THE AGRICULTURAL ECONOMY IN TRANSITION: IMPLICATIONS FOR POLICY EDUCATION

Ronald D. Knutson
Agricultural and Food Policy Center
Texas A&M University System

The future of agricultural and food policy is as difficult to predict as the future of agriculture itself. Changes in policy occur slowly and lag economic developments. Undoubtedly, considerable time could be spent documenting the changes that have occurred in agriculture and debating the extent to which current farm and food programs have evolved from, and adjusted to, those changes. Target prices, the farmer owned grain reserve, and the payment-in-kind (PIK) program represent examples of adjustments in policy that have direct relations to specific economic events.

At least one prominent agricultural economist believes that our current farm policies are not only outdated, but also have just the opposite effect intended (18). A recent review of agricultural marketing policies concludes that sufficient changes have been made in the markets for farm products that the original intent of several of these laws is not being realized (1).

No doubt agriculture has changed tremendously since the 1930s. it has changed tremendously since the 1960s. But have the economics of agriculture changed? Have the politics of agriculture changed? Where and by how much? What are the policy implications of these changes? In addition, the title of this paper implies that the changes that have occured are transitory — transitory to what? Where is it likely to take us in the future?

The discussion of these questions is designed to raise the level of awareness of some critical issues affecting future policy. The discussion revolves around ten changes that are likely to be the focal point of debate on agricultural and food policy in the next several years: policy goals, capacity to produce, resources, the Schuh controversy with regard to the elasticity of demand, the external forces, reserves, structure, new policy tools, public interest concerns, and politics. The discussion will conclude with some implications for policy education.

Policy Goals

Far too little attention has been given to the goals and priorities of agricultural and food policy. From the 1940s through much of the 1960s the overall goal of agricultural and food policy was to raise farm incomes to the level of nonfarm incomes. In the 1960s that goal began to shift. New goals were added and the hierarchy of policy goals began to shift. It can be debated whether that shift began with the movement from commodity distribution to food stamps or with the movement from domestic to export-oriented farm policies.

The change in policy goals was partially a political necessity to enact a farm program into law and partially philosophical — a desire to take advantage of U.S. agriculture's productive capacity by competing in the export market. Farm and food programs thus took on multiple objectives — raising farm income, feeding the poor, expanding exports, and using food as a diplomatic tool. These multiple objectives were neither adequately specified nor organized in sequence of priority. The result was inconsistency: We have simultaneously controlled production, raised price supports, and embargoed exports while espousing a goal of expanding exports.

Food assistance programs have been cut while pursuing economic contraction policies. Surprise was then expressed when the problem of hunger accelerated. The occurrence of such inconsistencies might reflect a lack of sound judgment; I prefer to give the decision-makers the benefit of the doubt.

A major issue will continue over the priority given to the expansion of exports. While the last three administrations have given this goal substantial political visibility, the actions of each have frequently run counter to this goal. There appears to be a general lack of understanding of the trade-offs between loan rates, production controls, economic policy, food diplomacy, and trade.

Establishing a consistent agricultural and food policy requires the development of a set of overall goals as well as a consistent set of policies and programs to achieve them. Unfortunately, policy has not been made in this manner. Instead, it has been made in a patchwork fashion — frequently on a crisis basis (2, pp. 1-9). That is how the PIK program originated.

Increasing dissatisfaction rightly exists with this method of policy development. This dissatisfaction is not limited to ivory tower economists who find it difficult to build their mathematical models without a clear objective function. It extends to a body politic that is increasingly frustrated with the continuous shifting of policy and program provisions in response to apparently unforeseen consequences. Farmers increasingly talk of the need for a long range agricultural and food policy such as an eight to ten year farm bill — one that avoids the post-election year rush to prevent reversion to antiquated permanent legislation as well as the almost yearly farm bill revision.

The goals of such a policy have yet to be specified and would undoubtedly be the subject of considerable debate. They would likely be even less producer-oriented than the goals of past policy. It would require a ranking of the relative importance of raising farm income, expanding exports, feeding people, conserving soil and water resources, obtaining equity for hired farm labor, maintaining producer independence, and stabilizing food prices. The relation of domestic farm and food policy goals to general economic policy, foreign policy, and economic development would also have to be considered. Developing such overall goals and priorities may be too much to wish for, but the fact that people are talking about it creates a potential learning moment.

