# Do Farm Subsidies Cause Obesity?

## Dispelling Common Myths About Public Health and the Farm Bill

A WHITE PAPER BY FOOD & WATER WATCH AND THE PUBLIC HEALTH INSTITUTE

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## Executive Summary

It is commonly argued that farm subsidies have led to the overproduction of commodity crops, such as corn, driving down the price of "junk food" made with commodity ingredients like high-fructose corn syrup (HFCS) and partially hydrogenated soybean oil relative to healthier alternatives. This cycle, it is suggested, has led to increasing rates of obesity. Removing subsidies, the argument goes, would help combat obesity by discouraging overproduction of crops that are the base ingredients of unhealthy food. This seems like a logical argument, yet few if any of those making these arguments reference academic findings and economic analysis to support their claims.

This white paper examines the public health and agricultural economics literature as well as primary and secondary agriculture policy documents. Based on this analysis, there is no evidence of a relationship between subsidies and the overproduction of commodity crops, or between subsidies and obesity. Instead, this paper finds that the *deregulation* of commodity markets – not subsidies – has had a significant impact on the price of commodities. Deregulation also has provided benefits and incentives to the food industry, including processors, marketers and retailers, and is one of a number of contributing factors impacting the availability of high-calorie processed foods in the marketplace.

Economic modeling of scenarios in which farm subsidies are eliminated shows a continued overproduction of commodity crops because of characteristics unique to agriculture – namely, that farmers are slow to respond to price signals and tend to overproduce regardless of price. Federal policies enacted in the 1930s responded to these market imperfections by encouraging farmers to idle land so that they would not overproduce, and by requiring grain buyers and food processors to pay fixed prices for commodity crops. However, after lobbying by food companies, these policies were dismantled between 1985 and 1996, and overproduction and often-low prices ensued. Subsidies were then enacted to keep farmers from going out of business.

The paper concludes that the public health and health care communities can find common ground with the family farm community by moving beyond the focus on subsidies and instead advocating for comprehensive commodity policy reform that reduces overproduction and stabilizes price and supply, as well as policies and programs that expand access to healthy food in rural and urban communities. Advocating for subsidy removal as a means to combat the overconsumption of unhealthy foods and beverages is an ineffective obesity prevention strategy, as subsidy removal will not affect the price or production of these products. The paper's recommendations focus on the need for commodity policy reform and on ensuring that agricultural policies promote healthier options. Specific recommendations include:

- Engaging in the long-term campaign to reform commodity policies by developing responsible federal supply management programs.
- Increasing consumption of fruits and vegetables, whole grains and other healthy foods through strategies that promote increased access and affordability for underserved communities.
- Expanding the supply of healthy foods by helping farmers diversify their production and supply local and regional markets with healthy food.
- Building the infrastructure needed to better link farmers and consumers and aid in the delivery of healthy foods.

## Introduction

In the public debate over the federal Farm Bill, subsidy programs for farmers growing commodity crops like corn and soybeans receive the lion's share of attention. There are two common and related assumptions promoted in the media and echoed in some public health circles regarding these subsidies. The first is that they have resulted in commodity crops like corn getting cheaper, which has driven down the price of "junk food" made with these ingredients relative to healthier alternatives. This cycle, it is suggested, has led to increasing rates of obesity.

The second and related assertion is that removing subsidies will go a long way toward solving these problems. For example, in an ad run in the *New York Times* by three doctors from Mt. Sinai Medical Center in 2010 titled "Why are we subsidizing childhood obesity?", the authors state that "[Commodity] subsidies… have led to enormous increases in production of cheap corn starch… commodity subsidies need to be reexamined. It is incongruous and wasteful for health agencies to spend millions of dollars countering obesity while the USDA spends billions in farm subsidies that indirectly promote it."[1]

Although the argument is compelling, the literature and the data tell a different and more complicated story about the relationship between subsidies, farm policy, food costs and obesity. Indeed, the evidence suggests that the Farm Bill presents opportunities to make policy changes that would go much further toward addressing high obesity rates than subsidy elimination would.

There is no question that the subsidy system is broken, and there are significant implications of that broken system for the broader U.S. food system. However, simply doing away with payments to commodity farmers will not result in significant price changes for healthy or unhealthy foods. Furthermore, policy campaigns that blame subsidies for the food system's ills also tend to demonize the farmers who receive subsidies, many of whom are actually small and midsized family farmers. The wedge that is driven between the family farm community and other policy reform advocates over the subsidy issue only serves to weaken and undermine a relationship that is vital for those who seek policy changes to rebuild healthy food systems.

This white paper reviews the literature on the relationship between subsidies and unhealthy food and makes recommendations for policy reforms to support a more healthy food system and increase food access. It is hoped that this paper will contribute to a more informed and open debate about commodity policy, moving beyond the current debate between cutting subsidies or maintaining the status quo. This conversation can expand to include the role of a farm safety net in a reformed food system. Such a system could have a significant positive effect on addressing childhood obesity and could spur community economic development through food and agriculture.

## DEFINITIONS

**Small farms** are defined by the U.S. Department of Agriculture (USDA) as farms with annual sales of between $100,000 and $250,000.

