



# The Facts Behind King Corn

*The documentary King Corn does an excellent job introducing us to the perils and problems with our industrial food system that are centered on cheap corn. However, it also tends to sidestep the main beneficiaries who drive and thrive off our current farm programs: corporate agribusiness.*

## Why are farmers dependent on subsidies?

- **New Deal Forced Agribusiness to Pay Farmers Fairly.** As King Corn outlined, the government during the New Deal attempted to bring supply into line with demand, an approach known as “supply management.” This was accomplished thru the use of conservation set-asides, a price floor guaranteeing a fair price for corn (similar to a minimum wage), and a grain reserve to deal with overproduction. Farmers did not need to rely on the government for a fair income. They received it from the marketplace. Prior to the New Deal, the “free market” approach to agriculture caused economic booms and busts as farmers suffered continued depressed prices for their crops. This led to the rise of the Populist Party and other agrarian movements whose ideas were finally implemented with the New Deal.
- **Agribusiness Had Lobbied for Decades to Allow the “Free Market” to Determine Prices.** Beginning in 1973, policy changes promoted by Nixon Secretary of Agriculture Earl Butz deregulated the corn market. He dismantled supply management policies, selling off government storage bins used as food security reserves and implemented “fencerow to fencerow” planting. Butz believed any overproduction should then be dealt with thru exports and “free trade.” The Russian Wheat Deal and the World Food Crisis of the early 1970s gave Butz the chance to promote the false notion that free markets would be good for farmers. Butz and agribusiness giant, Cargill, along with the Farm Bureau argued that farm prices crashing would be a positive because they would be remedied by more exports and new uses such as ethanol and corn sweeteners. The 1996 Freedom to Farm Act represented the culmination of this “free market” ideology by calling for the elimination, over 7 years, of all price floors and grain reserves. Instead, the “free market” would determine prices. This would “get government out of agriculture.” What actually happened was that prices collapsed by 1998 and the government had to bail out farmers with millions in emergency subsidy payments.
- **Farmers Now Must Rely on Subsidies Due to Volatility of Commodity Markets.** Prices collapsed shortly after the 1996 Freedom to Farm Act, necessitating expensive taxpayer bailouts. In 2000, subsidies provided farmers 49% of their net income, up from 13% in 1996. The \$1.65 corn price per bushel (1 bushel = 56 pounds) received by Ian and Curt in King Corn is less than the price farmers received in the 1970s, even without accounting for inflation! Can most folks imagine being paid the same salary they made in 1970?

## Why are corn farmers receiving \$5 billion in subsidies this year despite higher corn prices?

- **“Free Market” and “Free Trade” Ideology Created Subsidies not Tied to Price.** The 1996 Freedom to Farm Act introduced the concept of “decoupling”—de-linking farm payments from production or price. Decoupling represented the new “free market” concept that was to take over agriculture. Transition payments were to be made over 7 years to farmers and zeroed out after that. However, once prices collapsed post-1996, Congress chose to retain the direct payments. Because these “decoupled” payments are thought to not “distort” markets, they do not violate the World Trade Organization’s laws. Ironically, these are the precise types of payments the Bush Administration supports, even with the higher prices, because they are in line with “free trade” ideology.

## Who really profits off and benefits from the current system?

- **It's the Corporations, not Farmers!** Corporate consolidation of our food system, from banks, seeds, fertilizers, grain traders, food processors to retailing, has become increasingly concentrated in the last few decades. Such uncompetitive markets means farmers are squeezed on both sides, from the high-interest loans they take out, to the inputs they rely on, to the buyers they ultimately sell to. The corporations who buy corn to turn into high fructose corn syrup or as feed for livestock operations have profited by the millions due to cheap corn while farmers were forced to rely on subsidies. This has led to the current industrialized food system hollowing out rural America instead of one based on sustainable, diversified, localized food economies.
- **Factory Farms Saved \$35 Billion Thanks to Cheap Corn.** As King Corn documents, half of the corn grown in the U.S. is used for animal feed. This sector has also been transformed from a family farm based operation to industrial factory farms. Four companies now slaughter 80% of the beef in this country. A Tufts study found that between 1997 and 2005, factory farms in the hog, poultry, egg, dairy and cattle sectors saved nearly \$35 billion thanks to below-cost corn. These livestock operations include companies such as Smithfield, Tyson and Cargill.

