FARM POLICY

Timeline of Events

1950s/60s

General Farm Programs[1]

- Agricultural Act of 1949: this law along with the Agricultural Adjustment Act of 1938 makes up the major part of permanent agricultural legislation which is still effective in amended form. The 1949 Act designated mandatory support for the following nonbasic commodities: wool and mohair, tung nuts, honey, Irish potatoes (dropped in later legislation), and milk, butterfat and their products
- Agricultural Trade Development and Assistance Act of 1954 (PL480 Food for Peace): established the primary U.S. food assistance program. The program made U.S. agricultural commodities available through long-term credit at low interest rates and provided food donations.
- Agricultural Act of 1956: began the Soil Bank Act which authorized short- and long-term removal of land from production with annual rental payments to participants under two programs, the Acreage Reserve Program and the Conservation Reserve Program.
- Food Stamp Act of 1964: provided the basis for the Food Stamp Program.
- Food and Agricultural Act of 1965: First multi-year farm legislation. Provided for 4 year commodity programs for wheat, feed grains, and upland cotton. Also continued payment and diversion programs for feed grains and cotton and certificate and diversion programs for wheat.

Specific Animal Agriculture Farm Programs[1]

- Agricultural Act of 1949: designated mandatory support for: wool and mohair and milk, butterfat and their products
- National Wool Act of 1954: provided for a new-price support program for wool and mohair to encourage a certain level of domestic production (set at 300 million pounds for 1955). This replaced tariff barriers which had been used prior to WWII to elevate domestic prices.
- Food and Agricultural Act of 1965: Authorized a Class I milk base plan for the 75 Federal milk marketing orders.

1970s

General Farm Programs[1]

- Agricultural Act of 1970: established the cropland set-aside program and a payment limitation per producer ($55,000 per crop).
- Agriculture and Consumer Protection Act of 1973 - established target prices and deficiency payments to replace former price-support payments. Set payment limitations at $20,000 for all program crops and authorized disaster payments and disaster reserve inventories to alleviate distress caused by a natural disaster.

- Trade Act of 1974: provided the President with tariff and nontariff trade barrier negotiating authority for the Tokyo Round of multilateral trade negotiations. It also gave the President broad authority to counteract injurious and unfair foreign trade practices.
- Food and Agriculture Act of 1977: increased price and income supports and established a farmer-owned reserve for grain. Established a new two-tiered pricing program for peanuts.
- Food Stamp Act of 1977 - permanently amended the Food Stamp Act of 1964 by eliminating purchase requirements and simplifying eligibility requirements.
- National Agricultural Research, Extension, and Teaching Policy Act of 1977: made USDA the leading Federal agency for agricultural research, extension, and teaching programs. It also consolidated the funding for these programs.
- Trade Agreements Act of 1979: provided the implementing legislation for the Tokyo Round of multilateral trade agreements in such areas as customs valuation, standards, and government procurement.

Specific Animal Agriculture Programs[1]

- Agricultural Act of 1970: Amended and extended the authority of the Class I Base Plan in milk marketing orders.
- Food and Agriculture Act of 1977: provided that for two marketing years the Secretary would adjust the support price of milk semiannually instead of annually

1980s

General Farm Programs[1]:

- Federal Crop Insurance Act of 1980: expanded crop insurance into a national program with the authority to cover the majority of crops.
- Trade and Tariff Act of 1984: clarified conditions under which unfair trade cases can be pursued. It also provided bilateral trade negotiating authority for the U.S.-Israel Free Trade Area and set out procedures to be followed for congressional approval of future bilateral trade agreements.
- Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings Act): designed to eliminate the Federal budget deficit by 1993. Automatic spending cuts could occur for almost all Federal programs if Congress and the President cannot agree on a targeted budget package for any specific fiscal year.
- Export Enhancement Program began (1985)
- Food Security Act of 1985 - Allowed lower price and income supports. Created Conservation Reserve Program, Sodbuster and Swampbuster programs under which the Federal Government entered into long-term land retirement contracts on qualifying land.
- Payment-in-kind (PIK) (1985) - Authorized the USDA to give farmers surplus commodities held in storage by the CCC. Farmers could use the grain as feed or sell it at the prevailing market price.
- Stewart B. McKinney Homeless Assistance Act: provided housing, food assistance, and job training for the homeless.