**Midsized farms** are defined by the USDA as farms with annual sales between $250,000 and $500,000.

**Commodities** are raw agricultural materials that can be stored or processed. In federal policy, "commodities" refers to a group of crops that have traditionally been the basis of our food and agricultural system and that the government has been involved in managing to various degrees. The major commodity crops are corn, wheat, soybeans, cotton and rice. Other commodity crops include barley, oats, sorghum, dry peas and peanuts.

**Commodity subsidies** is a phrase usually used to refer to payments made to farmers who are growing commodity crops. The government has long provided a safety net to keep farmers growing these crops from going out of business, but the support has taken different forms. Today, the safety net is limited to two kinds of payments made to farmers: counter-cyclical payments, which are made to producers only when commodity prices are very low, and direct payments, which are made to producers – regardless of the price of the crop – based on the amount of land that they have historically farmed. Together, these payments are generally referred to as "subsidies." These payments have existed in their current form only since the mid-1990s. Prior to the 1996 Farm Bill, the government supported farmers in a very different way (see pages 6 and 7).

## FINDING: Removing subsidies would not curb the overproduction of commodity crops.

There is no question that the United States has a problem with overproducing commodity crops, particularly corn and soybeans, which in turn are processed into corn syrup, animal feed and other ingredients. However, the literature suggests that it is not subsidies that drive this overproduction; overproduction has been a problem for decades, long before our current subsidy programs existed.[2] Economics literature dating back to the first half of the 20th century has found that overproduction and low prices are common in commodity markets when they are not regulated.[3] The literature contends that unlike other industries, agricultural producers do not tend to respond to price signals by reducing the amount of a crop they are growing when prices are low.

Agriculture is unique in several ways. First, it requires large upfront investments in land and equipment with a slow rate of return, which puts pressure on producers to continue producing even when prices fall, hoping that they can "wait it out" until prices rebound. Second, agriculture cannot simply be turned on and off depending on market signals; once farmers plant their crop, they cannot change the amount they are producing even if prices rise or fall. Third, the market is made up of a large number of small producers, each of whom is unable to influence price through his or her individual planting decisions.[4] One farmer planting less will not bring prices back up.

For this reason, individual farmers may respond to low prices by reducing hired labor, but they generally do not reduce their production. Instead, they continue to produce as much as possible in order to squeeze as much money as they can out of their land and equipment, hoping to break even.[5] When all producers do this, overproduction continues and prices drop even lower. This "treadmill" of overproduction and low prices plagues commodity markets.

When prices drop so low that farmers are unable to remain in business, they generally sell their farms to another producer, leading to increasing concentration of farmland in the hands of larger agribusinesses, and to continued overproduction.[6]

In the 1920s and '30s, economists advised federal policymakers to intervene in order to prevent the farming sector from overproducing itself into bankruptcy.[7] Based on this advice, farm policies were designed to serve two purposes: first, to manage the volume of commodities being grown in order to avoid overproduction, and second, to ensure that farmers, the backbone of the rural economy, could receive a fair price for their products.

Starting in the New Deal, the government encouraged acreage reduction and land set-aside programs to restrict the amount of land being planted with commodities and thereby reduce overproduction.[8] Congress also established the Commodity Credit Corporation (CCC), which was authorized to make loans to farmers whenever the prices offered by food processors or grain traders fell below farmers' cost of production. Farmers pledged their crops to the government as collateral against the loans, which effectively forced the processors and traders to pay farmers a price that was higher than the loan rate set by the CCC, or else the farmers would simply sell their crops to the government.

To hold these crops, the government established a national grain reserve, much like the Strategic Petroleum Reserve we have today. The reserve was filled when crops were abundant and released when they were scarce. In this way, the reserve prevented crop prices from skyrocketing during times of drought or low production.

Together, these policies helped to keep overproduction in check and to reduce commodity price volatility, functioning much like a minimum wage for farmers. Implementing these policies cost far less than the current-day commodity programs; the CCC actually made $13 million between 1933 and 1952 from selling crops out of the reserve when there were supply shortages.[9]

Beginning with the 1985 Farm Bill and subsequent Farm Bills, however, these federal policies began to be dismantled as the pressure grew for greater de-

## WHAT IS THE FARM BILL?

The Farm Bill is a major agricultural and nutrition bill that contains 15 sections, or "titles." These titles cover, among other things, nutrition programs, on-farm environmental conservation, trade, rural development, farm credit, commodity programs (those targeting commodity crops like corn, wheat and soybeans), agricultural research and the marketing of U.S. farm products. The Farm Bill is debated and passed by Congress roughly every five years and is implemented by the U.S. Department of Agriculture. Each Farm Bill has its own name – the 2008 bill was called the "Food, Conservation, and Energy Act of 2008."