Capacity to Produce

One of the central issues troubling agricultural economists and policy makers today is the question of the capacity of agriculture to overproduce. In the late 1970s a growing number of agricultural economists postulated the chronic overproduction problem which plagued agriculture for more than 50 years was past. Some, unfortunately, went so far as to predict years of successive prosperity for farmers. Others, probably the majority, felt that the next decade or two were likely to be a mixture of periodic surpluses and deficits. Still others felt that the deficits of the early 1970s were simply a short interruption in a long period of chronic surpluses.

Was 1973-75 a random occurrence, or was there a major change in the world's capacity to meet its food needs? Which supply-demand scenario is correct is very important to economists, policy-makers, and the general public. The appropriate set of policy tools that applies to each scenario is quite different.

Available information still points to the periodic surplus-deficit scenario as most accurately reflecting conditions in agriculture over the next two decades (11, pp. 239–243). In preparing this paper, the results of the most recent study of the global demand for food and fiber through year 2000 were reviewed. This study, completed by Economic Perspectives, Inc. for Resources for the Future, concludes that the global balance between cereal production and population will remain quite close, indicating vulnerability to annual shortfalls resulting from weather, wars, or mistakes in policy (15). The study projects that over the next 20 years the world will become even more dependent on trade, but predicts increasing competition for U.S. farmers in international markets.

Much of this increased competition will come from developing countries selling farm commodities as a source of foreign exchange to pay for imports such as oil. Despite this increased competition, exports of grain from North America are projected to nearly double by year 2000. Interestingly, while trade in meat is expected to increase by 284 per-

cent from the 1978–80 base, most of those exports will come from Oceania, Eastern Europe, and the European Economic Community countries — not the United States.

Resources

A conclusion regarding the future global supply-demand balance requires many assumptions regarding the quantity and quality of resources available to agriculture in the future. Land, water, and technology are likely to be the limiting factors so far as agriculture's future productive capacity is concerned.

Agricultural land that does not require irrigation is becoming an increasingly limited resource. The Economic Perspectives study finds that in the next two decades out of a predicted 1.8 percent annual increase in production only 0.3 percent will come from an increased quantity of land used in production. The other 1.5 percent will have to come from increases in yields — mainly from new technology.

The land that is brought into production will be marginal in terms of either its moisture availability or its erosive qualities. This fact was clearly evident in the early 1970s when the sharp rise in farm prices brought substantial quantities of marginal land into production. Once in production there was substantial pressure to maintain price and income support levels high enough to keep the land generating positive incomes.

It should not be surprising that some of the strongest recent pressure for higher price and income support has come from the marginal production areas of the Southwest and the Western Great Plains. This reality is one of the factors that led the Congress to seriously consider the so-called sodbusters' bill — legislation that would eliminate newly broken land from farm program benefits. However, once over-production vanishes there will likely be an anti-sodbuster campaign.

While such an idea as the sodbuster proposal is a sign that Congress is genuinely concerned about maintaining a viable land base, it is one of few such signs. Of particular concern to me is what appears to be a serious decline in the effectiveness of the Soil Conservation Service (SCS) as an agency. At a time when there is a relatively high level of concern for conservation, SCS seems to have lost its zeal. Some will undoubtedly blame this lack of zeal on tight budgets. My inclination is to also place the responsibility on the agency itself — it has become old and lethargic at a time when conservation leadership is badly needed.

Water is of major concern to us in Texas as well as most of the other Western and Great Plains states. Like land, the answer to the water problem does not lie in finding more of it. Rather it lies in wise use of what we have. The water problem must be solved — either by developing a pricing system consistent with its internal and external costs

and/or by rationing the quantity used. In situations where large cities compete with farms for the available water supply, rationing may be the only politically feasible option.

Regardless of what is done with land and water, most of the future increase in output must come from technological change. Both the public and private sectors are currently investing large amounts of money in biotech research. The results of this research will, to a very large extent, determine the future world supply-demand balance and the amount of pressure placed on our limited land and water resources. With major breakthroughs the world could easily be back in a period of chronic surpluses. With a lag in technology, food deficits and rapidly rising prices could be the rule.

