



# Food from Family Farms Act

A Proposal for the 2007 U.S. Farm Bill

Crafted by family farmers to ensure fair prices for family farmers, safe and healthy food, and vibrant, environmentally sound rural communities here and around the world.

**National Family Farm Coalition**

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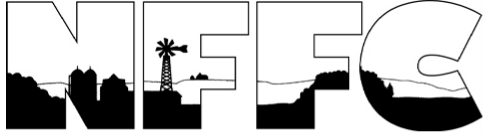
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The National Family Farm Coalition (founded in 1986) represents family farm and rural groups in 30 states whose members' face the challenge of the deepening economic recession in rural communities caused primarily by low farm prices and the increasing corporate control of agriculture.



## **Why we need the Food from Family Farms Act:**

The goal of food, farm, and trade policy should be a globally sustainable and adequate supply of wholesome food at affordable prices. A family farm system is the most effective means to provide food quality and safety, diversity of production, equitable social and economic opportunity, and preservation of land, water, and bio-diversity.

However, family farmers everywhere are struggling economically. Farmers in this country and around the world are all urged to produce for the export market, only to find out that world market prices (as determined at commodity futures exchanges in cities like Chicago or New York) don't even cover production costs, much less family expense. In addition, the low commodity prices don't reflect external costs, including damage to the environment, loss of rural economic opportunity, and community destruction. The global food system, while abundant, fails to feed the hungry, fails to promote healthful diets, and fails to eliminate food safety risks like disease pathogens and chemical contamination.

So-called free trade agreements like the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) hamstringing domestic U.S. farm policy thus destroying our sovereignty, in this case, food sovereignty. Fair prices to farmers cannot be guaranteed due to lack of mechanisms such as a price floor (or price support), food security reserves, and conservation set-asides. Billions of taxpayer dollars in annual subsidies cushion some of the losses for farmers in the U.S. and in those few other countries who can afford to pay them, but wreak havoc in developing countries' rural sectors. Worldwide migration out of rural communities to overcrowded cities and across national borders creates unbelievable hardship.

The current system benefits multinational corporations: giant exporters, processors, and retailers, who profit by buying the cheapest commodities from all over the world, processing them and marketing them in monopolistic markets devoid of honest competition. Under-priced feed grains and oilseeds provide the main components of manufactured livestock feed. Corporate livestock and dairy production gain competitive advantage using cheap grain to the detriment of diversified family farmers who maintain crop rotations and recycle animal waste as crop nutrients. Labor intensive fruit and vegetable production shifts to countries where workers have few rights and are paid \$4 per day, causing unemployment and low wages for U.S. farm workers.

Family farmers, farmworkers, and food processing workers produce a necessity of life: they deserve dignity, justice, and equity rather than exploitation for corporate profit. Restoring farm income from the sale of farm commodities at a fair price must be the primary focus of any new farm program. Trade agreements should likewise respect a country's Food Sovereignty, the right to establish policies based on a country's needs and traditions for food security, conservation of natural resources and the geographical distribution of economic opportunity.

The National Family Farm Coalition has developed a new farm policy proposal to create a sustainable farm and food system. Our farm bill, called the Food from Family Farms Act (FFFA), would improve the environment, create new economic opportunities in rural America, and support similar aspirations in every other country on our beautiful planet. Unlike the current farm policy, provisions in the Food from Family Farms Act, predicated on the principle of Food Sovereignty, will build good will among our trading partners and give them a chance for balanced sustainable economic development.

The Food from Family Farms Act contains a price support system, food security reserves, and conservation set-asides with full planting flexibility, which would work together to guarantee prices that reflect the true cost of production. The Food from Family Farms Act encourages such a transition through full implementation of the Conservation Security Program (CSP), offering incentives on working lands for more conserving crops and practices which fit well with diversified family farming, bio-energy and local food production. A balanced family farm system will require less fossil fuel and give opportunities for farmers to become producers of clean renewable energy.

In conjunction with the Food from Family Farms Act, the National Family Farm Coalition urges the U.S. government to enforce anti-trust laws against increasing corporate concentration and vertical integration in the food industry from production and processing to marketing and retailing. The ownership of livestock by packing companies and their control of captive supplies must be banned because this gives them the power to encourage overproduction and manipulate markets to the detriment of family farmers and ranchers. Likewise, because these same multinational companies threaten to move livestock production overseas to avoid health and environmental regulation, consumers need mandatory country of origin labeling (COOL) of their food in all cases.