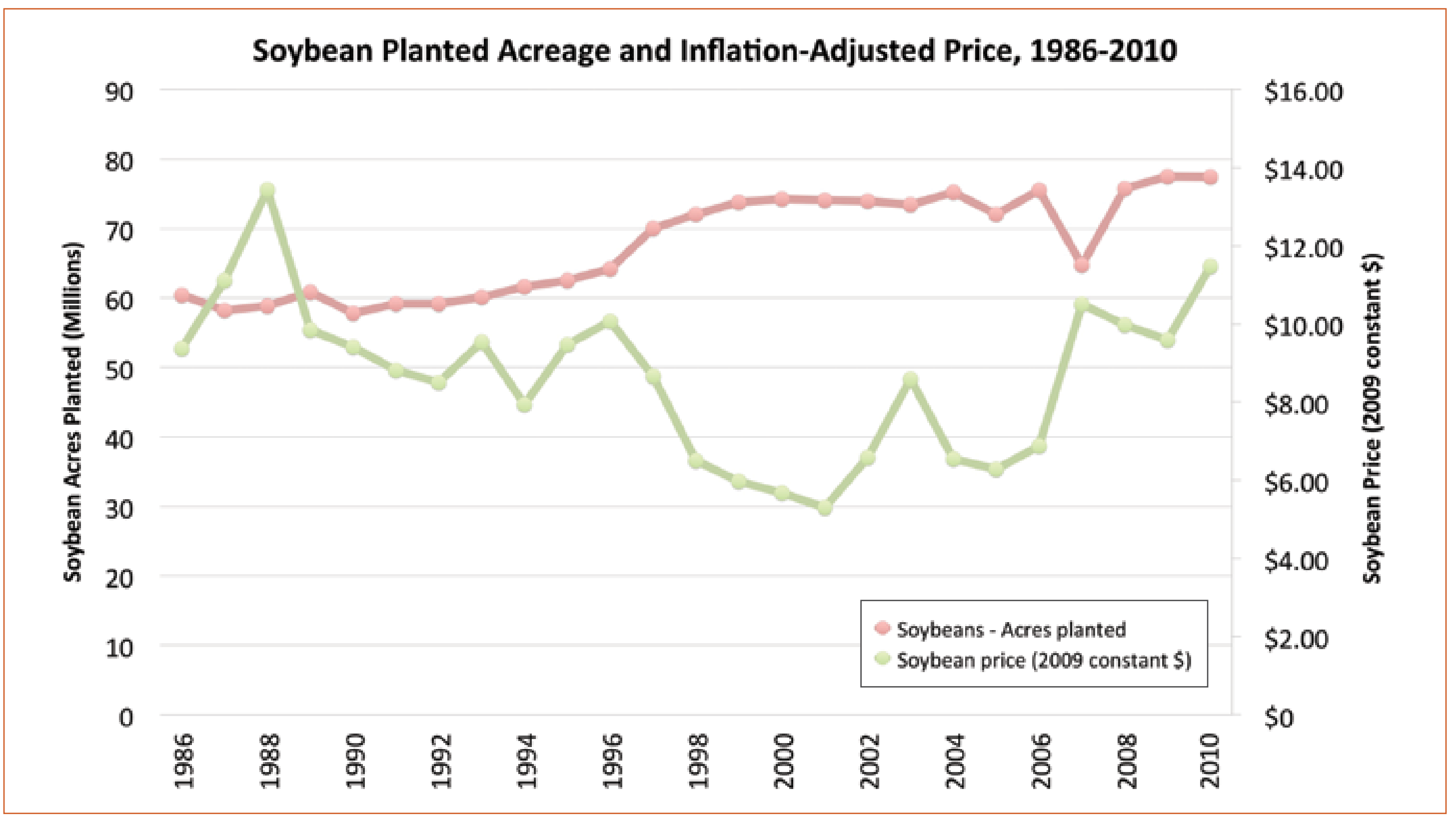
Currently, two-thirds of the $300 billion funding in the 2008 Farm Bill is directed to nutrition programs, namely the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps). But the bill also has small amounts of funding available for much less well-known programs, including a program that helps farmers transition to organic agriculture, programs that support small food business and infrastructure development, and programs to help low-income Americans purchase food at farmers markets. The Farm Bill truly influences all aspects of our food system and is relevant for both farmers and consumers.

regulation and less federal involvement in markets. CCC loan rates were allowed to fall below farmers' cost of production, so farmers were no longer guaranteed a fair price by either processors or the government. The grain reserve was eliminated.[10]

The 1996 Farm Bill, called the "Freedom to Farm Act," marked the culmination of this deregulatory era. The legislation was passed during a period of high commodity prices and tight federal budgets – much like 2011 – and was designed to phase out all government intervention in commodity markets. The legislation eliminated the land-idling programs, letting farmers plant as much as they wanted, and production increased over the next few years.[11] Additionally, because the government had eliminated grain reserves, farmers flooded the market with their entire crop.

As a result of this increase in production, crop prices plunged and the treadmill sped up. Between 1996 and 1997, real corn prices dropped 28.4 percent.[12] The crop price free-fall continued, and by 1999 the real price of corn was 50 percent below 1996 levels and the soybean price was down 41 percent. As prices fell, farmers continued to plant as much as possible to try to make up for their lost income, which further increased supply and depressed prices. All told, between 1996 and 2005, soybean prices dropped 21 percent while production rose 42 percent, and corn prices dropped 32 percent while production rose 28 percent.[13]

To quell criticism after crop prices collapsed, in 1998 Congress authorized "emergency" payments to farmers – essentially grants to keep them in business. The cost of these payments reached $20 billion in 1999.[14] But because there was no attempt to reduce the amount of land in production or to shore up prices with a grain reserve, overproduction continued unchecked and commodity prices kept falling. Even with the government payments, net farm income declined 16.5 percent between 1996 and 2001.[15] With