The Office of Technology Assessment (OTA) is currently developing an inventory of likely technological developments in agriculture through the year 2000. This OTA study was suggested by Willard Cochrane who made the point that one cannot rationally develop farm policy without knowing what to expect in terms of technological change. Implications for the future structure and location of production will also be drawn from the OTA study. This study should be very useful in assessing how realistic the 1.5 percent yield increase in the Economic Perspectives study is and the consequent policy implications.

The Schuh Controversy

Ed Schuh recently touched off a controversy that has major significance to policy analysts and educators. He contends that there has been such a profound change in the economics of agriculture that our commodity programs operate counter to the best interest of both agriculture and the nation as a whole.

The basis of Schuh's argument is that the traditional assumption of an inelastic aggregate demand for farm products no longer holds. His reasoning lies in the increased importance of the export market and the realization that export demand is considerably more elastic than domestic demand. Accordingly, Schuh contends policies that raise price supports or restrict production reduce, rather than increase, farm income. He concludes that our commodity programs are "demonstrably counterproductive." (18, p.13).

It is important to note that the Schuh argument is one of economics — not philosophy. For those of us who were educated in the tradition of Willard Cochrane and George Brandow, it cuts at the heart of our training — that the farm level demand is not only inelastic but is highly inelastic (5, pp. 33–59).

Has the economics of agriculture changed that much? Schuh points to analyses by Tweeten indicating that the share of total demand attributable to exports has increased from 13.2 percent in 1971/72 to 27.4 percent in 1979/80 (21). Recognizing that the aggregate demand

elasticity is the weighted average of the domestic and foreign demand elasticities, Schuh concludes that the price elasticity of foreign import demand would have to be slightly greater than -3.0 for the total demand elasticity to be greater than -1.0. He also points out that in a commodity such as wheat, where more than 50 percent of the production is exported, the export elasticity of demand would only have to be -2.0 for the total demand to be price elastic.

Given an elastic demand, Schuh is theoretically correct. But is there any sound quantitative evidence to support the argument? The best research that I am aware of on this point was presented by Tweeten at the Purdue American Agricultural Economics Assn. (AAEA) meetings. The Tweeten paper is a must for policy analysts and educators. It indicates that all short-run demand elasticities are less than -0.5, meaning the application of production controls will raise producer income in the short-run—a 10 percent reduction in quantity supplied will raise price by 20 percent (Table 1).

However, Tweeten also found that the long-run price elasticities for each commodity approached or slightly exceeded -1.0 in recent years. According to Tweeten, "The implication is that permanent supply controls will not raise real farm receipts markedly in the long-run." Tweeten, like Schuh, finds that the demand elasticity has become more elastic over time as exports have increased as a proportion of total sales.

Tweeten's results will likely be subject to different interpretation. They add credence to the Schuh argument in that the implementation of strict production control policies over a period of time would not necessarily serve farmers' long-run economic interest — particularly wheat and soybean farmers.

The results also support Paarlberg (14) who points out that U.S. cotton production controls during the 1950s and 1960s had the direct consequence of encouraging production in other parts of the world as well as encouraging the substitution of synthetic fibers for natural fibers. The Tweeten results refute the Schuh argument in that, for a given year, effective production controls clearly increase income. They

TABLE 1

Estimated Short-Run and Long-Run Price Elasticities of Demand, by Commodity, 1950-59 and 1976-82.

Commodity	Period			
	1950-59		1976-82	
	Short-Run	Long-Run	Short-Run	Long-Run
Wheat	−0.256	−0.691	−0.347	−1.002
Feed Grains	−0.219	−0.469	−0.287	−0.718
Soybeans	−0.406	−0.935	−0.475	−1.220
Total	−0.220	−0.501	−0.247	−0.634

Source: (21).

do not, in themselves, support the Schuh assertion that, "Commodity programs as we have understood them have probably outlived their usefulness." (18, p.18). More will, however, be said about that issue later in this paper.