- Commodity Distribution Reform Act of 1987: directed the Secretary to take specified actions to improve the distribution and quality of surplus commodities donated by USDA for nutrition assistance programs.
- Omnibus Trade and Competitiveness Act of 1988: revised statutory procedures for dealing with unfair trade practices and import damage to U.S. industries. Gave the Secretary discretionary authority to trigger marketing loans for wheat, feed grains, and soybeans, if it is determined that unfair trade practices exist.
- Hunger Prevention Act of 1988: amended the Temporary Emergency Food Assistance Act of 1983 to require the Secretary to make additional types of commodities available for the program, to improve the child nutrition and food stamp programs, and to provide other hunger relief.
- United States-Canada Free Trade Agreement Implementation Act of 1988 - implemented the bilateral trade agreement between the U.S. and Canada. Agreement would phase out tariffs between U.S. and Canada within 10 years and revise other trade rules.
- Child Nutrition and WIC Reauthorization Act of 1989: reauthorized the National School Lunch and Child Nutrition programs and the Special Supplemental Food Program for Women, Infants, and Children (WIC). Law also required improvements in program integrity and program simplification and increased WIC funding for administrative services from 20% to approximately 25% of appropriations.
- The High Cost of Farm Welfare is published by the Cato Institute.

Specific Animal Agriculture Programs[1]

- Agriculture and Food Act of 1981: changed dairy support prices from being based on parity concept. Minimum support prices based instead on the size of CCC purchases. Resulted in reduction in support prices.
- Omnibus Budget Reconciliation Act of 1982: froze dairy price supports for two years and provided for deductions totaling $1 per cwt from milk producers' marketing receipts to partially offset rising Government costs.
- Temporary Emergency Food Assitance Act of 1983: authorized the distribution of foodstuffs owned by the Commodity Credit Corporation to indigent persons.
- Dairy and Tobacco Adjustment Act of 1983: launched a voluntary dairy diversion program, established a dairy promotion order, and lowered the minimum price support level.
- Food Security Act of 1985: lowered dairy supports and established a dairy herd buy out program. Dairy Termination Program authorized USDA to purchase about 10% of the nation's herds at a cost of $1.83 billion. Also required the Secretary to establish a program to encourage exports. Cattle producers filed a lawsuit against the Dairy Termination Program.
- Food Security Improvements Act of 1986: increased deductions taken from the price of milk received by producers to fund the whole herd buy out program.
- Dairy price supports in 1988, 1989 and 1990 linked to specific levels of government purchases. If the government projected purchases exceeding 5 billion pounds milk equivalent, support prices would be reduced 50 cents per cwt.

Overseas

- New Zealand and Australia each eliminated output and input subsidies for agriculture and deregulated markets for many products. New Zealand eliminated the Poultry and Wheat Boards that formerly controlled production and marketing, privatized agricultural-extension-type farmer advisory services and allowed the Ministry of Agriculture activities such as meat and food inspection to operate on a self-sustaining basis[2].

1990s

General Farm Programs[1]

- Omnibus Budget Reconciliation Act 1990 - includes a mandatory 15-percent planting flexibility and assessment on nonprogram crop producers. Requires a 12 month average price for calculating deficiency payments instead of the 5 month average. USDA also directed to take specified actions to improve the competitiveness of U.S. agricultural exports if the negotiations in the Uruguay Round failed to result in the signing and implementation of a trade agreement.
- Food, Agiculture, Conservation and Trade Act of 1990 - 5 year farm bill which continued to move agriculture in a market-oriented direction. Froze target prices and allowed more planting flexibility. New titles included rural development, forestry, organic certification, and commodity promotion programs. Established the Rural Development Administration in the USDA to administer programs relating to rural and small community development. Extended and improved the Food Stamp Program and other domestic nutrition programs and made major changes in the operation of PL480. National Research Initiative included funds earmarked for such areas as sustainable agriculture and rural community development.
- Food, Agriculture, Conservation, and Trade Act Amendments of 1991: Established new handling requirements for eggs to help prevent food-borne illness.
- WIC Farmers' Market Nutrition Act of 1992: established a program that provides participants of WIC with supplemental food coupons which can be used to purchase fresh, unprocessed foods, such as fruits and vegetables at farmers' markets.
- <u>Sacred Cows and Hot Potatoes</u> published (1992)
- Omnibus Budget Reconciliation Act of 1993: made changes in Federal farm programs and related programs to reduce Federal spending by $3 billion over 5 years. Eliminated USDA's authority to waive minimum acreage set-aside requirements for wheat and corn, reduced deficiency payments to farmers participating in the 0/92 and 50/92 programs from 92 to 85% of the normal payment level, reduced the acreage to be enrolled in the CRP. Reduced Market Promotion Program funding and required that MPP assistance be provided only to counter or offset the adverse effects of a subsidy, import quota, or other unfair trade practice except for small-sized entities operating through State-regional trade groups. Specified a 5 year limit on branded promotion activities for a specific product in a single market, required that producer and regional trade associations participating in the program contribute at least 10% of CCC resources for generic promotion and that private firms must put up at least half the cost of the MPP branded promotional activity. Provided for the designation of 3 empowerment zones and 30 enterprise communities for rural areas.