SOURCE: USDA Economic Research Service, Oil Crops Yearbook, 1986-2010, accessed July 25, 2011

*In most industries, when price goes down, producers respond by slowing production. Agriculture works differently. When soybean prices plummeted after supply controls were eliminated in the 1985 and 1996 Farm Bills, farmers continued to increase acreage planted, leading prices to drop even further. This unusual relationship was the rationale behind proposals in the 1920s and '30s to have the government play a role in managing commodity supplies and prices.*

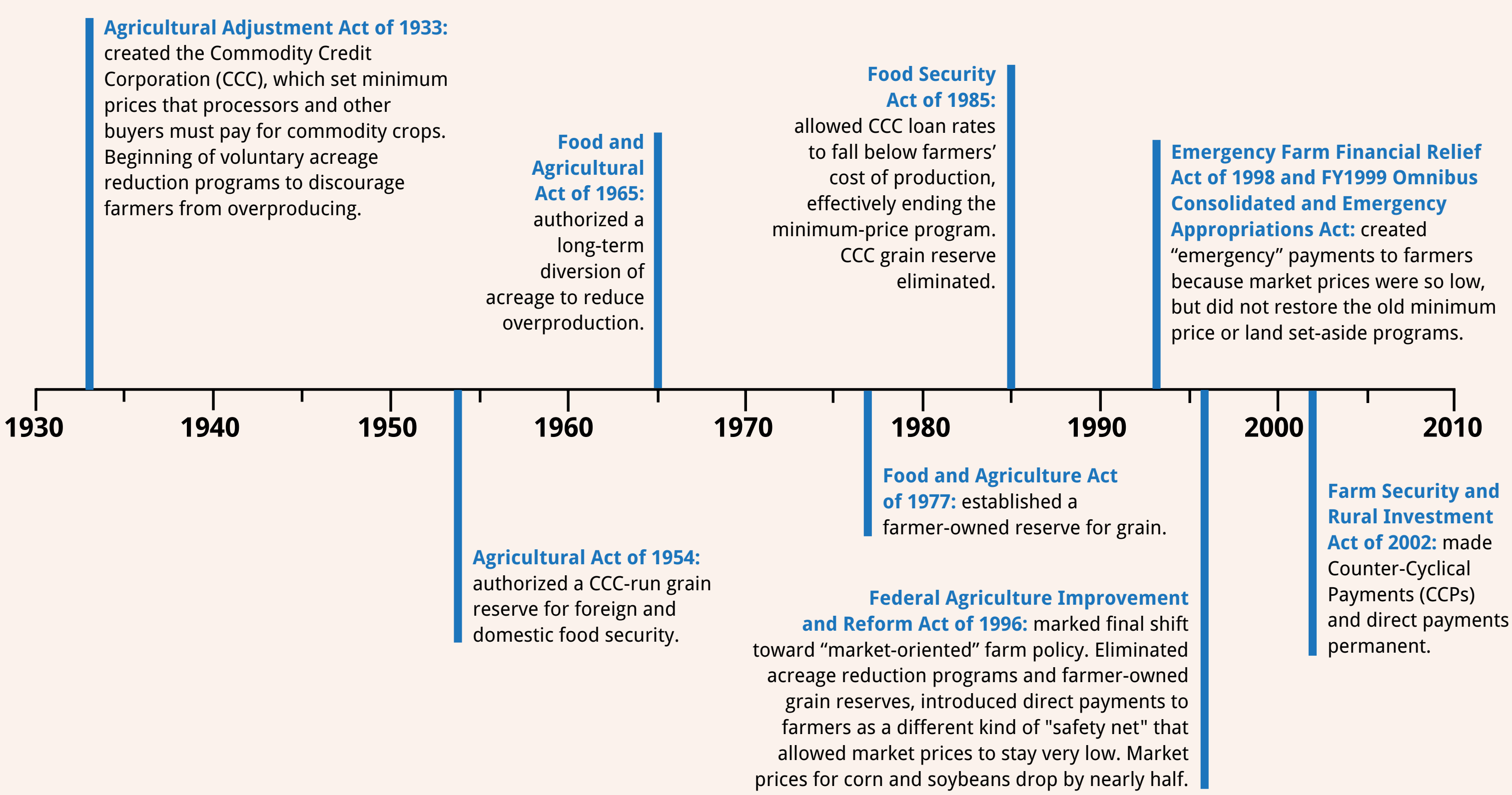
things still looking bad for many farmers, Congress made these emergency payments permanent in the 2002 Farm Bill. The subsidy system we know today was born.[16]

This decision had wide-ranging consequences. Rather than address the primary cause of overproduction and low prices by reinstating supply management and price safety-net policies, Congress set the treadmill on high speed and attempted to keep farmers from falling off by paying them a subsidy. As noted below, this subsidy is often not enough for small and midsized farmers to make a living. The main beneficiary of the new system is the food industry: the food processors and grain traders that are now able to pay farmers less for their crops than they cost to produce, thanks to the unchecked treadmill, and that are able to have the government attempt to cover the difference.

