

# Farm Enrichment, Equitably Distributed

Domestic Team 2



**Agricultural subsidies harm  
taxpayers, consumers, farmers, and  
the American economy at large.**

# Agricultural Subsidies Today

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## Squander Tax Dollars

Spending costs the government

**\$25B**

each year

## Damage the Environment

Environmental damage costs

**\$5B**

in conservation efforts annually

## Worsen Inequality

The largest 10% farms receive

**2.5X**

the nat'l average subsidy/farm

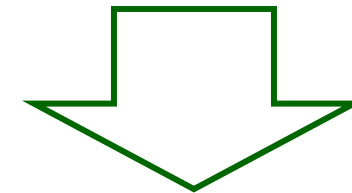
# Agricultural Subsidies at a Glance

Program	Spending USD\$B
Insurance Premiums	8
Agriculture Risk Coverage	3.7
Price Loss Coverage	3.2
Conservation Programs	5
Disaster Aid	1.9
Marketing & Export Promotion	1.2
Research & Other Support	3
<b>Total</b>	<b>25</b>

## HARMFUL REDUNDANCIES

**\$15B**

Insure against **predictable** market risk



## ADMINISTRATION PROPOSALS

- 2018 Agricultural Improvement Act
- 2020 Presidential Budget

# Farm Enrichment, Equitably Distributed

## Correct market distortions while aiding farmers for

①



### Cap and phase out Insurance Premium Subsidies

To increase industry's ability to  
**produce what consumers want**

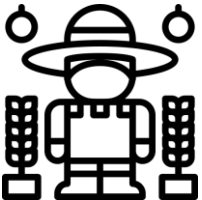
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### Establish Agro-Capital Grant Program

To invest in technology to **boost  
industry's overall productivity**

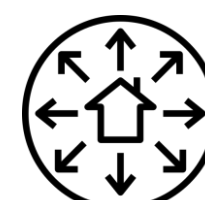
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### Increase funding for Conservation Efforts

To encourage sustainable farming  
practices for **long-term gains**

④



### Increase funding for Marketing & Export Promotion

To **open up new markets** for  
agricultural goods



## Policy Recommendation 1

# Restructure, Cap, and Phaseout Insurance Premium Subsidies

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### WHY?

- **Distort** the market
- **Hurt** small farms
- **Fail** stated mission



## Implementation

- ① **\$40K per farm cap**
- ② **Eliminate Harvest Price Option (HPO)**
- ③ **Lower cap by \$5K/year**  
When cap reaches \$5K, lower cap by \$1K/year

## Impact

- ① **Government**  
Saves **\$2B** in Y1
- ② **Government**  
Saves **\$2.4B**
- ③ **Economy**  
Eliminates **\$750M** in deadweight loss  
**Government**  
Saves **\$8B** per year  
**Environment**  
Protects marginal lands

## Concerns

## Mitigating Factors

Private crop insurance would fail because losses are positively correlated

**Correlation is not uniquely strong & Private insurance successfully pools risk**

HPO is farmers' singular lifeline

**Futures and options markets are effective substitutes**

Reducing insurance premiums is politically unheard-of

**Proposed in 2020 Presidential budget & Historical support across aisle**



## Policy Recommendation 2

# Streamline ARC, PLC into Conservation Efforts

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### WHY?

- **Redundant** concurrent enrolment
- Incentivize **excessive cultivation**
- Set aside **necessary resources** for non-distortionary programs



Year	% Base Acres		Savings USD\$B
	ARC-CO and PLC	ARC-IC	
2019	85%	65%	NA
2021	50%	42%	NA
2025	30%	23%	3.8
2029	0%	0%	13.8

Equity

Greatly benefits small farms

Farmers

Freedom to decide and plant crops

Government

Saves >\$12B from 2019-2025 for:

- Research on sustainable farming
- Reserves for emergency mgmt
- Improvements on lands in production
- Investment in environmentally friendly physical capital