- North American Free Trade Agreement Implementation Act (1993): implemented NAFTA. NAFTA will eliminate all non tariff barriers to agricultural trade between the U.S. and Mexico and tariffs on a broad range of agricultural products and phase-out tariffs on other products over 15 year period.
- Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994: stipulates that producers must purchase crop insurance coverage at the CAT (catastrophic coverage level) or higher to participate in Federal commodity support programs, Farmers Home Administration loans and the Conservation Reserve Program. Authorized a major restructuring of the USDA.
- Healthy Meals for Healthy Americans Act of 1994: reauthorized the National School Lunch and WIC programs. Requires that schools serve meals that meet the Dietary Guidelines for Americans.
- Uruguay Round Agreements Act (1994): approved and implemented the trade agreements concluded in the Uruguay Round of multilateral trade negotiations conducted under the auspices of the GATT. The law allows for the reduction of tariffs and government subsidies on agricultural products among both developed and developing countries and provided measures against dumping products heavily subsidized by governments. Established sanitary standards for produce and products. Each country is allowed to establish and maintain standards and technical regulations at an appropriate level to prevent deceptive practices and protect human, animal, and plant life, health, and the environment, while not creating unnecessary obstacles to trade. Extends the authorization of funding for the Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP). Eliminated the requirement that the EEP be targeted to respond to unfair trade practices. Eliminated the requirement that the Market Promotion Program be used to counter the adverse effects of unfair trade practices.
- Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriation Act 1996: Prohibits direct matching grants under the Market Promotion Program’s Export Incentive Program for large firms that are not agricultural cooperatives. Local, State or private support to match federal funds is required for projects conducted by agricultural facilities for research.
- Federal Agriculture Improvement and Reform Act of 1996 (Freedom to Farm): removed the link between income support payments and farm prices by providing for predetermined production flexibility contract payments whereby participating producers receive government payments independent of current farm prices and production. Increased planting flexibility by allowing participants to plant 100 percent of their total contract acreage to any crop, except with limitations on fruits and vegetables. Authority for acreage reduction programs and the honey program are eliminated. Peanut program is revised. Trade and food aid programs are reoriented towards greater market development with increased emphasis on high-value and value-added products. Expenditures for the Export Enhancement Program are capped and the Market Promotion Program becomes the Market Access Program. Reauthorized the Food Stamp Program and established the Fund for Rural America to augment existing resources for agricultural research and rural development. Authorized new enrollments in the Conservation Reserve Program to

maintain total acreage at up to 36.4 million acres. Revises and extends other conservation programs.

Specific Animal Agriculture Programs[1]

- National Wool Act of 1954, Amendment (1993): provided for reductions in the Federal incentive payments to wool and mohair producers for the 1994 and 1995 marketing years. The wool and mohair price support program is terminated beginning in 1996.
- Omnibus Budget Reconciliation Act of 1993: Provided for a temporary moratorium on sales of synthetic bovine growth hormone.
- Sheep Promotion, Reserch and Information Act of 1994: enables sheep producers and feeders and importers of sheep and sheep products to develop, finance, and carry out a nationally coordinated program for sheep and sheep product promotion, research and information.
- Uruguay Round Agreements Act (1994): extends the authorization of funding for the Dairy Export Incentive Program (DEIP).
- Federal Agriculture Improvement and Reform Act of 1996 (Freedom to Farm): dairy price supports are phased down for milk over 4 years and then eliminated. USDA is to consolidate federal milk marketing orders from 31 to between 10 and 14 and the Secretary of Agriculture is to draft a new price system and implement it by April 1999. A new recourse loan program is initiated for dairy products starting in year 2000.
- Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriation Act 1996: prevents USDA from implementing a new poultry labeling regulation until legislation is enacted that would direct the Department to do so. The new USDA rule would have limited which chickens and turkeys could be labeled as “fresh”.
- December 1997, Federal court rules against federal milk-marketing orders; temporary stay keeps the decision from taking effect.
- January 1998, USDA proposes plan to simply milk price rules. Proposed new system would replace the current 31 milk marketing orders with 11 regions and use new formulas for setting the price of fluid and manufacturing milk. The differential paid for fluid milk would no longer be based on the distance from Eau Claire Wisconsin; prices would be set based on more local market and transportation conditions[3.]

Trends

General Farm Programs

Throughout the 1950s and 60s, overall farm policy remained focused on increasing farm incomes through price supports and production adjustments. The general goal was to establish a balance between production and consumption of agricultural commodities so that prices to farmers will yield purchasing power for nonfarm products equal to those farmers enjoyed in the base period, 1909-1914 (‘parity’).

Government holdings of surplus crops and dairy products grew during the 1950s as they had prior to WWII and the Korean War. Previous surpluses had been brought down during the wars without any loss to taxpayers. To deal with surpluses occurring in the 1950s, the Eisenhower administration embarked on efforts to market U.S. farm products and increase consumption at home and abroad[4]. The PL480 program was established which gave assistance to countries so that they could purchase U.S. goods and also gave some commodities away as gifts. The lower world prices which resulted caused friction between the U.S. and other exporting nations[4].