Because farmers collectively tend to overproduce without some sort of government intervention, the academic literature finds that subsidies themselves do not cause overproduction. Instead, the overproduction we see today began when the government withdrew from actively managing agricultural markets. The literature in turn finds that removing subsidies would not make commodities more scarce or more expensive.[17] For example, one economic modeling study from the University of Tennessee found that the supply and price of commodities would change very little if subsidies were removed. What would happen is that U.S. farm incomes would decline by 25 to 30 percent.

In other words, farmers would become poorer, but commodities would still be abundant.[18] Some farmers would inevitably go out of business, but their land would likely be sold to a larger agribusiness, so there would be no reduction in supply.[19] Only a return to common-sense regulations that include supply and price stabilizing policies would reduce overproduction and raise prices.

**Commodity Policy Timeline**



## FINDING: Low commodity prices offer savings to the food industry, but not to consumers at the grocery store.

For food processors, grain traders and meat companies, commodity prices matter a lot. For a company like Smithfield Foods, the nation's largest hog producer, feed can make up 60 percent of operating costs on a hog operation.[20] For a grain trader like Archer Daniels Midland (ADM), lower prices on the grain that the company buys can mean larger profit margins. And Coca-Cola surely benefits from low-priced corn that makes high-fructose corn syrup (HFCS).

These interests appear to have benefited significantly from the deregulation of commodity markets that took place between 1985 and 1996, since the literature suggests that the removal of price and supply management tools resulted in lower commodity prices. Researchers at Tufts University have estimated that soft drink companies have saved $100 million each year on their corn bill since supply controls were dismantled, for a total of $1.7 billion in savings since HFCS became commonly used in the 1980s.[21] Likewise, researchers estimate that large meat companies saved nearly $4 billion on animal feed between 1997 and 2005 because corn and soybean prices fell as the treadmill of overproduction sped up.[22] It is thus not surprising that meatpacking interests support keeping the government out of the supply management business.[23]

But it is important to note that subsidies – which were brought in later – are not identified as the source of food industry savings. The literature instead identifies the benefit to food companies as coming from deregulation, the removal of federal policies that had previously kept overproduction in check and commodity prices stable.

While deregulation appears to have worked well for the food industry, the literature suggests that the price of commodities has very little relation to the price of a final retail food product, so the savings that accrued to the food industry from low-priced commodities were not reflected in the grocery store. When one accounts for the cost of processing, packaging, storing and shipping food, plus an additional markup by the retailer at the point of purchase, the share of an unhealthy food's final price that can be accounted for by the cost of the raw commodity is quite low, and its influence over the price of the final food product is insignificant. This raises questions about the potential to affect retail food prices through changes to the price of raw commodities.

The lack of relationship between commodity prices and retail prices can be illustrated by the fact that over the past three decades, grocery prices have gone steadily up, even though corn prices have fluctuated wildly up and down.[24] Food & Water Watch examined four historical datasets of retail food prices during times when there were dramatic changes in the prices that farmers received for corn, and found that food prices were completely unresponsive to changes in the corn price. Rising meat and milk prices did not follow rising corn prices, and falling corn prices did not lead to declining grocery prices for these products. Grocery prices also sometimes rose when corn prices fell, and sometimes fell when corn prices rose.[25]

While food prices for consumers have risen steadily, the share of grocery revenues that goes back to the

farmer has been declining steadily. Between 1984 and 2000, the share of the food retail dollar that returned to farmers fell from 35 percent to 19 percent, according to USDA figures.[26] New data from the USDA reveal that farmers now receive only 15 cents out of every dollar spent on food.[27] According to the USDA, if farmers received the same share of the retail food dollar in 2000 as they did in 1984, an additional $98.9 billion would have gone to agricultural producers instead of to the agribusinesses that process, package, market and distribute food to children and other consumers.[28] A growing share of consumers' retail spending is going to processing, distribution and marketing.

To see the insignificance of commodity prices to the price of food at the point of purchase, one need only look at a few specific corn-heavy food products. Researchers have estimated that farmers receive only four to five cents from the sale of a box of corn flakes and two to three cents from the sale of a full-sized bag of corn chips.[29] High-fructose corn syrup, the most common caloric sweetener used in U.S. soft drinks,[30] represents just 3.5 percent of the total cost of soft drink manufacturing, and the corn content of HFCS represents only 1.6 percent of this value.[31] The vast majority of the retail price of soda is captured not by farmers, but by middlemen and retail outlets such as restaurants. Only two cents of each consumer dollar spent on soda returns to farmers growing the corn that becomes HFCS, while ninety-eight cents goes to the food companies that make, market and sell it.[32]

Because commodity prices constitute such a tiny share of the final retail price of food, the relationship between commodity prices and food prices is almost negligible.[33] It follows that the potential to affect consumers' choices through changes to commodity prices appears to be low. "The small commodity shares of food costs," write researchers from the University of California, Davis, "mean that small commodity price impacts from... [changes to] farm policies would lead to very small effects on consumer costs of food and beverages, especially for some of the categories most commonly associated with obesity."[34] Their modeling also finds that the subsidy program has not had a significant impact on caloric consumption. Iowa State University researchers estimate that a subsidy equal to 20 percent of the price of corn would result in only a 0.3 percent decline in retail food prices and a 0.15 percent increase in the consumption of corn-based foods.[35]

In today's food system, commodity crops are little more than raw inputs for grain traders and food processors. The unhealthy output they create is then sold to consumers. The literature finds that these industry middlemen were both the drivers and the main beneficiaries of the deregulation that took place between 1985 and 1996, when federal policies to reduce overproduction and keep commodity prices stable were dismantled. It was this deregulation, not the subsidies that were instituted later, that brought the greatest benefits for the food industry. It is thus unsurprising to learn that the industry lobbied for deregulation as early as the 1960s.

