Executive Summary: Farm Enrichment, Equitably Distributed (FEED) Act

Domestic Team 2

Definitions: "**Agricultural subsidies**" refers to a host of programs: crop insurance premium subsidies, Agricultural Risk Coverage (by county and individual farm levels), Price Loss Coverage, conservation programs, disaster aid, marketing and export promotion, research, and other support. "**Base acres**" are the crop-specific acreage of a farm that are eligible for federal subsidies.

Problem: The federal government spends $15B annually on various insurance subsidies which distort the market by incentivizing over-farming.[1] These subsidies create deadweight loss, institutionalize inequity between small family farms and large factory farms, and encourage environmentally damaging practices.

Policy Recommendations:

1. <u>Restructure, cap, and phase out insurance premium subsidies to increase efficiency, equity, and environmental sustainability.</u>
   a. Set a per-farm insurance premium subsidy cap at $40,000 per year, which is to decrease by $5000 per year until the cap reaches $5,000 in Y7, after which the cap will decrease by $1,000 per year until expiration.
   b. Eliminate the Harvest Price Option—for interim efficiency—to reduce speculative farming.
2. <u>Streamline ARC and PLC programs to provide necessary resources for conservation efforts and reduce redundant payouts.</u>
   a. Reduce payments for ARC-CO and PLC to 50% of base acres, and ARC-IC to 42% after 3 years of implementation. After 6 years, limit to 30% and 23%, respectively.[2]
   b. Terminate payments for base acres for all programs 10 years after implementation.
   c. Reallocate savings to Conservation, Disaster Relief, Eco-Friendly Physical Capital Grants, and Research Efforts.
3. <u>Establish the Agro-Capital Grant Program to increase farm productivity, reduce the inequity in access to smart farming technology between small and large farms, and offset losses from subsidy phaseouts.</u>
   a. Provide grants to farms to fund adoption of smart farming technology by reallocating funds saved from phasing out crop insurance, ARC, and PLC (to be administered by the USDA).
4. <u>Increase funding for agricultural marketing and export promotion to boost farm revenue, increase international competitiveness, and offset losses from subsidy phase outs.</u>
   a. Reallocate funds to the Market Access Program and the Foreign Market Development Program.

In stark contrast to the existing, inequitable policies, our proposals consider the needs of all farmers rather than the desires of few, optimizing government spending to boost farmer competitiveness and environmental sustainability efforts.

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[1] Edwards, Chris. "Reforming Federal Farm Policies." Cato Institute. April 12, 2018. Accessed April 01, 2019.
[2] Congressional Budget Office. *Options for Reducing the Deficit: 2019 to 2028.* Washington, D.C., 2018.