In addition, the Eisenhower administration tried to tighten loopholes in earlier acreage reduction programs. Earlier programs had allowed farmers to grow other crops on acreage removed from basic crop production, the new Conservation Reserve Program called for a longer term withdrawal of the land from production[4].

While national incomes were rising in the 1960s, farm incomes were falling. By the late 1960s, farm policy began to shift to direct payments and away from price supports, acreage controls, and subsidies.

In 1973, the Agriculture and Consumer Protection Act established a new system of direct payments called deficiency payments. These payments bridged the gap between the market price received by the producer and support price set by the government. Direct payments freed policy makers from the dilemma of accumulating commodity surpluses and then having to adjust farm prices in order to slow or reduce those accumulations[4]. Farm incomes could be maintained at desired levels by increasing or decreasing direct payments to farmers, not by manipulating markets. Food costs to domestic consumers were lowered and U.S. farm products became more competitive. Allowed for a reduction in export subsidies creating less international friction.

During the 1970s, commodity prices were generally well above normal. Commodity price support programs were largely redundant; the Sugar Act lapsed, and payments to grain and cotton producers largely ceased. Export controls on soybeans and grains were used to hold down domestic prices. Farmers were urged to "plant fencerow to fencerow"[5].

In the late 1970s and early 1980s, commodity prices dropped and returned to long-run trend of a 1.5% annual decline in real terms. Hardest hit were farmers who had borrowed at high interest rates to buy land in the late 1970s and 80s. Substantial increases were made in target prices and in CCC loan rates to boost farm income. Example, the support price for milk went from $9.00 per hundredweight in 1977 to $13.10 by 1982. Government purchases of milk went up from 6.9 billion lbs in 1977 to 17 billion lbs in 1983. Idled cropland under government programs climbed to record heights in the mid-1980s[5].

Towards the end of the 1980s and continuing into the 1990s criticisms began to be launched over the dollar value of payments and the characteristics of the recipients of government payments. The shift to direct payments in the 1970s and 80s had laid open to public scrutiny the beneficiaries and amounts of direct payments[4]. Previous programs designed to enhance farm income were concealed in payments for soil conservation, Food for Peace, better diets for the poor, etc. Articles and books showed large payments going to farmers with high incomes. In 1993, 88 farms received over $500,000 each in government payments[6]. Despite these high levels of farm subsidies, the number of farms continued to decline.

Questions also began to surface in the late ‘80s and 90s about the impact farms programs were having on America’s ability to compete internationally[7]. U.S. farm trade had hardly expanded after World War II. Critics contended that acreage reduction programs in the U.S. allowed competitors to fill markets the U.S. could provide[4,7]. In addition, U.S. farmers produced for the government and not for the market and hence were not aggressive in seeking international markets. The GATT agreement requires farm support programs to be less distorting of trade flows. Proposals surfaced for decoupled payments, payments which are independent of the level of production and hence do not distort market forces.

Internationally, other countries were reforming their agriculture programs. Reform of agriculture in countries such as New Zealand was motivated by a shift in business and public attitudes about the appropriate role of government. Lessons from the New Zealand experience, “It is much easier to change farm policy if the economic reforms simultaneously restructure other sectors to the benefit of agriculture. Agricultural interests in New Zealand ‘bought into’ the reforms because the benefit from deregulation of other sectors was expected to be larger than the loss sustained in giving up existing legislated privileges in agriculture”[2]. Under Australia’s main farm program, the Rural Adjustment Scheme (RAS), farmers compete for limited assistance based on their potential ability to perform more efficiently. RAS provides financial, technical assistance to those farmers who have the best prospects of sustainable, long-term profitability[8]. The national government allows farmers to set up and run their own commodity marketing boards, farmers who wish to export must join the board[8].

FAIR Act 1996 moved U.S. farm programs toward decoupled payments, however, a number of highly criticized farm programs (sugar, peanut) are continued under the FAIR Act. The major change in the FAIR Act is the “decoupling” of farm payments from commodity production decisions, i.e., farmers can plant as little or as much as they want and still receive program payments[9]. Skeptics argue that movement to the Freedom to Farm legislation came not from committed reformers nor from budget cutters but from the traditional agriculture supporters. With commodity prices rising, agriculture supporters decided the “best way to maximize this support in the short run under the congressional budget process was to make a switch in policy instruments away from traditional deficiency payments and toward guaranteed decoupled payments”.[10] If support were switched to decoupled payments, farmers could benefit from continued payments from the government plus gains brought about by deregulation and flexibility. To be passed the FAIR legislation needed to be coupled with reauthorization of programs such as food stamps, conservation programs, etc.[10] It remains to be seen if FAIR will survive a downturn in commodity prices. Nothing in the FAIR legislation specifies a mandatory route to the free market.[9]