The USDA must respond to historical and ongoing civil rights complaints and implement laws that enable equitable access to farm and housing programs for all farmers and rural people. Farmers who produce under contract should have the right to fair arbitration clauses, contract transparency, and other rights currently denied. The USDA can promote new regional and local markets for farm products and purchases of food by federal agencies from independent family farms. The plight of America's migrant agricultural workers should be adequately addressed through its farm, labor, and trade policies.

The Administration should change course in international trade for cooperation in creating international commodity floor prices that are fair to all farmers, international food security reserves, and set-aside programs that encourage conservation and bioenergy production. Congress should respond to the popular demand for economic, environmental and social sustainability of the food system by enacting the Food from Family Farms Act.

## **OUTLINE OF BILL—Commodity Title**

### **Food Sovereignty**

**Trade and farm policy should respect every country's right to establish policies based on needs and traditions for food security, conservation of natural resources, and distribution of economic opportunity.**

Prosperity for U.S. farmers must not come at the expense of farmers and peasants in other nations. The United States must take the lead in promoting international commodity agreements aimed at setting floor prices and equitable sharing of responsibility for international reserves and supply management, thus eliminating the destructive practice of dumping.

The ability to develop farm programs that respond to the needs of our nation's farmers and consumers must be reinstated through adoption of provisions such as Section 22 of the Agricultural Adjustment Act. Section 22 allows for a limitation on imports of a specific commodity if that level disrupts the fair domestic market price for our nation's farmers.

### **Market Price Support**

**Farmers who comply with provisions of the Food from Family Farms Act (FFFA) will be eligible for market price supports established through a Commodity Credit Corporation (CCC) nonrecourse loan for wheat, feed-grains, soybeans, oilseeds, cotton and rice. Loan rates will be set at an appropriate level that reflects the cost of production for each individual crop based on USDA's Economic Research Service (ERS) calculations and average transportation and storage costs. A similar formula will apply for establishing the price for milk at the farm-gate. The nonrecourse loan creates an actual price floor requiring purchasers to pay at least the loan rate for commodities. If purchaser won't pay the loan rate, the crop can be forfeited to a government reserve. This replaces the marketing loan of the 1996 Freedom to Farm bill and the 2002 Farm Bill that allow prices to drop below loan rates due to Loan Deficiency Payments (LDP) and Marketing Loan Gains.**

Loan can be paid back with interest at anytime when market conditions warrant. At the end of the nine month loan period, producers will have the option of redeeming the loan, forfeiture to the CCC Food Security Reserve, or entry into the Farmer Owned Reserve (FOR), if open.

A maximum quantity of crops up to a loan value of \$450,000 per farm will be eligible for the loan program.

LDP's or marketing loan gains are no longer necessary. Storage costs on the FOR will be paid at the commercial rate with an annual payment in advance.

Farmers will be allowed to rotate the commodities in the FOR to maintain quality.

A low interest loan program for construction of on-farm storage facilities will be established.

### **Reserves: Food Security, Humanitarian, Energy, and Farmer-Owned.**

**Without a price support and reserves, a bountiful crop becomes an economic curse to farmers as overproduction can result in only one outcome, lower prices and economic hardship. The FFFA creates various reserves to enhance food, energy, and national security.**

A Strategic Reserve stocked to a level of 7.5% of the average annual use will have first priority with commodities forfeited from non-recourse loans. Half of the reserve can be used for emergency humanitarian relief and half can be used to supply the growing renewable fuels industry (Under unusual circumstances, the Secretary may be allowed to buy stocks from the market for the Strategic Reserve.) Further forfeitures will fill a Food Security Reserve (FSR) set at a minimum 10% of annual usage. No stocks from the FSR may enter the market until the Secretary determines that the national average price exceeds 150% of the loan rate for 30 consecutive days. When the supplies in the FSR reach the 10% of annual use, the secretary will announce the opening of a Farmer Owned Reserve (FOR) that allows farmers to extend the original nonrecourse loan past 9 months, stop accrual of interest, and receive storage payments from CCC at commercial rates. Any stocks in the FSR above the minimum 10% can be used by the Secretary to immediately replenish the strategic reserve. If free stocks become tight and drive national average market prices above 130% of the loan rate for 30 consecutive days, storage payments cease on extended loans in the FOR. If national average market prices exceed 140% of the loan rate for 30 consecutive days, then the extended loans will be called for repayment.