## FINDING: The food industry has been the main driver of commodity policy, not farmers.

Although there is much discussion of the "powerful farm lobby" behind subsidy programs, a review of the literature and of primary policy documents finds that the main drivers of our current-day commodity policy have not actually been farmers, but the food industry. The proposal to eliminate the New Deal policies and to get the government out of managing commodity supply and price was first promoted in the 1960s by free-market think tanks such as the Committee for Economic Development, which at the time was made up of the chairs of large U.S. companies, including meat processors and grain traders.[36] These interests did not benefit from policies that restricted the supply of commodities and required them to pay prices high enough for farmers to be able to make a decent living. Overproduction was much more beneficial to their interests.

For example, in the 1970s, the grain processor and trader ADM hoped to boost Soviet grain purchases from the United States (ADM controlled a vast storage, transportation and cargo network for grain exports). The company lobbied for the United States to subsidize Soviet grain purchases through what are called export subsidies.[37] But in order for ADM to export more grain, U.S. producers would need to grow more. Thus, around this time, federal land set-aside and conservation policies were relaxed to facilitate greater production for export markets, and President Nixon's Secretary of Agriculture implored farmers to expand their production by "plant[ing] fencerow to fencerow."[38] This decision had a clear benefit to ADM.

In 1994, a report funded by the National Grain and Feed Foundation titled *Large-Scale Land Idling Has Retarded Growth of U.S. Agriculture* again urged an end to programs that had kept production in check by encouraging farmers to idle some of their cropland.[39] This report played a key role in debates over the 1996 Farm Bill, during which Congress dismantled the last of the 1930s-era supply management policies. In their book, *The Making of the 1996 Farm Bill*, Purdue University economist Otto Doering and former USDA economist Lyle Schertz explain the interests behind the study:

> *The idea that farm programs had gone too far in withholding cropland from production was given a substantial boost with the preparation and astute promotion of a study sponsored by the National Grain and Feed Association through their foundation. The study, released in May 1994, concluded that "American farmers and the U.S. economy stand to reap substantial benefits from expanding crop area and production."* ***Over 185 companies, most of whose profits are geared substantially to volume of commodities handled or processed, were involved in supporting the study.***[40] [Emphasis added.]

Today, the trend of agribusiness lobbying continues. A review of statements by representatives from the livestock sector during the 2002 Farm Bill debate suggests that the meat industry recognizes the importance of low-cost feed to its economic viability and supports policies that keep the production of corn and soybeans high and prices low. In a hearing before the House Agriculture Committee in 2001, representatives of Perdue Farms and other meatpacking interests laid out their positions on the content of the upcoming Farm Bill. The representatives advocated for the continuation of the emergency payment programs to farmers that had begun a few years earlier