Dairy Programs

The federal dairy program developed to provide market stability throughout the year recognizing that milk production is seasonal but consumption is fairly constant. Because milk is highly perishable, what is not consumed must be processed. Federal dairy policy seeks to support farmers’ prices and income, expand consumption, ensure an adequate supply of high-quality milk, and stabilize dairy prices and market[11]. Original legislation in the 1930s meant to provide milk producers with assistance in achieving and maintaining bargaining power over prices. The federal dairy program allows for the establishment of minimum prices to be paid to milk producers and dairy processors. Marketing orders set the minimum price processors must pay producers for each class of milk. Class I milk prices are derived using the actual market price for Class III milk plus a distance differential based on the distance the market is from Eau Claire, Wisconsin. The original purpose of the distance differential was to encourage adequate production of Grade A milk throughout the United States. The distance differential was intended to equal the cost of transporting surplus milk from the Upper Midwest to these other markets. Prices for Class III milk are supported by Commodity Credit Corporation purchases of butter, nonfat dry milk, and cheese. USDA must purchase all quantities of butter, cheese, and nonfat milk which are offered at specified prices and meet USDA specifications.[11] In the early 1980s, CCC removals (purchases minus sales later in the same year) equaled 10 percent of all U.S. production. In the mid to late 1980s, Congress enacted programs to distribute the large supplies of butter, cheese, and nonfat dry milk which had been accumulated.[5]

Two approaches tried during the 1980s to reduce dairy production: 1) in 1984 and 1985, diversion payments were offered to farmers to reduce their level of output 5 to 15 percent below previous production levels and 2) dairy herd termination program passed in 1985 act under which producers bid to retire their entire herd and remain out of farming for at least 5 years. The dairy herd termination program resulted in the slaughter of an estimated 1 million cows (8 percent of the cow population) but milk production continued to increase.[5]

In the 1990 farm law, the milk support price was increased by at least 25 cents per hundredweight each year in which USDA estimates purchases of less than 3.5 billion pounds. The 1990 law also set an assessment on all producers who market more milk in any year, starting in 1991, then they did in the preceding year. CCC expenditures to purchase dairy products are limited to the equivalent of 7 billion lbs of milk on a total solids basis. From 1991-1994, the market price remained above the support price, USDA purchases were made seasonally when prices were low. Purchased products were donated to domestic and foreign food assistance programs.[5]

Critics have argued that the dairy market has changed and that federal dairy programs need to be eliminated or altered. "The federal dairy program is a tangled web of mind-numbing pricing schemes which have metastasized into a more layered, incomprehensible, intrusive labyrinth increasingly divorced from economic realities"[12]. When the milk marketing orders were created, transporting milk over long distances was difficult. Transportation has greatly improved so the pricing inequities created by the marketing order system are no longer needed. Areas that were once deficit milk-producing areas have expanded production and are now surplus milk producers (southwest for example)[11]. These new surplus areas now ship milk to the Midwest to be processed, depressing prices in the midwest. Critics also worry that the price support program has contributed to the emphasis on the part of the dairy industry on production rather than marketing and that the industry is missing out on opportunities in the international marketplace[11]. In the international marketplace, New Zealand is a major player and its industry receives few or no subsidies. Program benefits in the U.S. are capitalized into asset values such as dairy cow and land prices and thus increase milk production costs in the U.S. and make the U.S. less competitive internationally[13].

Proposals for dairy legislation include establishing multiple primary supply areas which would allow deficit regions to import needed supplies from closer sources[13].

It was very difficult for Congress to reach agreements on changes for the dairy program in the FAIR 1996 Act. Critics state that this is due to producers in some regions of the country becoming “dependent upon the federal government rather than their ability to compete”[12]. Under FAIR, dairy price supports are phased down for milk over 4 years. The Secretary of Agriculture was directed to consolidate the 31 federal milk marketing orders into between 10 and 14 and the Secretary may address pricing issues related to milk marketing orders. A new recourse loan program is initiated for dairy products starting in year 2000. A Northeast Interstate Dairy Compact was also authorized.

In January 1998 USDA proposed a new milk pricing system. Processors are disappointed that the government would still play a large role in the market;[3] producers in a number of regions especially the Northeast oppose the plan saying it just redistributes dairy wealth for some parts of the country at the expense of other parts.[14] Consumer advocates feel the proposal does not go far enough.[15]