Probably the most important message from the elasticity controversy is that the economics of agricultural commodity demand is changing. Production control policies as a standby measure still have their place. However, as a long-term policy, production controls have questionable producer benefits. This is a concept that we need to integrate into our educational programs. It is one that will not be very convincing to many producers. In this regard, I found Paarlberg's Purdue AAEA paper on New Deal farm policies to be both interesting and useful. The Schuh controversy probably represents a reaffirmation of what Paarlberg has been saying for years.

External Forces

U.S. agriculture once operated in a relatively closed economic system. Policies of high loan rates and production controls undoubtedly contributed to this. All this changed in the late 1960s and early 1970s when the combination of tight supplies and the separation of income supports from price supports via the target price made lowering the loan rate and the abandonment of long-term production control policies politically feasible. The effect, however, was to expose the demand for farm products to all of the world economic and political forces.

The impact of exchange rates on demand has become a focal point of attention. Rightly so. From a policy perspective, it is important not to think about the exchange rate in a vacuum. That is, the exchange rate and market prices, which are in turn affected by the loan rate, interact with one another to affect export demand.

Successive increases in the value of the dollar reduce the demand for U.S. products with the eventual effect of completely pricing them out of the world market once the world price falls below the exchange rate adjusted loan rate. To many farmers, the answer to this problem is to subsidize exports — offsetting the effect of increases in the value of the dollar. The potential problems that such a strategy would create under GATT — the difficulty of closing off the border to reimportation, the probability of a retaliatory response from other competitors, and the potential for retaliation spilling over to price-warring conditions in other commodities — is not well understood.

As a means of reducing the probability of the U.S. being priced out of the world market, greater use will likely be made of world price formulas to set the loan rate. Cotton currently uses such a formula. Within limits, the cotton loan rate is an average of the world cotton price during a specified time period. The formula procedure is not perfect.

Congress set a legal minimum of 55 cents per pound below which the formula established loan rate cannot go. In addition, questions arise over the appropriate world price and time period to use in the loan formula. In any event, loan formulas should be part of our 1985 farm bill educational package.

An external factor that has taken on increased significance since the imposition of the 1973 export embargo is food diplomacy. In reality, food diplomacy has been a factor throughout American history. Until the 1973 embargo, most of the post World War I food diplomacy involved attaching strings to food aid. Export embargoes have adversely affected nearly all crop producers as well as turkey and broiler producers.

The minute the futility of embargoes appears to be understood by government officials, embargoes arise again as an issue — witness the options discussed in the recent shooting down of the Korean airliner. Like it or not, food diplomacy is a permanent fixture. It will continue to be used as a foreign policy tool — hopefully with greater forethought of its effect and effectiveness.

Reserves

In a time when the world food supply-demand balance has the potential for shifting rapidly from surplus to deficit, government managed reserves are a necessity. The problem with the U.S. reserves policy to date lies in the inability to prevent reserves from being used as a price support device.

Reserves are managed by the government in three forms: Commodity Credit Corporation (CCC)-owned stocks, the farmer-owned reserve, and commodities under the regular CCC loan. Since CCC-owned stocks are normally acquired through loan defaults, the level of the loan is the crucial issue in determining the magnitude of CCC stocks. In fact, the quantity of commodities held in all three reserve forms is determined largely by the loan rate.

The problem is that whenever farm prices begin to sag, the political inclination is to increase the loan rate. The effect is to lock up a larger quantity of stocks in the loan program. Once locked up, those stocks are not as available to the market. Farmer-owned reserve (FOR) stocks are not available until the release price is triggered. While regular loan stocks are technically always available, unless the price is sufficiently high to pay interest and storage costs, those stocks are locked up also.

Locking up stocks has a three-fold effect on the competitive position of the United States in the world market:

1. It is exceptionally easy for competing exporting countries (mostly state traders) to undercut the U.S. price and thus capture markets that we would otherwise be in a position to serve.

2. The United States automatically ends up holding virtually all world surplus grain stocks. This is a result of our policy and not of our private commodity trading system as is frequently asserted. Without the nonrecourse loan and the FOR, storage and interest costs would provide the incentive for farmers marketing their products consistent with price expectations throughout the year. When the government assumes the cost of storage and interest, these incentives are removed. The U.S. thus becomes the residual supplier for the world.

