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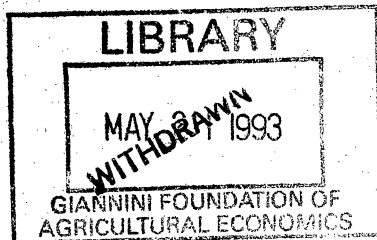
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AGRICULTURAL POLICY ISSUES, NATIONAL AND WORLDWIDE

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Farm policy, and indeed any economic policy, is always a mix of what a professor may call the proximate and the ultimate. It is partly short-term, close at hand. The political process tends to emphasize this part of policy. But most policy makers at least try to look farther ahead. And in any case, even short-term measures invariably have longer run implications.

Thus one dimension to policy making relates to time. A second is that of scope. Each interest group in agriculture is naturally rather narrow minded. It focuses on how any law, or proposed law, bears on its wishes and ambitions. Yet few of any laws are so narrowly confined. Most or all impinge on a lot more than a single target group. Moreover, it's our national creed that we want our laws to benefit all citizens, to enhance the status of our economy and our nation. We really believe there is such a thing as a concept of the general welfare.

All of which is only to say that a new farm law will be certain to combine short- and long-term considerations. It will also have a variety of foci, some narrow and others as broad as our country or even the world.

I've sometimes said that my lifetime role as an economist in public affairs has been to try to stretch horizons. As most individuals prefer short-run thinking about their particular interests, I remind that there will be a tomorrow, a longer future, that holds meaning for all of us. Furthermore, no one lives in isolation. Law-making by its nature is a social exercise. A clinching argument, unassailable, is the political arithmetic that no law can be enacted unless it looks good to 50.1 percent of the population. Hence, even a so-called farm law must have an appeal to groups other than farmers.

By and large, over the 56 years that we have had farm programs, which also is the length of my career, their scope has progressively been broadened. Laws of today are designed to serve more purposes than did those of early years. I believe, too, that the time dimension has been lengthened. The current interest in soil conservation surely is long-run.

Farm programs still have an income objective, to be sure, but it takes the form not so much of increasing incomes as of stabilizing them. In fact, if a single purpose of farm programs were to be named, it would be expressed in terms of stabilizing not only the farm economy but the whole food system.

Talk given at Extension meeting on the 1990 farm bill, Monroe City, Missouri, February 22, 1990.

Farm programs are not monopoly instruments. They do not come close to having the teeth that would be needed in order to lift all values in farming permanently higher. I say again that their overall purpose is to iron out to some degree the fluctuations to which not only farming but the whole food sector is subject. That also, in my judgment, has been their primary accomplishment.

A collateral objective, however, has been to defend a system -- the traditional system of agriculture that is usually called family farming. Programs have not served that objective very well and I will say no more about it.

Scaffolding for Other Social Objectives

One of the first social goals that, historically, was hung on the farm program scaffold was the idea of protecting, simultaneously, consumers' food supply. In the 1930s Secretary Wallace publicized the idea of an ever-normal-granary. Stocks of grain built up in years of big harvests would serve as a reserve to be drawn on in a year when little rain fell or, as in World War II, when food needs suddenly grew larger. As recently as last year, CCC stocks of grain were drawn on following the severe 1988 drought.

Commodity programs as such do not provide for food distribution. But Congress has found it expedient to tie Food Stamp, WIC, and other food programs in with price supports as it writes an omnibus farm bill. This year, food safety also will be addressed, although in loosely defined terms and with uncertain outcome.

Not the economics but the politics of the situation makes it certain that food issues will be included in a 1990 farm bill. Farm partisans need consumers' support and city Congressmen's votes.

For my part, I see a reserve stock of grain and of cotton too as serving a second purpose that is in the interest of farmers. It helps to hold markets following a short crop year. It does so particularly with regard to export outlets. I am convinced that our wheat and corn stocks have preserved some export markets this past year, and the lack of a sizable reserve stock of soybeans made it harder to hold our soybean markets following the short 1988 crop. I know some soybean farmers feel differently but I believe they are mistaken.

Reserves of feed grains are a stabilizing factor in our livestock and poultry sectors. This is self-evident.

The Environmental Appendage

An interesting feature of the history of farm programs is their on-again, off-again relationship to environmental objectives, especially soil conservation. From the beginning, acreage reduction was said to aid in conserving soil. The reasoning was that several of the program crops, especially corn and cotton, were intertilled and subject to erosion. Reducing their acreage would also reduce erosion.