Export Programs
Agricultural export assistance programs have been the subject of debate in the late 1980s through the 1990s. These programs are of 4 types: 1) export subsidy programs which lower the price of U.S. commodities, examples - Export Enhancement Program (EEP) and Dairy Export Incentive Program (DEIP); 2) export credit programs which offer financial assistance to importing countries, examples - Export Credit Guarantee program and the Intermediate Export Credit Guarantee program; 3) export promotion programs which fund advertising and market promotion in an attempt to develop, maintain and expand foreign markets for U.S. products, examples, Foreign Market Development Program (FMDP), and Market Access Program (MAP) formerly Market Promotion Program (MPP); 4) food aid programs which use concessional loans or long-term credit to provide agricultural commodities to developing countries, examples - PL480. Critics argue that there is no conclusive evidence that these programs are effective and at times the programs have displaced other, unassisted U.S. exports. The programs end up funding major U.S. and foreign corporations who do not need the assistance and thus the programs are examples of “corporate welfare”. Critics also question the continued relevance of the programs in the face of freer international trade[16]. Supporters of the programs contend that the programs benefit the overall U.S. economy through their impact on market failures, benefit the U.S. agricultural sector, counter competitor nations’ agricultural export programs, and promote U.S. trade negotiating objectives by providing leverage at the negotiating table.[16,17]

Uncertainties For The Future

Farm policy goals for future:

Appropriate goals for farm policy in the future range from the dismantling of most USDA programs (CATO Institute, Heritage Foundation) to launching new efforts to support small farmers and new conservation efforts (USDA National Commission on Small Farms, Lean, Green and Mean). Differences in policy perspectives result primarily from whether one views agriculture as basically the same as other industries. If agriculture is like any other industry, no special considerations are needed.

A selection of farm policy goals from various authors are listed below:
From A Time to Act A Report of the USDA National Commission on Small Farms:[18]
"It is our resolve that small farms will be stronger and will thrive, using farming systems that emphasize the management, skill, and ingenuity of the individual farmer: We envision a competitive advantage for small farms realized through a framework of supportive, yet responsible, government and private initiatives, the application of appropriate research and extension, and the stimulation of new marketing opportunities."

Policy goals for a national strategy for small farms:
1) Recognize the importance and cultivate the strengths of small farms;
2) Create a framework of support and responsibility for small farms;
3) Promote, develop, and enforce fair, competitive, and open markets for small farms;
4) Conduct appropriate outreach through partnerships to serve small farm and ranch operators;
5) Establish future generations of farmers;
6) Emphasize sustainable agriculture as a profitable, ecological, and socially sound strategy for small farms;
7) Dedicate budget resources to strengthen the competitive position of small farms in American Agriculture;
8) Provide just and humane working conditions for all people engaged in production agriculture.

From Visions of American Agriculture:[19]
Food security will require affirmative answers to the following questions: Have we adequately safeguarded our environment to ensure that we will always have the necessary soil upon which to grow our food and safe groundwater to drink? Do we have a clear plan to maintain America's ability to feed itself despite increasing engagement in international trade? Can all people obtain healthy food at a reasonable price? Do we have a diversity of farms and crops such that no single pest or virus could significantly harm our food supply? Are our government agriculture programs democratically determined, and do they support a broad section of the population?

A long-term view of agriculture should not be limited to the production of food, feed, and fiber. Renewable sources of alternative energy, chemical feedstocks, industrial raw materials, and even pharmaceuticals will likely one day come from "agriculture".

1) Federal farm policy should continue to incorporate ecological goals, supporting environmentally friendly farming practices and discouraging those that deplete natural resources in search of short-term financial gain.

2) Federal support of agriculture should promote activities that balance food security strategies with improving environmental quality.
3) Government policy must be refocused to support increased economic opportunity in agriculture rather than the course of increased concentration that we are currently on.
4) Government should take action to relocate production regions for several crops. Encourage crop rotations and reduced soil erosion and agrichemical use. End destructive practice of monocropping.
5) Publically funded agricultural research is justified if it contributes to agriculture's competitive success, sustainability, and environmental quality. Future agricultural research must be ecological and integrative. In order to be integrative, it should be conducted by universities rather than USDA.

From Lynch and Smith, Lean, Mean and Green... Designing Farm Support Programs in a New Era:[20]
Craft green support programs (GSPs) which make environmental protection the principal basis for farm income support. GSPs would be voluntary programs that provide direct monetary payments to farm operators or farmland owners in return for the provision of environmental benefits. What distinguishes GSPs from most traditional agriculture conservation and environment programs is that they would explicitly aim to support participating farmers' incomes at the same time they purchase environmental benefits. Farm income support under GSP would not introduce distortions in commodity prices like traditional farm programs nor would it shift supply from that determined by market forces. Current forms of environmental regulation create income losses for farmers and many current farm programs discourage the adoption of environmentally sustainable farming systems.

From Tweeten and Zulauf, " Public Policy for Agriculture After Commodity Programs":[21]
Old paradigm - policy emphasizing commodity programs (supply control, government payments tied to production base, stock adjustments, food security through government).