3. U.S. grain is not available to the world market at a competitive price. This is true not only when there are large surpluses and the price is resting on the loan level but also when supplies are balanced. In fact, when the U.S. is in a state of relative supply-demand balance, the FOR release mechanism continuously pulls the U.S. price at least marginally above the world price until the trigger price is reached. Ironically, while the FOR was set up to assure foreign customers a supply of grain and thus help to expand exports, it may be having just the opposite effect!

These conclusions suggest that Schuh may be right even if demand is not elastic. Commodity programs, including the FOR, may indeed have outlived their usefulness if expanding exports and raising farm income are major policy goals. It is important to note that the effect of the loan program on exports is a supply issue. It is an effect that is not picked up in Tweeten's demand elasticity analysis. That is, the United States does not stand ready to supply quantities of its stocks at competitive prices up to the FOR trigger price.

An additional issue that has heretofore received no attention is the impact of reserve policies on the structure of the grain marketing system. The FOR and related on-farm storage construction subsidies have the potential for seriously undermining cooperatives' grain marketing shares.

Cooperatives have traditionally been a major factor in the storage of grain — particularly at the local level. Once grain is stored in a local co-op elevator, it almost certainly will be sold to the cooperative. When the grain is stored on-farm, it not only drains a major source of income from the cooperative, it also reduces the chance the grain will be sold to a local cooperative. Since about 50 percent of the grain received by local cooperatives is sold to regional cooperatives, their grain volume also declines. These cause-and-effect relationships may be one of the factors contributing to cooperatives' inability to significantly penetrate export markets unless they operate on a committed, pooled basis like the rice cooperatives. If they do not have the grain or have commitments for it, they cannot sell it! It is certainly one of the reasons grain cooperative margins have declined dramatically.

Structure of Agriculture

Despite Reagan administration efforts to sweep it under the rug, the current and future structure of agriculture remains a major policy issue. Extension economists predicted more than a decade ago, "If nothing is done to arrest the forces in motion, commercial agriculture will likely be increasingly concentrated in larger, more industrialized units." This is coming true (16, p.1). Movements toward integrated systems of fed beef, pork, and poultry production have already gone so far that there is little chance of reversing them (8). Cooperative efforts to preserve producer control of farmer-feeder outlets for beef have been a dismal failure. The livestock industry is rapidly becoming a closed, integrated system. What remains to be determined is:

1. What impacts will these developments have on the feed and grain business of cooperatives in the Midwest? The pressures on cooperatives that have had significant feed sales will be substantial. Some will scale back operations and serve the smaller, part-time farm sector. Others will merge to concentrate on grain marketing and/or farm supplies.

2. Will the efficiency gains from integration be greater than the monopolistic costs? Available evidence from broilers suggests substantial gains due to integration (10, p. 139). A comparable level of integration gains may also be present in pork and beef. The potential for monopoly is equally great and their magnitude likewise disputed (7, 12, 4).

3. Is the dairy industry headed in the same direction as the rest of animal agriculture? My suspicion is that it is. Accompanying this change will be a shift in milk production away from the Upper Midwest to nearer the major population centers of the South and West. Potential innovations such as the development and acceptance of a UHT concentrated milk product are not likely to affect this trend.

For crop production the evolution toward a bimodal distribution of farm sizes now seems to be generally accepted by agricultural economists. There is, however, no agreement on either how large or how integrated the commercial farm sector will become.

Research at Texas A&M suggests it will be quite large and quite highly integrated. A study of 105 Texas High Plains cotton farms found costs averaging more than 13 percent lower for farms having more than 2,560 acres compared with the next smaller size range of 1,601-2,560 acres.

It was also found that while smaller farms could typically capture some pecuniary economies and efficiency gains from cooperative membership, large farmers integrated on their own. The conclusion drawn was, "These incentives will serve as the basis for structural change in

the future. That is, it is anticipated that over time the trend toward larger, more highly integrated farm operation will not only continue but will come to dominate farming on the Texas High Plains." (19). It is important to note that if this happens, cooperatives — currently a major force in commercial agriculture on the High Plains — will be left serving the predominantly noncommercial agricultural sector composed mostly of small, part-time farmers.

