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AGRICULTURE, DEVELOPMENT, AND GLOBAL PUBLIC GOODS

U.S. Policies at Cross Purposes

THE CENTRAL AIMS OF THE Sustainable Development Goals are to eliminate extreme poverty and hunger by 2030. As the goals recognize, this will not happen without attention to agriculture. Right now, a billion people scrape by on just over $1 per day. Most of them live in rural areas and most are dependent on agriculture for their meager livelihoods. On any given day, millions more are at risk of falling back into poverty because of a bad harvest or an unexpected illness. Even though they farm for a living, these families are often malnourished and hungry. An estimated 150 million children younger than age five will have their growth stunted by malnutrition, and many will suffer life-long health and cognitive problems as a result. The global poor are also most at risk from climate change, which has obvious links to agriculture, and are vulnerable to antibiotic-resistant diseases, which have less-well-understood connections to agricultural practices.

The United States is one of the world's largest producers and exporters of a range of agricultural commodities, so U.S. policies that affect agriculture will play a large role in whether the international community

can end hunger and extreme poverty, and do so sustainably. During the food price spikes of 2007–08, President George W. Bush sharply increased foreign assistance for food security and nutrition. His successor, Barack Obama, with strong support from Congress, created Feed the Future and the New Alliance for Food Security and Nutrition to provide assistance for (climate-smart) agricultural development in food-insecure countries.

Yet U.S. policies often work at cross purposes. Since before World War II, the United States has provided subsidies and trade protection to farmers in ways that suppressed global prices on global markets, distorted incentives to invest in developing country agriculture, and undermined the livelihoods of poor farmers in other countries. Then, just as the long-run secular decline in agricultural prices seemed to be bottoming out, the United States and the European Union (EU) ratcheted up policies promoting demand for food-based biofuels, which helped turn modestly rising food prices into sharp spikes that roiled global markets. And when commodity prices started falling again in 2013–14, the U.S. Congress ensured that subsidy programs were in place to shield American farmers from revenue declines.

In addition to the price and other global market distortions from U.S. (and other) farm programs, some agricultural policies create negative global spillovers because of what they fail to do. Biofuel support policies were touted as part of the solution to climate change, but both U.S. and European policymakers failed to develop effective sustainability criteria to ensure that would be the case. Instead, corn-based ethanol and oilseed-based biodiesel may well be increasing greenhouse gas (GHG) emissions, relative to their fossil fuel counterparts. Another growing concern is the use of massive amounts of antibiotics to promote growth and prevent disease in livestock, which contributes to the proliferation of antibiotic-resistant bacteria. Despite long-standing concerns, U.S. authorities have only recently taken modest steps to regulate the practice.

American policymakers are genuinely committed to promoting global food security and poverty alleviation, addressing climate change, and combating antimicrobial resistance. And farmers face risks that markets cannot handle, so there is a role for public policy. But policymakers all too often fail to ensure that the agriculture sector shoulders a fair share of the burden of the negative spillovers that it produces. This book focuses on

U.S. agricultural policies and practices in these three areas—traditional agricultural subsidies, biofuels, and the use of antibiotics in livestock—because they have global implications that are particularly harmful for the poor and food-insecure in developing countries. Of course, American consumers and taxpayers would also benefit from such reforms.

THE AGRICULTURE AND DEVELOPMENT DEBATE SHIFTS

In the first decade of the new millennium, the goals of reducing poverty and hunger sometimes seemed to be in conflict. When food prices spiked in 2007–08, some experts estimated that more than 100 million people might fall into deeper poverty and go hungry. Many blamed biofuel subsidies and mandates in rich countries for diverting food crops for fuel. Just a few years before, however, agricultural prices had been at historically low levels and the debate around rural poverty was starkly different. At that time, high-income countries were in the spotlight because they were providing billions of dollars in support to their relatively well-off producers at the expense of millions of poor farmers in developing countries.[1]

In the wake of the food price spikes, advanced country governments responded with rather more alacrity than they had to the earlier criticisms of their price-suppressing policies. But they did so in a limited way. In L'Aquila, Italy, in 2009, the Group of 8 (G8) industrialized countries put food insecurity at the top of the development agenda and committed $20 billion over three years to address it. President Barack Obama launched the Feed the Future initiative in 2010 and pledged $3.5 billion for the effort. In 2014, the administration's ongoing commitment included spending a total of $2.4 billion for Feed the Future and "related food security funding," including nonemergency food aid.[2]

What is striking, however, is what the United States and other G8 countries did not do. They have mostly not reformed policies that undermine food security and generate negative global spillovers if it would mean taking on their own domestic agricultural interests. To the contrary, both the United States and the EU ramped up their support for bio-

1. Elliott (2006).

2. Feed the Future (2015, p. 75).

fuels in 2008–09 (though the EU later backtracked a bit). In 2008, and again in 2014, the U.S. Congress passed farm bills that maintained an array of subsidies for American farmers. Overall, from 2002 to 2013 the U.S. government spent not quite $10 billion for agriculture and nutrition assistance to developing countries and more than $300 billion to support the incomes of American farmers.[3]

The United States is not the world's worst offender when it comes to supporting the agriculture sector. The levels of trade-distorting farm support remain far higher in Japan, Korea, and much of Europe. But the United States is among the world's largest producers and exporters of a number of agricultural commodities, and Congress has shown a great reluctance to stop intervening in agricultural markets.[4] The United States is also the world's largest market for biofuels and one of the largest users of antibiotics in livestock. While pressures are growing for reform in all three areas, the forces opposing it are potent.