During a couple of years of the 1930s, acreage programs were designed to increase the area planted to soil conserving crops. The Agricultural Conservation Program for cost-sharing in carrying out soil conserving practices has been a mainstay of programs. But in spite of these positive elements, soil conserving goals were never built solidly into acreage reduction until the 1985 law was passed. The law was a landmark one. The Conservation Reserve Program and Conservation Compliance are the outstanding features.

Beyond doubt, since 1985 public sensitivity has sharpened, not so much with respect to loss of soil as to pollution of water including groundwater. Environmental interest groups have become bolder. They are well informed and effectively organized. We can be sure that in the writing of a 1990 farm law there will be confrontation between environmental organizations on the one hand, and general farm organizations and commodity organizations on the other. This is not an attractive prospect.

If we step back and look at the situation we see a couple of ironies. One is the dilemma farm groups are in. They cannot possibly deny the importance of protecting soil and water. Harold Clark, a well-known Missouri farmer, told our farm policy seminar a year ago that he doesn't want to go back to farming the way he did 40 years ago but he also doesn't want to do anything that will turn babies blue. What we all are looking for are reasonable standards in use of chemicals in farming, but they are hard to define. The dilemma is genuine and will not be resolved quickly or easily.

The second irony lies in the design of the environmental control measures that are now hung on the farm program scaffolding. Conservation Compliance is the best example. A farmer is required to comply only if he wants to stay in programs. The attraction to him is the price support loans but even more the direct Treasury ("deficiency") payments he gets from participating. If markets should turn stronger, or if target prices are reduced in the new law in the interest of economy, farmers will stay out of programs in droves. Goals for cleaning up water and saving topsoil would go a-glimmering. We have to say that relying on commodity programs as the vehicle for improving the environment is risky and undependable.

We have a long way to go before we resolve environmental issues in agriculture satisfactorily.

The International Connection

If agriculture faces a dilemma in trying to link commodity price programs with environmental protection, its international connection is even more complex and baffling. It scarcely is resolvable.

Two basic contradictions are clear enough. One is that we depend on export outlets for the economic health of several important commodities, yet we look at foreign markets as one great huge sponge that will absorb whatever we choose to throw into it. For a century the rule has been that if we have surplus production, we will just dump it into supposedly insatiable export outlets. Rarely do we apply the stabilization principle, which we treasure for ourselves, to any sort of continuing export relationships. One of the few exceptions is, ironically, our grain export agreement with the Soviet Union which provides for a degree of stabilization in our trade with that now-beleaguered nation.

The other contradiction is that our and every other nation on the face of Planet Earth announces its faith in the principle of free and open trading, with just a few reservations. Every nation without a single exception takes some kind of action to influence its exports or imports of food. We do so. No one is even close to being a free trader. In a sense, everyone is a hypocrite.

We are, of course, begging the members of GATT (General Agreement on Tariffs and Trade) to take steps to reduce barriers to international trade in farm products and to cleanse themselves of their internal farm programs. It is extremely doubtful that those demands will be met at all fully. There may be some cutting back on present restrictions;

and any gain of that kind would be good. But that is the most to be expected. One possibility is that in lieu of a general agreement our country will enter into a series of bilateral trade treaties, such as the one signed with Canada a year ago.

Meanwhile, we continue to engage in a vicious export trade war with the European Community. It is costly to us and devastating to other exporting countries such as Argentina and Australia that cannot afford to play our game. In spite of all the oratory one hears, world trade today is a jungle.

One long shot guess is that if Europe 1992 successfully stabilizes Europe's internal trade in farm products, the United States will enter into its own regional trading block, probably with all other countries of the Western Hemisphere and with Japan. It would be a negotiated trade.

Final Reflections

Agricultural policy issues, both national and worldwide, have a way of persisting. The old ones never go away, nor do they ever get finally resolved. But they take on a new focus. The newest focus in conventional farm programs, I hope I have made clear, is the kit-bag of interests and program activities broadly tagged as environmental. It is also the most difficult focus, in terms of arriving at anything close to harmony among interest groups in designing of programs.

One more important word is to be said about this latest of obsessions. It is expressed in the opening terms of proximate and ultimate. Protecting the quality of surface and groundwater and conserving the topsoil that they can leach -- and by which they can be polluted -- is the most truly ultimate, long term, of all the considerations in the making of policy for our agriculture. Protecting basic resources amounts to protecting the future for generations of Americans to come. We are serious about doing so, and only searching for the best course to be taken.