing regions.

The best way to improve the effectiveness of farm programs while responding to complaints of unfairness and worries about program benefits being capitalized into asset prices is to improve communication and oversight within the crop insurance program. Simultaneously, ad hoc disaster relief efforts should be minimized. However, when disaster payments are needed, they should be based on household or farm units. Presumably, these programs are necessary when disaster threatens even the non-farm basic assets of farmers or other rural residents.

To the extent that the farm economy responds to economic stimuli similarly to other sectors of the economy, increasing farm size is the

result of numerous forces, including the need for steadily increasing labor productivity to keep pace with an increasing cost of living. If maintaining, or reducing farm size is a policy objective, then other off-farm cost factors must be addressed simultaneously to farm policy. Unless peer-reviewed academic research proves otherwise, it is not my personal experience that the crop insurance program does anything to change farm size decisions by individual farmers. If it does impact such decisions, it is only because farmers have reduced risk, and therefore have greater financial capacity to make other investments with capital that would otherwise be needed to cope with crop failures.

Question4: Any attempt to coordinate farm policy with conservation and environmental goals must first recognize that there are two distinct groups of environmental and conservation goals related to farm policy. First, America's farms and ranches serve broadly to preserve open green space in the context of an urban post-industrial economy. Second, America's farms and ranches must improve their efforts to conserve the water, soil, and air resources that they use.

From a broad perspective, the most important function that America's farms and ranches play is not merely to produce cash crops for export to the world economy. Rather, their newly emerging significance is their ability to offset the environmental impacts of our other economic activities. To that end, farm policy must seek to maximize the total acreage devoted to plant production.

Some reports have claimed that recent years yielded historically high total production of corn and soybean crops. This production has happened as a consequence of increased labor efficiency. Based on this simple observation, the new challenges faced by America's farms will not likely be insufficient productivity. Some might even argue that America's farmers too efficient for their own survival. There are so few farmers left that they no longer make up a substantial voting block and are eroding away at the availability of essential services in their local communities.

The future economic role of farming and ranching in America will be as conservationists, serving as stewards of the land. Consequently, future trade agreements, price supports and production incentives must protect and encourage this stewardship role. The crop insurance program is sufficiently market-sensitive to adapt easily to this stewardship model and should be kept intact. Assistance other than the crop insurance program should promote crop diversification and rotation. It is in this role that the new Farm Bill should curtail program payments to the largest producers. Rather, the program payments will go to ensure the survival of the smaller, less efficient, but more environmentally sensitive producers who will likely operate nearer the urban fringe where more labor-intensive crop practices are most necessary.

Conservation programs, such as the Conservation Reserve Program (CRP) must be modified to prevent the wholesale enrollment of entire farming operations. This became the preferred alternative in Laramie County, Wyoming. Numerous farmers enrolled their entire operation in the program. In some cases, this foreclosed the opportunity for a younger generation to lease cropland from retiring farmers at the time when the younger generation should have been entering the industry. The more significant conservation impacts came when a farmer would enroll his cropland and then convert a similar amount of native pasture to cropland. Often, this would mean that the new cropland was of even more marginal productivity and was even more environmentally sensitive than

the acres that had been enrolled in (CRP) by that farmer. Each farmer should have a limit on the percentage of his operation that can continue to be enrolled in CRP.

The most appropriate targets for conservation programs are the small areas of farmer's fields that would be inappropriate to farm if it were not for the improved labor efficiency that comes with tilling those areas along with the surrounding soil. These would be places like gravel hilltops, low places that may not qualify as "wetlands" but are still subject to pooling water after heavy rains, or even the various ravines found in many areas. Historically some of these areas might have been avoided prior to the advent of modern farm equipment. However, now they have become more economical to simply go till through rather than till around. Programs such as CRP should be expanded to encompass these smaller areas that are more environmentally sensitive than they are productive in the ordinary course of crop growing.

Finally, future discussions about trade in agricultural products must reflect the relationship between farms and industrial activities. From the perspective of the United States, efforts to supplant our agricultural production with imported products will ultimately reduce the number of acres we have that are working to pull our industrial carbon dioxide emissions from the air. At the same time, our next Farm Bill should recognize the environmental risk and economic instability that results from excessive agricultural specialization in the less developed countries. If those countries have the capacity to produce a surplus for sale in the United States markets, then they also have the ability to produce a sufficient surplus to free up laborers to participate in their own domestic economic diversification. By doing so, our farm policy, in conjunction with trade policy, can actually enhance conservation efforts both domestically and globally while ensuring the prosperity of our farmers.