Although the EU still provides billions of dollars in overall agricultural support, it has gone further in addressing concerns about its agricultural policies. EU policymakers converted most producer support to less trade-distorting forms and reduced the incentives to consume more food-based biofuels. They responded to the antimicrobial resistance threat with more vigorous action against antibiotic use in livestock than in the United States to date. Each chapter thus draws contrasts with EU policy as applicable.

The policies of large emerging markets where beggar-thy-neighbor policies are beginning to take root are also of increasing interest. In addition to providing potentially trade-distorting support to farmers, India's decision to ban wheat and rice exports in 2007 contributed to the price spikes for those commodities. While China's support for farmers is expanding, alarm over the use of antibiotics in its industrializing livestock sector is increasingly urgent. Thus another reason it is important for the United States to reform is that emerging powers are not likely to respond to "do as I say, not as I do" rhetoric.

3. Data are from the Organization for Economic Cooperation and Development's Creditor Reporting System and Producer Support Estimates databases.

4. Elliott (2006, chap. 3).

PLAN OF THE BOOK

Chapter 2 begins by providing background on the important role of agriculture in many of the world's poorest countries and how the shifts in agricultural markets in the 2000s affected them. Agriculture is the largest source of employment in the poorer countries and is also often an important source of export revenues. But food also accounts for a large share of household expenditures for the poor, and many poor farmers are net buyers of food because of their low productivity. Thus, higher food prices can increase poverty in the short run where the number of poor net buyers exceeds the number of poor net sellers. A growing body of research suggests, however, that (somewhat) higher prices reduce poverty in the medium and long run.

Chapter 3 turns to the problems presented by agricultural subsidies and trade barriers. Government support for agriculture has declined in most high-income countries since the 1990s. However, this decline in support occurred mostly because rising prices reduced the need for subsidies, and only in a few cases because governments embraced policy reform. The U.S. Congress passed a farm bill in 2014 that took some steps in a more market-oriented direction, but it did so in ways that put U.S. programs at odds with the direction of reform embodied in international trade rules. And because the policy reforms in the United States and other high-income countries remain incomplete at best, the distorting impact of subsidies and trade barriers will resurface if commodity prices resume their earlier trend decline.

Chapter 4 turns to biofuel policies. The United States and the EU boosted support for biofuel consumption at a time when commodity markets were already tightening, and they did so mostly through inflexible mandates, which contributed importantly to the food price spikes in 2007–08. The price volatility created by these policies had negative consequences for consumers and producers alike. Worse, there is growing research showing that food-based biofuels are increasing GHG emissions, not reducing them as claimed.

Finally, chapter 5 explores how the failure to adequately regulate livestock production is an indirect subsidy that contributes to the production of negative externalities. Many of these "public bads" are local in

nature—for example, air or water pollution arising from poor manure management or pesticide runoff. But the focus in chapter 5 is the problem of increasingly nasty bacteria that do not respond to antibiotics and do not respect borders. The link to agriculture comes from the fact that more antibiotics are used in livestock than in people every year, and many producers use them to promote faster growth in their animals and prevent disease in the large, confined feeding operations that are increasingly common around the world.

Chapter 6 wraps up by summarizing general lessons that emerge from the policy failures analyzed in the three core chapters, including vulnerability to policy capture by concentrated interests and the need for flexibility when the information available to policymakers is incomplete or imperfect. The chapter also summarizes priorities for U.S. reforms in each area, including the following efforts:

- Reduce the amount of the subsidy that farmers receive for buying crop insurance (now more than 60 percent of the value of the average premium).
- Reform the complicated and increasingly expensive program protecting domestic sugar producers and remove the tight restrictions on imports.
- Remove the requirements to purchase food aid in the United States and transport it long distances on U.S.-flagged ships.
- Eliminate the current mandate to blend biofuels in gasoline and diesel, or at least make the mandate more flexible and reduce the amount of biofuel that is derived from food crops.
- Agree to global targets to reduce the use of antibiotics in livestock and ensure that veterinarians who oversee such use do not have financial incentives to prescribe antibiotics.

The chapter notes that the push for reforms has to begin with U.S. taxpayers, consumers, and other stakeholders who directly pay for these policies. But, with respect to agricultural subsidies, global cooperation would help to overcome international collective action problems that

could otherwise block reform. And when it comes to combating antibiotic resistance, success simply is not possible without global cooperation.

In sum, U.S. policies that aim to reduce rural poverty, promote food security, mitigate climate change, and improve health outcomes in developing countries are all too often at odds with policies supporting a small number of American farmers. This policy incoherence raises the costs of achieving each of these important goals, and it undermines U.S. leadership when it is desperately needed.