

INTRODUCTION

This collection of articles provides background information on the economic setting facing agriculture, the changing profile of the farm sector, the programs that have accompanied its development, and what they have achieved. Care has been taken to avoid advocacy and implicit conclusions and viewpoints. Any subjectivity remaining is that of the authors and does not represent any official endorsement or position, expressed or implied, of the U.S. Department of Agriculture.

The first article in this Review, which provides an historical overview of U.S. agricultural policies and programs, points out that while most of our current policy legislation had its origins during the Great Depression, farm policy is as old as the Nation itself. Specific program operations may have changed over time, but the basic objectives of commodity programs have remained much the same for over 200 years--maintenance of a free and independent farm sector as the best guarantee of an adequate supply of food at reasonable prices.

Analyses of agricultural policy often focus solely on commodity programs. However, as emphasized in the second paper on U.S. agriculture and the macroeconomy, the farm economy and the general economy are now so closely linked that economic conditions and policies beyond the farm gate can affect agriculture's well-being as strongly as traditional farm commodity programs. In particular, a macroeconomic policy mix of fiscal stimulus combined with monetary restraint tends to operate against agriculture and other interest-sensitive or export-dependent sectors.

The farm sector of the eighties bears little resemblance to that of the thirties. The third paper, a profile of U.S. farming, explains how specialization, technology, and a financial system of credit, tax, and international monetary policies have altered U.S. farming from a collection of numerous, small, labor-intensive units to a diverse sector encompassing a wide range of sizes, costs, production efficiencies, and needs. Questions are raised about whether traditional commodity programs can adequately address the problems of a farm sector that has grown so diverse.

The productivity and technological advancement of U.S. farmers have made them the envy of the world. The fourth paper examines the implications of emerging technologies for farm programs. Technologies that promote efficiencies in U.S. agriculture are important to consumers and to the competitive position of U.S. farmers in international markets. However, the adoption of new technologies can have structural and distributional implications for the farm sector. Commodity programs which create rigidities in resource adjustment may translate rapid technical advance into increased Government budget costs.

Two articles address the current international setting in which the new farm legislation will operate. These articles point out that future agricultural export earnings depend on growth in global agricultural trade and the U.S. share, which is sensitive to many forces outside U.S. control. While many observers argue that the recent decline in U.S. agricultural exports reflects a reduced ability to compete, the United States remains a low-cost producer. The analysis presented suggests that the adjustments presently occurring in U.S. agriculture are not due to a loss of basic competitiveness, but rather to global recession, the appreciation of the U.S. dollar, changes in foreign agricultural policies,

and debt problems in some importing countries. U.S. policies that support producer prices and income also may often be in conflict with strategies to expand exports.

The concept of farm price and income support as it exists today is composed of a set of tools that work together in an often complex, sometimes conflicting manner. "Commodity Price and Income Support Policies in Perspective" looks at the interrelationships between nonrecourse loans, direct purchases, Government- and farmer-owned commodity stocks, and target prices and deficiency payments. Evidence is brought together to evaluate how well these programs have accomplished their objectives, how they have affected the U.S. position in world trade, how they have affected resource use and values in agriculture, how these policies altered the profile of U.S. farming, and what have been the costs of these tools to farmers, consumers, and taxpayers.

The next article describes how acreage reduction programs have tended to be a costly and inefficient way of controlling supplies. Acreage slippage has occurred because of more intensive production by participants who tend to idle lower yielding land, expanded production by nonparticipants, the program type, and the program rules. Acreage reduction programs may need to be evaluated in relation to these inefficiencies, foreign acreage response, and the production signals given producers by other program provisions.

The many programs used since the fifties to improve export performance and achieve domestic policy objectives are explained in an article on export programs and U.S. agricultural policy. Export market programs, such as credit and market development that expand export quantity demanded, and programs that lower the export price, such as export payments, have been used to decrease excess supply during periods of commodity surpluses. Also described are demand expansion programs that have been used in periods of weak demand to provide some support to market prices.

Soil and water conservation programs have long been an integral part of an overall U.S. agricultural policy. While originally intended to be complementary, recent experience indicates that conservation and commodity programs may at times be conflicting. "Resource Conservation Programs in the Farm Policy Arena" suggests that more consistency between all aspects of farm programs would help sustain our resource base over the long term.

Given the shortcomings identified in existing agricultural programs, proposals have been advanced to either modify existing programs, adapt new ideas within the current framework, or develop entirely new concepts with new goals. The final two articles examine three examples of these proposals--moving-average loan rates, commodity options, and revenue insurance--and consider the roles of credit and tax policies. A glossary of agricultural policy terms completes this volume.

Note: All tons in this report are metric.