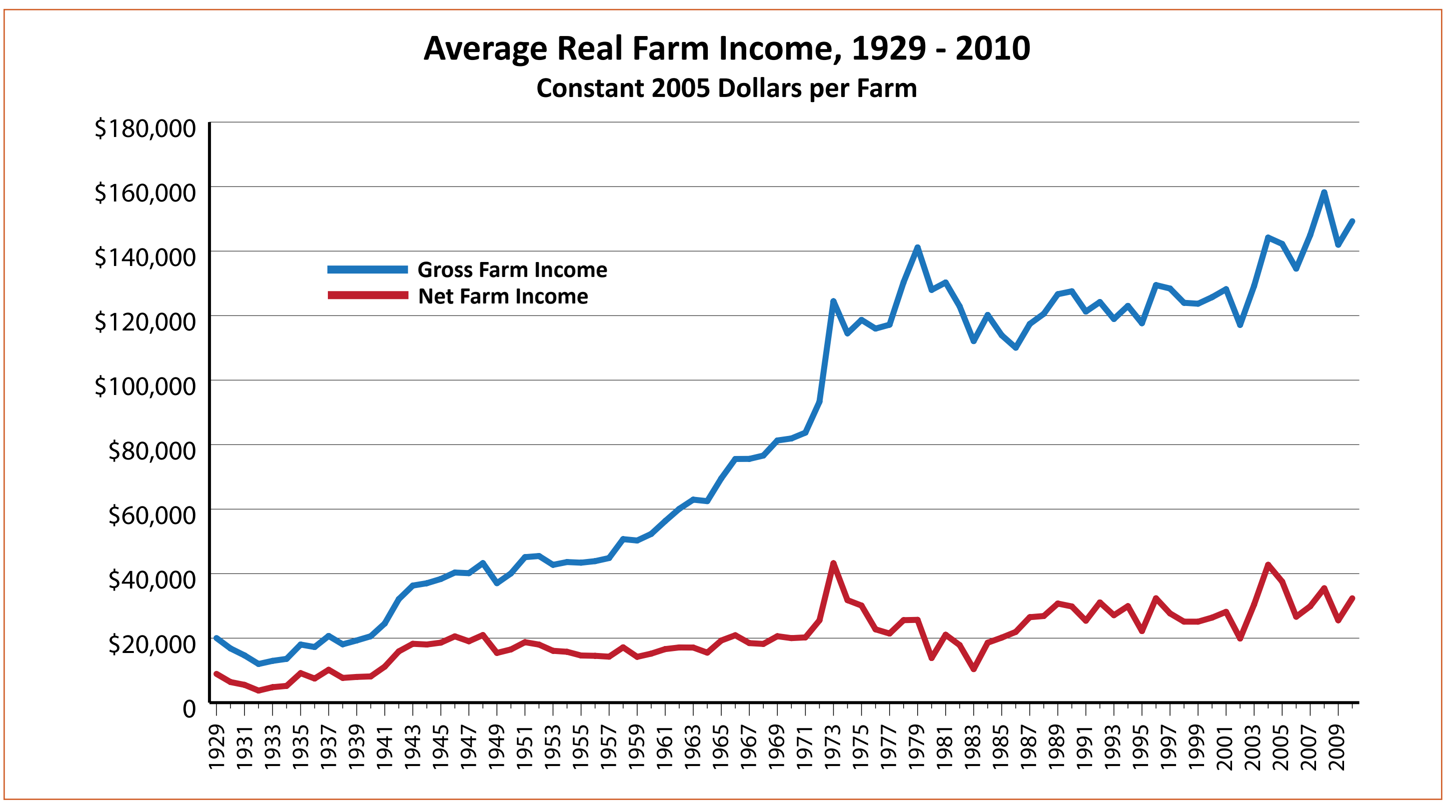
– the payment system that had replaced the supply- and price-control policies of earlier decades.[41] The pork industry representative suggested that, if politically necessary, Congress should authorize additional subsidies for farm households to keep them solvent despite low prices.[42] Representatives criticized government programs that could raise the price of feed grains, including mandatory set-asides, production controls or a farmer-owned grain reserve.[43]

## FINDING: Removing subsidies before commodity supply and prices have been managed will not stop overproduction of corn and other commodities, but could harm small and midsized family farmers.

When the government stopped managing commodity supplies, overproduction and low prices became the norm. Current federal farm programs do nothing to stop this treadmill. Farmers have been further hurt by an increase in the cost of their inputs – seed, fertilizer and fuel.[44] It is beyond the scope of this white paper to examine the relationship between rising input costs and the growing market control exercised by concentrated seed, fertilizer and pesticide companies like Monsanto, but it is clear that as the prices farmers pay for inputs have risen, farm profits have fallen and made farmers even more reliant on subsidies to stay afloat. Even in recent years, when commodity prices have been high, net profits for family farmers have been low because of the cost of their inputs.

Media headlines suggest that only large, wealthy farms receive subsidies, and that they are living "high on the hog." The reality is much more nuanced. Data from the USDA's Economic Research Service shows that 82 percent of full-time small to midsized family farmers receive subsidies.[45] In 2009, after accounting for land, labor, equipment and input costs, the average family farmer in this category netted only $19,274 from full-time farming. Government payments made up nearly half of that amount. Earnings from off-farm jobs made up the rest of the household's income.[46]

Critics of farm subsidies often cite the statistic that the average farm household makes 114 percent of




SOURCE: USDA Economic Research Service, Farm Income and Balance Sheet Indicators, 1929-2009, and Number of Farms, Land in Farms, and Value of Farm Real Estate, 1850-2010, accessed October, 2011 the average U.S. household income.[47] For small and midsized family farms, however, average household income (including off-farm jobs) was 19 percent below the U.S. average in 2009.[48] An even more appropriate comparison is not to household incomes but to small-business income. Farms are more like small businesses than typical wage earners – they may own hundreds of thousands of dollars worth of land and equipment – except they earn less money. For example, in 2007, the median income of midsized family farms was $61,300 – below the $69,800 median income of small-business owners with one store.[49]

It is absolutely true that the largest farms receive the largest share of farm subsidies and that these farms are making a decent living from farming. It is also true that some politicians and urban residents who own farmland are profiting unfairly from subsidies. These critiques, however, should not overshadow the fact that small and midsized family farms are not doing well financially; that a significant majority of family farmers receive benefits from farm subsidies; and that they rely on these payments to keep their farms afloat. For them, subsidies are a critical safety net.

These farms are important allies for the public health and health care communities in supporting policy changes that will lead to improved health outcomes from the food system. Small and midsized operations have the greatest potential to diversify their production and drive a healthier system. These farms are also in a position – with support – to supply local or regional markets, because they are large enough to deliver a good volume of product while still being small enough to shift into different products depending on demand.

To build a healthy food system, we must ensure that these farmers can make a living from farming; help build new markets for them to sell to; support them as they take risks to diversify into other products; and rebuild the infrastructure to connect them to consumers. These steps are necessary whether farmers are growing commodities and livestock – we will always have a need for corn, soybeans and wheat – or are diversifying their operations further into fruits and vegetables, fiber or on-farm energy generation such as wind.