## Concerns

## Mitigating Factors

Limits payouts to *nonfarmer landowners* and on land no longer used to grow crops

*Large factory & small family farms* receive fewer benefits

Harms relatively small and inelastic markets

**Less willing to profit from increased land rents**  
**Lower input costs from land purchase**

**Increase payouts from conservation programs**  
**Reduce consolidation, increase ease of entry**

**Prices paid to farmers will rise**  
**WTO violations alleviated**



## Policy Recommendation 2

# Establish the Agro-Capital Grant Program



- 1 Farmer submits proposal
- 2 Dept of Agriculture reviews proposal  
Considers:
  - Proposed use of smart farming technology
  - Environmental damage
  - General efficacy
- 3 Dept of Agriculture distributes grant

## Technology

## Benefits

Smart farming technology raises yields, lowers costs

**Protect farmers' profitability**

Agricultural Weather Tracking

**Improve farmers' ability to protect against disaster**

Soil & Water Sensors, Variable-Rate Application, Global Positioning System

**Further reduce deadweight loss**  
**Promote sustainable farming practices**

*Small farms* can afford more precision agriculture technology

**Reduce inequity in accessing funds for capital improvement**

## Policy Recommendation 3

# Increase funding for Marketing and Export Promotion (MEP)

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### WHY?

- Solves free-rider market failure
- “Vastly underfunded”
- Competitors outspend 4X





## Implementation

- 1 **Increase MAP and FMD funding**
- 2 **Open up foreign markets:**
  - Host agricultural fairs
  - Negotiate liberal trade barriers
- 3 **Increase agricultural exports**

## Impact

- 1 **Economy**  
**35X** return on investment
- 2 **Economy**  
Increases international competitiveness
- 3 **Policymakers**  
Reduces balance of trade deficit

## Concerns

## Mitigating Factors

Violates WTO agreement on trade

**Falls into unlimited “green box” spending**

Funding is politically infeasible

**Historically enjoyed strong bipartisan support**

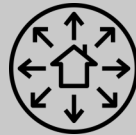
# Addressing Stakeholder Concerns over Profit Decrease

## Organized Special Interests

Reallocations designed to boost revenue  
Total fiscal spending remains the same

### Large farms

**MAP/FMD Appropriation:**  
non-distortionary profit opp'ty



### Small farms

**Agro-Capital Grant Program:**  
increases output and lowers costs



## Before

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Agriculture Risk Coverage	3.7
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## After

Program	Spending USD\$B
Insurance Premiums	▼
Agriculture Risk Coverage	▼
Price Loss Coverage	▼
Conservation Programs	▲
Disaster Aid	▲
Marketing & Export Promotion	▲
Research & Other Support	▲
Agro-Capital Grant Program	▲

**Total**

**25**

**Total**

**25**

## Case study

# New Zealand (1984)

### Overview

- Agricultural export-driven economy
- 30 subsidies eliminated
- Exit grant of ~2/3 annual income (1983) offered with low take-up of 1%
- Ring-fenced levies to fund R&D

### Effects

- Increased product diversity
- Doubled productivity
- Increased sector contribution to GDP

## Predicted effect

# United States (2019)

### Why this is feasible?

- Low resource requirement
- Low anticipated push-back
- Frictionless administration

### Measures of success

- Bipartisan, admin & stakeholder support
- Fiscal efficacy
- Sector GDP per capita
- Technology and conservation uptake
- Farmer satisfaction

A background image showing a close-up of several hands of different skin tones holding small green seedlings in dark soil. The image is slightly blurred, emphasizing the texture of the soil and the嫩 green of the plants. The overall composition suggests themes of agriculture, sustainability, and community effort.

**Increases  
product diversity**

**Raises return on  
tax dollars**

**Increases  
productivity**

**Sustains arable land for  
future cultivation**

**Increases sector  
contribution to GDP**

**Curbs  
sectoral inequality**



**The FEED Act considers the needs of all farmers rather than the desires of few.**

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