New paradigm - policy emphasizing market efficiency (removing market barriers, providing public goods and internalizing externalities, promoting economic equity with safety net, food security through private sector). Change due to the view that agriculture is now in approximately long-term economic equilibrium. Also that agriculture is no different from other industries and justifies main streaming treating agriculture the same as other business sectors

Examples of activities for which there is a public role in this new paradigm: a) research, b) education (because students don't stay in local area after getting their education), c) environment - replace CRP and Wetland Reserve Program with Environmental Compliance Program (ECP) and Cropland Environment Easement Program (CEEP). ECP would require a plan for all land on all U.S. farms which would address soil erosion, water quality, use of synthetic chemicals, livestock manure disposal practices, etc., d) instability (expand emergency grain reserve), e) family farm and farmland.

From Drabenstott and Barkema, "A new vision for agricultural policy"[22]:

Past policy goals - 1) provide food security but focused mostly on curbing surpluses, 2) boost food demand again related to surpluses, 3) support and stabilize farm incomes (today only 1 in 5 rural counties has an economy that depends mainly on agriculture), 4) preserve soil and water resources.

Developments in agriculture that call into question past policy goals - 1) structure of agriculture has changed: farming as a way of life has given way to farming as a business, incomes of farm families have approached and occasionally passed the incomes of nonfarm families, farm families will benefit more from rural economic growth than from higher farm prices, 2) agriculture is more industrial (policymakers may wish instead to strengthen the legal framework for negotiating workable contracts between farmers and agribusiness), 3) farm markets are international - traditional policy programs have had a domestic bias which has hurt the U.S. in international markets: a) commodity programs can price U.S. farmers out of the world market, b) commodity programs reduce U.S. agriculture's ability to respond to world market opportunities, c) idle productive acres, other countries produce more and take over markets., 4) rural economy is now more diversified - farm policy is no longer rural policy.

Future of agriculture policy lies in pursuit of 4 key goals: 1) competing in world food markets: a) eliminate commodity programs to allow agriculture to use full productive capacity, encourage producers to seek market opportunities, b) review export assistance programs to ensure that the programs are aimed at developing market opportunities, c) review agriculture research programs, move away from bulk commodities toward value-added products, d) review USDA information machine, move from information on traditional commodities to information on products foreign consumers are buying, 2) improving the nation's diet: a) review food programs to ensure that they provide food and nutrition benefits, b) food safety important but greater public interest lies in encouraging the nation to eat a healthier diet, c) revamp market grades and standards to match the improved diets many consumers are now choosing, 3) conserving the nation's natural resources, 4) increasing economic opportunity in rural America.

Not good policy goals for the future - 1) food security. U.S. consumers can tap into an efficient global food market and 2) income support. Farmers can use market mechanisms to manage risk; some of the most profitable segments of U.S. agriculture have not relied on government programs (fruit, vegetables and livestock producers)

From <u>Wright and Gardner Reforming Agricultural Policy</u>:[5]
"A key overarching economic issue for farm policy choice in 1995 is whether we (as a society represented by Congress) want our farm policy to be welfare policy or industrial policy. Farm policy as welfare policy involves redistributing income from one group of people to another. Farm policy as industrial policy involves efforts to make the farm economy, and hence the U.S. economy, work better, through investment in public goods, improvement of the environment, or correction of other market failures."

Agricultural policy goals which have been completed: 1) achieving income parity between farmers and nonfarmers, 2) integrating the farm sector into the modern economy, 3) providing adequate rural credit for agriculture, and 4) achieving an orderly transfer of labor resources from agriculture to non agriculture employment.

Agricultural policy goals which are infeasible using policy instruments: 1) making farming permanently more attractive to the young, 2) equalizing the distribution of income by measures related to landholdings, 3) stabilizing farm incomes, and 4) achieving rural development.

Policy goals that can be achieved efficiently by the private sector: 1) saving family farms, 2) providing farm-specific consulting on technical or managerial issues, and 3) supporting applied research on fully marketable innovations.

Inappropriate policy goals: 1) increasing price supports, deficiency payments, and other transfers to make current farmers more wealthy, 2) providing egalitarian direct transfers to farmers, and 3) protecting producers against risk.

Policy goals for the future: 1) conducting agricultural research to produce externalities (example, basic agricultural sciences focusing on enabling the agricultural sector to provide modern environmental and ecological services to society at large), 2) providing environmental services not privately capturable (move away from reducing farm output to achieving environmental goals recognizing that farmers are being asked to produce a host of environmental amenities - host predators and endangered species, meet new standards of respect for animal rights, etc.), 3) assisting disadvantaged consumers (programs such as WIC and food stamps), 4) providing food security (ensure that short-run disruptions of local food distribution systems do not have widespread impacts, i.e., 1965 Northeast blackout; maintain stocks/reserves, i.e., International Energy Agency coordination of petroleum supplies), 5) protecting against monopoly or monopsony (encourage farmer cooperation as protection against monopoly or monopsony behavior in the input or output industries), 6) collecting and disseminating information (market, price, quantity information, information needed to evaluate impact of government spending), and 7) protecting health, safety, and quality.

