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Agricultural Subsidies and Overweight America

Market Report	Yr Ago	4 Wks Ago	12/31/04
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	\$74.56	\$89.94	\$86.57
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	103.49	124.07	116.56
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	*	107.84	109.19
Choice Boxed Beef, 600-750 lb. Carcass	142.92	146.65	143.43
Western Corn Belt Base Hog Price Carcass, Negotiated	49.50	82.73	66.75
Feeder Pigs, National Direct 45 lbs, FOB	*	58.36	61.91
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	56.34	79.05	70.68
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	86.50	91.62	94.00
National Carcass Lamb Cutout, FOB	212.61	232.39	244.55
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Omaha, bu	3.98	3.31	3.38
Corn, No. 2, Yellow Omaha, bu	2.41	1.71	1.77
Soybeans, No. 1, Yellow Omaha, bu	7.86	5.11	5.24
Grain Sorghum, No. 2, Yellow Columbus, cwt	4.04	2.63	2.59
Oats, No. 2, Heavy Minneapolis, MN, bu	1.71	1.83	1.80
<u>Hay</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	65.00	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	57.50	57.50
* No market.			

In recent months there has been increased public attention directed to federal farm subsidies and their role in causing consumers to be overweight. The problems caused by an overweight population centers on health problems and increased health costs. Heart problems, diabetes and other health problems are associated with overweight individuals. Other difficulties arise from an overweight nation, such as those observed in air travel with increased fuel costs, less seat room and lift-off concerns. The issue is also apparent by observing the attention given to diets and new diet programs.

There is little question about the severity of the problem. Generally, it is acknowledged that two-thirds of the population is overweight and roughly twenty percent are judged obese. Obesity in children has become a particular concern. Many school lunch programs have recently changed to incorporate healthier food choices in their menus. Interestingly, however, the major changes in the proportion of overweight individuals has occurred only in the last fifteen years. This needs to be kept in perspective when assessing the "blame" for the overweight situation.

One factor which has been emphasized by some observers is the role of federal farm subsidies, its impact on reduced food prices and the link to increased food consumption. According to some, federal farm programs are a major cause of the problem because agricultural subsidies encourage production of corn, soybeans and wheat over that which would be produced in their absence. These critics argue that farm subsidies are not targeted to increase the production of healthy products such as fruits and vegetables.

High fructose corn syrup and hydrogenated fats from soybeans come under particular criticism.

Others disagree, saying that federal subsidies are not either a major or even minor cause of overweight problems. Rather, the causes involve a changed American lifestyle, less exercise, greater consumption, convenience foods, technological changes both in agricultural commodity production and food processing and the development of tasty low-cost food products which consumers prefer.

The issue is complex, and little research has been devoted to the cause of the problem. However, some issues that need attention are these:

1. Do low food prices cause overeating? Economic incentives do matter, and food prices have dropped. The overweight issue has largely only emerged in the last 15 years, yet food prices have been dropping for a long time. This is particularly the case when food prices are considered in relation to consumers' incomes.
2. How do commodity programs lead to increased production? Obviously, federal commodity programs have been directed to corn, soybeans and wheat. Yet how do federal supports impact production? For subsidies to have any influence on production there must be a "coupled" relationship. That is, for federal agricultural programs to have an impact, federal supports must be received in proportion to production. Our farm support program is a mixture of coupled and decoupled components. The extent that our federal support program is decoupled is unclear following the 1996 Farm Bill. Direct payments are a decoupled mechanism, but other payment mechanisms such as loan deficiency payments are coupled in some way. In addition, the degree that coupled program benefits impact production may not be significant. The question here is what would happen to agricultural production should federal farm support programs be eliminated?
3. Are agricultural program payments targeted to products which have been associated with less healthful food, rather than fruits and vegetables? This is clearly the case. A change in the direction of federal agricultural support away from traditional commodities to fruit and vegetable production is interesting to contemplate. The fruit and vegetable industry may not welcome such a

change, and there is little question that land values used for traditional commodity production would decline.

4. Has technological change in commodity production been more of a factor in leading to increased agricultural production than federal program incentives? Similarly, increased agricultural production in other countries has occurred as witnessed by U.S. agricultural imports of agricultural commodities.
5. How important have technological changes been in the food processing industry? The development of high fructose corn syrup is a dramatic example, but the industry has developed a number of processes to reduce food costs and enhance taste appeal to consumers.
6. To what degree have recent lifestyle changes been the cause of people being overweight? This involves two-worker families, increased convenience store purchases, less home food preparation and lifestyles involving less exercise.

Without question there will be increased attention given to the issue of overweight America. It will be important to carefully establish the true causes of the changes of the last one and one-half decades.

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