There should be little doubt that the forces pushing agriculture toward integrated systems are strong. They are not limited to animal agriculture. They have profound implications for us in the land grant universities. "As giant corporations become important in an area, there would be an erosion of open markets; of public information, public research and education; of independent suppliers; and market and credit agencies." (16 p. 4). These are some of the major structural and marketing policy issues that face us today. They affect what role — if any — we, as land grant employees, will have in the future!

New Policy Tools

There is much talk today about the need for a new set of policy tools. This discussion began before the Schuh conclusion that current commodity programs are counterproductive. It was fostered by the reality that society likely would not be willing to continue to spend billions of dollars ($20–21 billion this year) supporting the incomes of an increasingly smaller number of large farmers.

This concern has led to a search by policy experts for some new farm policy concepts. The search has not been very successful. In a recent paper, Schertz and Clayton (17) discuss three options that have surfaced (9). With brief description and editorial reaction the options include:

1. An options market could be used as an alternative to the current target price and loan mechanism. But how could you expect farmers to wisely use the options market when only 5 percent of the farmers currently use the futures market, and most of them are speculators? (6, p.1).

2. An income insurance program could be established as a replacement for the current commodity programs. To be accepted such a program would have to be highly subsidized by the government, to say nothing about the complexity of managing such a program. What makes you think the government can run an income insurance program when it cannot successfully run a crop insurance program?

3. A series of special income tax benefits could be given to certain types of farmers. But farmers are already masters at working the tax angles. How could the benefits be successfuly limited to the targeted beneficiaries?

Let me now add to the list three considerably more modest, and hopefully more realistic, proposals:

1. Changes could be made in the nonrecourse loan to provide incentives for producer marketing. It was not intended that the loan be a market for products — only that it encourage orderly marketing after harvest. Such incentives also need to be built into the FOR. They might involve charging interest regardless of forfeiture and eliminating all storage subsidies, or the loan might be given on only the domestic-use portion of the crop. Alternatively, the nonrecourse feature of the loan might be eliminated entirely while retaining a relatively modest target price.

2. All farm programs could be put on a self-financing basis. A checkoff would be imposed amounting to the cost of the program to the government divided by the number of units of commodity produced. This concept is currently being tried in dairy and tobacco. Of course it is not popular with producers. What it may lead to is more rational thinking about program features such as target prices and loan rates.

3. A more far-reaching proposal would involve providing income subsidies only in poverty situations to farmers who are dependent on farm income for their living. Such a proposal would eliminate all current price and income supports. Farmers above a certain size — say $250,000 in sales — would be ineligible.

Public Interest Concerns

While historically there has been stong public interest in food programs, the intensity of that interest increased throughout the 1970s. Reagan administration efforts to suppress these interests have been only partially successful. When serving on the Reagan agriculture transition team, I found keen interest in what was in store for food assistance and nutrition education programs.

One of the leaders of the American Dietetic Association was asked whether the election of President Reagan meant an end to the dietary goals and guidelines. The answer was a very direct, no, because the scientific base for their existence had already been established. A similar comment might be made with regard to chemical control actions by the Environmental Protection Agency.

Agriculture has tended to place itself on the defensive with regard to public interest issues. Crop farmers and the related scientific community have done a much better job of responding to public interest pressures than animal agriculture. The development and widespread adoption of integrated pest management approaches to plant disease and insect control was a positive stroke of genius.

On the other hand, animal agriculture has fought the public interest advocates at every turn — regardless of the merits of the case. The

results have been even further mistrust: findings of false or misleading advertising by milk and egg producers, continued use of growth stimulants after they were banned, and efforts to present something other than a balanced scientific position through organizations such as CAST and the National Academy of Science.

This type of defensive reaction has been characteristic of animal agriculture since at least the introduction of margarine and related industry efforts to prevent its sale. Interestingly, the alternative strategy of developing a butter-margarine mix has finally been adopted — but only after most of the commercial market for butter is gone. Despite these efforts to rebut the trend of scientific evidence, consumers responded with reduced consumption of red meat, milk, and eggs (3). A more positive response to contemporary diet-health concerns would have involved diligent bioengineering efforts to reduce cholesterol in red meat.

