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Plowing Old Ground

Congress gets ready to flub farm subsidy reform again.

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THESE ARE good times for American farmers. Net farm income in 2007 will be more than $87 billion, a record, according to the Agriculture Department's latest projections. And in 2006, the average farm household already earned $80,000, about 20 percent more than the average non-farm family. The boom is driven not only by federal subsidies for corn-based ethanol but also by strong demand for U.S. farm products overseas. The prices of corn, cotton, soybeans, wheat and rice are on the rise, as are farmers' land values.

It would seem an opportune moment finally to phase out the costly and irrational system of federal subsidies that props up the farm sector -- all in the name of a "safety net" for beleaguered yeomen, of course. A disproportionate share of the dollars goes to a relative handful of agribusinesses: In 2005, 9 percent of farms received 54 percent of all farm program payments, and the operators of those farms had an average household income of $200,000. Among the many perverse effects of this corporate welfare program are the distortion of international trade and a loss of U.S. influence in global tariff-reduction talks; environmental damage from subsidized farming of marginal croplands; and a transfer of income from middle-class Americans to well-off ones.

But Congress is not exactly seizing the chance. In July, the House passed a farm bill that retains the system of "direct payments," which farmers get regardless of production or market conditions, for another five years, at a cost of $26 billion. The House bill gave short shrift to soil conservation programs. In the Senate, Agriculture Committee Chairman Tom Harkin (D-Iowa) tried to correct the imbalance, but without success. His farm-state-dominated panel has instead struck a deal (set to be voted out of committee tomorrow) that retains direct payments. The Senate bill would give farmers the option, beginning in 2010, of getting paid $15 an acre only when statewide incomes from certain crops fall below targets set by law, a tepid reform that powerful agricultural lobbies oppose.

An alternative exists, in the form of a bill being prepared by Sens. Richard G. Lugar (R-Ind.) and Frank R. Lautenberg (D-N.J.). Their proposal would replace the existing array of subsidies for favored commodities with government-funded crop insurance that would cover all farms and ranches, whether they grow strawberries or soybeans. Farmers would get paid if, but only if, their incomes in a given year dropped at least 15 percent below the previous five years' average in their respective counties. This is still an incredibly sweet deal; what other American industry can count on federally funded protection from the vicissitudes of capitalism? But it would save $20 billion over five years, money that Mr. Lugar and Mr. Lautenberg propose to spend on deficit reduction, nutrition and a soil conservation program that pays farmers to restore wetlands and wildlife habitats.

Chances of the reform bill's passage are, alas, not bright. Nevertheless, the effort is a worthy one. By designing a true safety net for farmers and doing it for less money and with fewer perverse consequences than current policy, Mr. Lugar and Mr. Lautenberg raise a powerful question about Congress's apparent preference for business as usual: Why?