From The CATO Institute, Heritage Foundation:[23,24,25,26]
Two areas of focus for farm programs: 1) end corporate welfare and 2) end programs that have no value or which can and should be provided by the private sector.

Corporate welfare is a special government subsidy or benefit that is targeted to specific industries or businesses. Forms of corporate welfare: tax breaks, trade barriers, and direct government grants, loans, insurance, or subsidies. The major problems with corporate welfare include: 1) Federal government has a disappointing record of picking industrial winners and losers, 2) Corporate welfare is a huge drain on the federal treasury for little economic benefit, 3) Corporate welfare creates an uneven playing field. Business subsidies, which are often said to be justified because they correct distortions in the marketplace, create huge market distortions of their own, 4) Corporate welfare fosters an incestuous relationship between business and government. Government and politics are inseparable. Much of what passes today as benign industrial policy is little more than a political payoff to favored industries or businesses., 5) Corporate welfare is anti-consumer, 6) The most efficient way to promote business in America is to reduce the overall cost and regulatory burden of government., 7) Corporate welfare is anti-capitalist, and 8) Corporate welfare is unconstitutional.

Examples of corporate welfare in the USDA: “Poster Child” - Market Promotion Program spends millions per year underwriting the cost of advertising American products abroad. American taxpayers spend money advertising Pillsbury muffins and pies, Sunkist oranges, McDonald’s Chicken McNuggets, Dole pineapples, nuts, and prunes. Other programs: 1) Alternative Agricultural Research and Commercialization Fund, 2) Economic Research Service, 3) National Agricultural Statistics Service, 4) World Agricultural Outlook Board, 5) Agricultural Research Service, 6) Cooperative State Research, Education and Extension Service, 7) Extension Service, 8) AMS including Market Protection and Promotion, Perishable Agricultural Commodities Act Fund, and Funds for strengthening markets, income, and supply, 9) Packers and Stockyard Administration, 10) Farm Service Agency including salaries and expenses, Agricultural Conservation Program, and Emergency Conservation Program, 11) Federal Crop Insurance Corporation Fund, 12) Commodity Credit Corporation fund including direct producer payments for feed grains, wheat, rice, cotton and honey, and the wool program payment expenses, 13) CCC Export Guarantee Program loan subsidies, 14) National Resources Conservation Service, 15) Rural Electrification Administration, 16) Rural business and cooperative development service, 17) Foreign Agricultural Service, 18) Market Promotion Program, 19) Export Enhancement Program, 20) Foreign Assistance Programs total Commodity Export Promotion and Public Law 480 subsidies, 21) Forest Service - road and trail construction.

“In the United States today, we have a moral, constitutional, and economic imperative to reduce the size and scope of government”. Recommended program terminations include: in USDA - ERS, NASS, ARS, CSREES; APHIS; FSIS; GIPSA; AMS; CRP; Federal Crop Insurance Corporation; Agricultural commodity price supports and subsidies; NRCS; Rural Housing and Community Development Service; Rural Business and Cooperative Development Service, Rural Electrification Administration subsidies; FAS; MAP; Food Stamps (devolve to states); Children’s nutrition subsidies for non-poor; WIC, CCC Export Credit; Food donation programs for selected groups; EEP; PL 480; USDA land acquisition programs; Forest Service: Renewable Resource Management, Road and Train Construction, Forest and Rangeland Research, State and Private Forestry; all of the Department of Commerce.

Heritage Foundation has outlined a number of cuts in Agriculture spending as well. The major tenets of the foundation’s recommendations are as follows: 1) eliminate any projects that are clearly the responsibility of state or local governments such as ARS honeybee research in Texas, NRCS pasture land management projects in New York; 2) eliminate programs that benefit specific industries or corporations such as CSREES monies for maple research in Vermont; 3) eliminate redundant or obsolete programs such as the Rural Utilities Service; and 4) eliminate programs with a long history of failure such as NRCS. Within APHIS, the Heritage Foundation recommended cutting the screwworm, tropical bont tick, boll weevil, and pest detection programs.

From John Frydenlund, Heritage Foundation, Freeing U.S. Agriculture to Take Advantage of the New Global Market:[27]
"GATT will open up marketing opportunities for U.S. livestock products throughout the world, including Japan and Europe (where import barriers have been particularly restrictive). More significantly, GATT will raise the incomes and standards of living in the developing world because global economic expansion (the GATT agreement is expected to expand the world economy by $6 trillion by the turn of the century) will stimulate growth throughout the world." For the U.S. to capture the benefits of a world market opened up by the GATT, U.S. must: 1) eliminate all acreage reduction or set-aside programs, 2) modify the CRP to include only highly erodible acres, and 3) eliminate the Export Enhancement Program.

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