Similarly, concerns about the cost of beef and the use of grain for beef production could be met by breeding to increase the efficiency of feed conversion. The competitive position of beef is something the industry should be very concerned about anyway.

Politics

Discussion of the politics of agriculture most frequently centers on the decline in rural representation in Congress. These changes are forcing agriculture to practice the politics of the minorities (10, p.86). A current focal point of attention has been on the need to form coalitions both within and outside agriculture.

In Texas, Congressman Stenholm's call for a consensus position by farm organizations has provided the extension service a unique opportunity to participate in the policy process. Attempting to hammer out a consensus position in a meeting or two is futile. Instead, the emphasis in the Texas Agricultural Forum has been to establish a common factual base of knowledge from which people can discuss their positions.

What are the economic relationships that affect policy? Topics discussed thus far in six Forum sessions include the accomplishments of past farm programs, improving markets through policy, impacts of PIK, economics of production control, and computing base acreages and yields. In the next Forum the factors affecting international trade will be discussed. Over the past 18 months the same group of agricultural leaders has been together in an educational environment for 72 hours. That is the equivalent of two semesters of class time in policy at a university.

Pleased with the Texas effort, Congressman Stenholm is now trying to establish the same type of Forum at the national level. Ed Schuh has apparently been commissioned by the steering committee of the

National Agricultural Forum to write a series of papers on the 1985 farm bill policy options. Carrying out this activity at the national level is considerably more difficult than at the state level.

People are more worried about turf. Several key organizations have already refused to participate in the National Forum. The Schuh alternatives approach does provide some encouragement that the emphasis is being placed on developing a common factual base of knowledge upon which to build a consensus.

This, of course, is only the beginning of the coalition building needed to get a farm bill. Equally important steps involve building bridges with interest groups outside the agricultural establishment — consumer groups, religious groups, organized labor, or even environmental groups. Farmers cannot pass a farm bill by themselves.

A quite different aspect of the politics of agriculture alluded to previously is the concern that USDA is losing its ability and/or will to administer programs in the public interest. While serving as staff economist in the Agricultural Marketing Service (AMS), I observed regulatory inaction in the Commodity Exchange Authority, Packers and Stockyards Administration, and the Dairy and Grain Division of AMS at a time of tumultuous structural change. Concerns of foxes guarding chickens arose in my mind.

More recently, the same inaction can be observed in other agencies:

1. Inaction by the Soil Conservation Service at a time when there is positive public support for action was previously discussed in this paper.

2. The Agriculture Stabilization and Conservation Service is either unwilling or unable to prevent abuse of the acreage reduction, PIK, and payment limit programs.

3. The Extension Service, Cooperative State Research Service, Agricultural Research Service, and the Economic Research Service lack leadership in setting priorities and establishing appropriate incentives for their accomplishment (13). The fact that the Congress has felt the need to step in and prod these agencies to action provides a clear message that the agencies are not doing their job in the public interest. The role of the extension service has increasingly deteriorated to a conduit for formula funds and reporting as opposed to a source of leadership in programs. In the process the role of the Farm Foundation in public policy education has increased in relative importance.

4. The USDA has retrenched from serving the needs of consumers and environmentalists. While highly controversial within agriculture, the public interest in a safe and nutritious food supply must be met for the USDA to regain its credibility. The need for USDA to have a broad constituency is evident.

These concerns paint a bleak picture for "the peoples' department." Restoring public confidence that the USDA is up to the challenge of serving the public interest should be near the top of the agenda of agricultural interest groups and the USDA.

Concluding Remarks

Agriculture is truly in a state of transition. Agricultural policy is in a state of transition. Realization is developing that we cannot continue to go down the same commodity program path of the past 50 years. A substantial base of support is developing for change, yet major changes in policy seldom occur.

Changes are generally incremental. They deal with particular problems at a particular moment. Our educational programs, therefore, not only need to stretch the body politic to think about the new options, but also to develop those proposals that simply involve fine tuning — making what we have work better.

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WORKSHOPS

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