## Are subsidies the problem with our food and farm system?

- **It's not Subsidies, but the "Free Market!"** Viewers of King Corn may erroneously conclude that subsidies paid to farmers to grow corn is the main problem with our food system. Subsidies are a symptom of a broken system, not the cause of it. The root of the problem is a food system that adheres to a "free market" idea allowing commodities such as corn to be priced according to the whims of the "market." Allowing prices to be driven so low, without any price floor, enables agribusiness to develop monopoly power over farmers and reap vast profits off access to cheap corn.
  - ❖ **2 Companies Dominate the Corn Seed Market.** DuPont (Pioneer) and Monsanto control 58% of the U.S. market for corn seed. The seeds tend to be expensive genetically modified varieties.
  - ❖ **3 Companies Control 90% Corn Market.** Only three companies (Archer Daniels Midland, Bunge and Cargill) control 90% of the global grain trade. This means farmers in Iowa and elsewhere have had less and less options for selling their grain. These companies can also manipulate the price of corn on the Chicago Board of Trade with their market power.
  - ❖ **4 Companies Control 85% of High Fructose Corn Syrup Industry.** Archer Daniels Midland, Cargill (notice a pattern?), Staley Manufacturing Co. and CPC International control the HFCS industry. In recent years, there have been lawsuits against these companies for price fixing.

## Aren't higher corn prices due to ethanol now driving up food costs?

- **Energy, Manufacturing, Transportation, Marketing Comprise Vast Majority of Food Costs.** The value of corn in a box of \$4 cornflakes when corn was \$1.65/bushel (the price during King Corn) equaled 2.4 cents. Even with \$5 corn, there is still only 7 cents of corn in a box of cornflakes. A handful of agribusiness corporations control food processing and another handful of supermarkets dominate the retail sector. Their profits over the years have increased steadily while the farmer's share of the retail food dollar has plunged to only 19 cents per consumer dollar. However, with speculation in commodity markets and the lack of any grain reserves, higher corn prices are threatening to destabilize our food system. We are one drought away from possibly seeing \$10 corn. A Strategic Grain Reserve and re-instating the Farmer-Owner Reserve is urgently needed for price stability instead of relying on global markets for our food security!
- **Cheap Corn Created Unhealthy, Cheap Food System.** With the debate now focused on corn prices and higher food prices, it's important to note, as King Corn showed, the public health, environmental and economic costs that our cheap corn policy produced and the toll it has taken on the health of Americans. Now that corn is relatively more expensive, it offers us the opportunity to contemplate the best food system for consumers and farmers.

## Facts about Subsidies

*There are many myths regarding farm subsidies that have been repeated in the mainstream media and in databases put out by the Environmental Working Group. NFFC debunks some of the most common ones.*

**Myth: 60% of farmers receive no subsidies.**

**Truth: Most Full-Time Farmers Receive Some Type of Support.** According to USDA, nearly 2/3 of all family farms (65%) are characterized as “rural residence farms” whose main occupation is not farming. These “farms” would include a corporate lawyer’s country home or Ted Turner’s “ranch.” Such folks should not be characterized as full-time farmers and most Americans would probably not think these “farmers” deserving of subsidies. When looking at *full-time* farmers, 54% receive some form of subsidies and 67% of larger commercial farmers receive subsidies. As King Corn makes clear, most lowan farmers are forced to rely on government payments due to low market prices that never meet their costs of production. Also, as King Corn showed, livestock farmers who purchase cheap corn feed may not be receiving direct government subsidies, but benefit from below-cost corn subsidized by taxpayers.

**Myth: Farm subsidies mainly benefit millionaires such as the Rockefellers and Scottie Pippen.**

**Truth: Majority of Subsidies Benefit Full-Time Farmers.** As noted above, full-time farmers receive most of the benefits. Many of the millionaires named in the media, such as Scottie Pippen, as recipients of subsidies are in fact conservation payments on farmland, not commodity payments. These conservation payments are precisely the type of subsidies groups such as EWG promote, despite mostly benefiting “rural residence” hobby farms. Also, the main beneficiaries of our cheap-corn subsidy system are ultimately the agribusiness buyers and processors such as Archer Daniels Midland and Cargill. As documented by Tufts University, industrial factory farm operators such as Tyson and Smithfield indirectly saved over \$35 billion from 1997-2005 thanks to below-cost corn. Targeting “millionaire” farmers misses the real corporate actors who are profiting off our broken industrial food system.

**Myth: The top 10% of farmers receive 73% of all farm subsidies.**

**Truth: Farm Subsidy Database Heavily Distorts Statistics.** As noted above, 2/3 of farms are classified as “rural residence” hobby farms. The EWG Database throws these “farmers” in with full-time farmers and makes it appear then that a few “corporate” farms receive all the subsidies at the expense of family farmers. However, a corn farmer on 500 acres receiving \$20,000 annually from 2003-2005 (when corn prices were below \$2 as in King Corn) would be placed in the top 11% of EWG’s database! That \$20,000 is supposed to cover seed, fuel, rent, taxes, fertilizer and other living expenses. EWG tries to make farm programs fit a description of welfare programs for “millionaire farmers” when in fact, it is ADM, Tyson and Cargill who are the real welfare cases behind our subsidy programs.