Question5: We have reached a stage in America's economic development where the single greatest challenge facing rural America and its farmers is a demographic challenge. Not only have American farmers become older, on average, the total population in rural many rural communities is in danger of dropping below sustainable levels. Put in more colloquial terms, America's farmers are in danger of working themselves out of existence. An essential component of the next Farm Bill must be a plan for re-populating America's farm communities. We must have enough people living and working in our rural communities to create a sustainable market for essential basic services.

Arguably, the greatest risks faced by farmers and other rural residents are those faced by much of the population. Healthcare costs and health insurance premiums have increased at a faster rate than per capita earnings have. This dramatic increase in health costs, coupled with the simple reality that many owners of small rural businesses are unable to access the discounted medical insurance premiums available through larger employers, has resulted in an even more dramatic increase in annual costs for farmers than has been faced by other members of the economy. The rapidly increasing average age of farmers are still unable to pass increased costs through to consumers as effectively as other economic sectors have been able to.

Those who work in rural areas, like those working in other small or single-person businesses, need to have access to healthcare or health insurance at the same cost as other similarly-situated people who pose a similar risk but who work for larger employers. Differential pricing by

healthcare providers based on a patient's employer poses a heightened risk if illegal discriminatory behavior. As it is, I know that my dose of aspirin costs me more than it will cost the person next to me in the waiting room if that person happens to work for the right big employer in town.

Farming and rural America have reached a point where they need to increase their demand for labor in order to survive. Investments in technologies that will further reduce the demand for labor in small and shrinking communities will further undermine the ability of the remaining farms and businesses to obtain the services that they need. As with all other communities, the ready availability of healthcare, communication, transportation, educational facilities are key components of rural community survival. Rural America is inherently smaller in scale and thus individual farms, businesses, and schools are unable to take advantage of the cost efficiencies of scale that are available to their suburban and urban counterparts. However, smaller scale operations should be more flexible and able to adapt to changing conditions. Even so, some things need to remain fairly reliable. Close scrutiny must be paid to the market points for farm products. Grain elevators and railroads often have a virtual monopoly on local marketing conditions. Now, there are even fewer potential buyers for finished livestock. Consequently, greater antitrust oversight is needed in many local market areas. Otherwise, the actions of a single actor in local markets may eliminate the market availability for all producers. The cheese factory that closed in Thyne, Wyoming following the conversion of farms to vacation homes is one such example of a total market loss for an entire local industry as a result of individual choices by a handful of market participants.

The greatest threat to many farmers, however, is that the railroads will force the closure of all but a select handful of grain elevators located at 100-mile intervals. In light of the land donations made to the railroad to build the track in order to open the country up for settlement, this threat has significant national economic policy implications going forward.

Question6: Research grant funding should move away from maximizing per-acre production of cash crops and should move more toward seeking more diverse crop options which complement the primary cash crops. Improved crop rotation systems will be critical in the future as American farms and ranches are called upon to reduce their use of potential pollutants like fertilizers, pesticides, and herbicides. To date, a great deal of research funding has gone to improve productivity for cash crops like wheat, corn, soybeans, and cotton. However, if we are to meet some of the global environmental demands that are emerging, then we must have substantially better information about how to address some of the disease, weed, and fertility problems we have historically addressed through chemical applications without using products that might become the subject international environmental agreements.

If American farms do evolve into more of an environmental stewardship role in the economy, then farmers will need to have a broader array of crops at their disposal which will meet the public expectations of "environmental stewards" in a way that monoculture cash crops do not. Introduction of crops which require increased labor inputs should become an objective of future local crop research. So should experimentation with taste impacts of various feed types on meat livestock types. Is there ultimately a significantly quantifiable difference in the taste of beef that has been fattened on oats versus corn versus grass? If so, is

this something that should be reflected in the product grade labeling?

Country of Origin labeling for meat products is an urgent and necessary next step for marketing farm products. As some consumers become more interested in complete information, knowledge of a product's origins will help protect those consumers while allowing domestic producers to differentiate their products. This becomes even more critical in light of the market impacts that are felt when there is a case of "Mad Cow" or "Bird Flu" reported in a given region.

Finally, a visionary Farm Bill will seek to expand marketing efforts for locally produced food products in each community. In local areas, market forces will be more effective in helping farmers if the increased costs to farms associated with encroaching urbanization can be translated into production changes to take advantage of the growing market. Similarly, weather related crop shortages should result in locally higher prices for the products to offset the production losses for farmers. For this to work, robust local end markets must be in place for the farmers, and those end markets must be sensitive to changes in production levels. Apple losses in Washington should show up in Seattle grocery prices and should pass through to the producers, even if Virginia has above normal production. While our excellent transportation system will eventually respond to level off prices, a healthy local marketing network for multiple alternative crops in each community will help farmers recover from weather related losses without resort to federal disaster or insurance programs.