## Conclusion

It appears from the analysis above that the main beneficiaries of the shift away from federal policies such as supply management – which kept commodity prices stable and production under control – are not consumers or farmers, but the food industry. These interests were the main advocates behind the elimination of these policies and in favor of deregulation of the farm system. It also appears that simply removing subsidies – the payments that Congress put in place as a Band-aid solution after prices plummeted and farmers began going out of business – will not bring about the changes needed to build a healthy food system. That is because, according to the literature, subsidies do not themselves impact the supply or price of junk food.

Building and supporting healthy food systems will require the

public health and health care communities to understand the relationship – or lack thereof – between subsidies and retail food costs, but also to understand the role that subsidies currently play as a safety net for small and midsized family farms. Focusing on the subsidy program as the root of the problem takes focus away from more comprehensive policy solutions that will help ensure a U.S. food system that supports rural and urban communities and promotes health outcomes.

Given the role that deregulation played in driving production up and prices down, the community would do well to focus on reinstituting these common sense supply and price management policies, as well as on promoting new programs to increase access to and affordability of healthy food. The literature suggests that advocating for subsidy removal as a means to address obesity will be unsuccessful because subsidies do not affect the price or production of commodities that go into making unhealthy food.

## Policy Solutions

Significant reforms to U.S. commodity policies are clearly needed. At the same time, as we build for these longer-term reforms, much can be done to support healthy food access and the farm sector by building alternatives to the current system dominated by industrial food processors. The public health and health care communities can play a significant role in pursuing these types of proactive policy reforms immediately. They will expand the supply of and demand for healthy food and help rebuild smaller-scale infrastructure, such as processing and distribution facilities, to connect growers and farms to consumers. Such reforms also support the community through job creation and economic development in food and agriculture.

Rather than depicting subsidies as the main driver of the failings within the food system and spending critical resources campaigning for their removal, we propose that the public health and health care communities pursue policy reforms such as the following:

1. **Engaging in the long-term campaign to reform commodity policies.** Healthy commodity policy will require a return to the common-sense programs in place until the deregulatory era of 1985 to 1996, policies that ensured that processors and meat companies would pay farmers fairly for their products, that bolstered food security through a grain reserve, and that kept overproduction in check through land set-asides and other mechanisms. By advocating in favor of these policies, the public health and health care commu-

nities can help build an economically stable family farming sector, bring increased income to rural communities, improve environmental outcomes and put family farms on a more secure financial footing from which to supply healthy local and regional food systems. These policies also reduce the benefits that accrue to the food processing, marketing and retail sectors.


2. **Increasing demand for and access to healthy foods.** As a first priority, it is essential to strengthen USDA food assistance programs that fight hunger and improve nutrition. This would include protecting eligibility, benefit levels, and program integrity of SNAP and the Women, Infants, and Children Supplemental Nutrition Program to ensure that low-income Americans have the resources necessary to afford healthy, nutritious foods and prevent hunger. Additional policy solutions can also include: SNAP incentives to promote purchasing of healthy foods such as fruits and vegetables and whole grains; expanding Electronic Benefit Transfer (EBT) availability at farmers markets and other community venues; government procurement changes; fully funding the national Healthy Food Financing Initiative to encourage the development of new markets that sell healthy foods in underserved low-income communities; and expanding the national Fresh Fruit and Vegetable Program in schools. Existing nutrition education programs, such as SNAP-Ed, must be protected and strengthened to provide comprehensive interventions that promote health outcomes in underserved communities.

3. **Expanding the supply of healthy foods.** This can be done by helping farmers diversify their production and supply local and regional markets with healthy food, rather than shipping everything they grow to large commodity processors. Solutions include research, training and extension programs to help farmers diversify their production and/or market to new outlets, as well as financial infrastructure to provide a safety net while they develop these farm and marketing systems (e.g., loan and credit programs, access to loan restructuring services, and policy changes so that these supports are distributed equitably, not just to the largest operations).

4. **Building links between farmers and consumers to deliver healthy foods.** This will require maintaining and enhancing funding in the Farm Bill for programs that develop new and broader food system infrastructure that ensures a supply of healthy foods that meets national demand and need, while also supporting new local and regional markets. This would include smaller-scale processing, cold storage, distribution and retailing mechanisms that can bring food from farmers to urban and rural consumers. Small-business grant and loan programs, business development training and other incentives to facilitate infrastructure development are critical if we hope to truly connect farmers and consumers and create jobs in food and agriculture.

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**Food & Water Watch** is a national nonprofit consumer advocacy organization working to ensure that the food, water and fish we consume is safe, accessible and sustainably produced. So we can all enjoy and trust in what we eat and drink, Food & Water Watch helps people take charge of where their food comes from, keep clean, affordable, public tap water flowing freely to our homes, protect the environmental quality of oceans, hold government accountable, and educate about the importance of keeping the global commons – our shared resources – under public control.

**The Public Health Institute**, an independent nonprofit organization based in Oakland, California, is dedicated to promoting health, well-being and quality of life for people throughout California, across the nation and around the world. PHI's primary methods for achieving these goals include: sharing evidence developed through program interventions, quality research and evaluation; conducting public policy analysis and advocacy; providing training and technical assistance; and promoting successful prevention strategies to policymakers, communities and individuals.

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