**Myth: Farmers now have record-breaking incomes due to higher commodity prices.**

**Truth: Off-farm Income from Non-Farmers Skew Farmer Income.** In 2008, average farm income is projected to be \$89,434, but \$75,805 of that is **OFF-FARM** income, nearly 85%! As explained above, USDA lumps “rural residence” farmers (i.e. the investment banker with a country farm) with full-time farmers. If farming was truly so profitable, why would we lose thousands of family farmers every year?

**Myth: Farmers growing “healthy” crops such as fruits and vegetables are not subsidized while we subsidize farmers growing commodity crops that contribute to obesity.**

**Truth: Fruit and Vegetable Farmers Benefit from Current Commodity Programs.** Because laws prohibit commodity farmers from growing specialty crops, fruit and vegetable farmers are benefiting from this protected competition and receiving higher prices. Large industrial specialty growers also benefit from the use of low-wage labor, often undocumented. Some would label illegal labor a “subsidy” as well.

**BOTTOM LINE: Farmers, regardless of what they grow, want to be paid fairly from the market instead of relying on taxpayer subsidies.**

## What would a just and fair farm program look like?

- **Beware of Fake Reforms!** The FRESH Act and other farm bills introduced by Representatives Kind and Flake claimed to overhaul our broken farm programs by eliminating subsidies in favor of privatizing the farm safety net into the hands of private insurance companies. Such radical “deregulation” reform would have allowed corn prices to drop as low as they could go and been a boom to the HFCS industry and factory farm operations seeking cheap corn. Many food justice advocates and sustainable agriculture boosters were unfortunately misled by this legislation, which would have only furthered the stranglehold of corporate agribusiness over our food system.
- **Return Farm Programs to What Worked!** The National Family Farm Coalition supports a farm program based on what historically worked in the past under the New Deal: Replace subsidies with a price floor that enables farmers to recover their cost of production and forces agribusiness to pay a fair price to farmers. A price floor would likely curtail the proliferation of cheap high fructose corn syrup (HFCS) sweeteners and also help slow down industrially raised meat. Revive Farmer-Owned Reserves and create a Strategic Grain Reserve so we can store up grain for a rainy day and ensure stability in the system. With corn over \$5 now, we are one drought away from possibly seeing \$10 corn with no backup plans in place! However, a reserve would also ensure farmers do not have to face \$1.65 corn as they did in King Corn, unfairly enriching agribusiness once again.
- **Address Antitrust Abuses.** The U.S. Government has allowed one corporate agribusiness merger after another with little oversight by the Department of Justice. In March 2008, JBS, a Brazilian company who already owns U.S. meatpacker Swift, has now offered to buy Smithfield’s meat company. Seed companies, banks, meat packers, grain traders, have all been allowed to amass incredible market power. Whereas mid-sized family farms used to produce most of our meat, only a few corporations now dominate the livestock industry, driving out family farmers and replacing them with Confined Animal Feeding Operations (CAFO). The Senate version of the Farm Bill contains a new livestock title that directly attempts for the first time to address abuses in the livestock industry and calls for reforms that will allow sustainable livestock producers to survive against the larger factory farms as well as fairness for farmers growing livestock under contracts.
- **Rebuild our Local Food Systems.** To reorient our food systems, we need to increase food access by supporting local food production, processing, distribution and retail infrastructure that provides more fresh fruits, vegetables and other healthy foods, especially to lower-income communities. We can also encourage local procurement policies by schools and other institutions to increase access to healthy foods, create new markets for farmers and encourage the development of healthier, community-based food systems. Community Food Projects are federal funded grants designed to help communities build local food systems. Such funding should be increased in the Farm Bill.
- **Oppose Free Trade Agreements that Destroy Local Food Systems.** NAFTA, the WTO and other free trade agreements help foster a food system controlled by agribusinesses looking for the cheapest sources of food produced under the most lax environmental and labor conditions. Thanks to free trade, Washington apple growers and Florida citrus growers have steadily lost their markets thanks to a surge of cheap imports from China, Mexico and elsewhere. Meanwhile, agribusiness takes U.S. cheap corn and dumps it into developing countries, destroying their local food systems and helping install an American-style diet based on HFCS processed food and fast food meat produced from industrial factory farms. We need food sovereignty principles, not free trade, to be the basis of our agriculture system.

For more information and to read the National Family Farm Coalition’s Food from Family Farms Act, go to [www.nffc.net](http://www.nffc.net). Contact NFFC at (202) 543-5675.

**The National Family Farm Coalition (NFFC)**, founded in 1986, unites and strengthens the voices and actions of its diverse grassroots members to demand viable livelihoods for family farmers, safe and healthy food for everyone, and economically and environmentally sound rural communities. For further information about the organization, call 1-800-639-3276 or visit [www.nffc.net](http://www.nffc.net).