### **Inventory Management and Conservation Compliance**

**For farmers to be eligible for the price support loan program, along with other benefits of the FFFA, including cost share and disaster relief, they will be required to abide by the current Conservation Compliance. Because the nation's food security is assured by the existence of the FSR and FOR, the Secretary shall establish a short-term conservation set-aside program for program crops to avoid wasteful over production and balance production with demand. The Secretary shall target specific crops for reduced planting with the goal that production will satisfy projected demand. This includes supplies that will be needed to refill Strategic and Food Security reserves. Participating farmers will be required to idle a percentage of a target crop grown (Conservation Percentage (CP)) and enter into a soil-conservation program approved by the local Soil Conservation Service on those idled acres. After meeting that requirement, the producer/operator shall have flexibility to determine the crop mix to plant within the acreage base under this section.**

### **Full Planting Flexibility within Acreage Base**

**Beyond idling the CP for each program crop, the farmer retains full planting flexibility on the Whole Farm Acreage Base which will be defined as Tillable Crop Acres--land that was planted or considered planted to programs crops in at least 3 of the 5 preceding crops.**

### **Disaster Program**

**The nation must recognize the importance of preserving the family farm system and therefore must provide an effective response when natural disasters strike family farms. Increased farm income from price supports at cost of production will be the first line of defense against economic catastrophe. The FFFA Disaster Program eliminates the current**

**subsidized crop insurance system that is not only inadequate when disaster strikes but fosters production on marginal land and underwrites farm consolidation. In its place, a disaster relief program will be offered to all eligible farmers.**

When a natural disaster generates a loss so that production is above 75% of established yield, no payment will be made. When production is between 50% and 75% of established yield, payments (or grain from the Strategic Reserve above its 10% minimum level) will be provided to replace income up to the 75% level at 60% loan rate value, not to exceed \$67,500.

Further production loss down to 30% yield will be reimbursed at 75% loan rate value, not to exceed \$67,500. Production loss below 30% yield will be replaced at 100% loan rate value, not to exceed \$90,000.

A loss of 90% shall be considered a total loss and the producers shall have the right to salvage any remaining crop for whatever purpose they choose with no loss of disaster benefits.

Insurance coverage from the private sector beyond established disaster relief would be at the producers' cost, but will not be required in order to qualify for the Disaster Program.

Receiving crop insurance benefits will not disqualify a producer from receiving full disaster benefits under the disaster program.

### **Conservation Security Program**

**Sustainability must be the bedrock principle of agricultural reform, recognizing the benefits of diversified production versus the concentrated, intensive production in today's industrialized agricultural system. When livestock factories have to pay the full cost of production for their manufactured livestock feed, livestock production on family farms with more ecological crop rotations and use of animal manure for crop nutrients will become more economically viable.** To reach our goal of sustainability and family farm diversity, the FFFA encourages such a transition through full implementation of the Conservation Security Program (CSP), offering incentives on working lands for more conserving crops and practices which fit well with diversified family farming and local food production.

### **Targeting**

**The FFFA is intended to reverse the current consolidation and industrialization of the nation's farms. Establishing fair prices through price supports and inventory management, thus internalizing costs experienced by farm families, the environment and rural society, is an essential step. Further, some benefits of the Food from Family Farms Act will be capped or targeted. The amount of commodities eligible for nonrecourse loans will be based on a loan cap of \$450,000 for all production under loan per crop year.** Limits on payments in the disaster relief program will prevent the subsidized underwriting of farm expansion. Likewise, benefits of conservation programs like Environmental Quality Incentives Program (EQIP) and the CSP will target family farms rather than large industrial operations.

**Increased funding of direct farm ownership and operating loans**

Ownership of farms by family farmers helps ensure that they can meet their responsibility to conserve productive capacity and biodiversity for future generations. Federal and state programs to encourage entry into farming through access to affordable credit by beginning and minority farmers is critical. Historic discrimination against minority farmers by USDA must be reversed.