Farm policy to be major 1984 debate

WASHINGTON, D.C. — Although passage of a new farm bill is not due until 1985, the debate on the direction of future from policy is well underway. The subject has been the focus of Congressional hearings, academic seminars, and government-industry summits.

Spanning philosophical and other differences is wide agreement that the costs of many farm programs have gotten out of hand and that they may not be serving agriculture's long-term interests in the areas of efficiency and competitiveness.

Earlier this year, Agriculture Secretary John Block urged broad, national participation in a "farm policy dialogue." Such a dialogue, it was said, could have a profound influence on the 1985 farm bill, which will shape farm policy to the end of the decade.

Focus shifted

Since that meeting, the 1983 drought — in combination with PIK — has dramatically altered the agricultural setting. It has shifted the focus from large crop surpluses to sharply reduced harvests and relatively tight supplies.

This complete turnabout seems to have drained some of the momentum out of the policy debate. Indications that large-scale acreage reduction programs might have to be extended to 1984 and 1985 crops are mostly forgotten. Farm program costs will be reduced next year as higher crop prices cut government deficiency payments. Impatience with weak crop prices and rising program costs has given way to calls for increased disaster relief for farmers and concerns about higher feed costs and food prices.

Temporary fixes

As much as the immediate situation has changed, however, it should not divert our attention away from the longer term policy issues, according to analysts. These issues, they say, are crucial to agriculture's future. One serious criticism of policymaking is that is is too heavily influenced by the often temporary circumstances at hand. It happened, perhaps, in the 1981 farm bill, and it could happen again.

Many analysts go further, suggesting that virtually all of our present farm policy tools are a legacy from the past, while U.S. agriculture must operate in a substantially changed domestic and international environment. It would be a mistake, they contend, to continue relying on short-term policy corrections or weather's uncertain agenda.

Rather, they say, the nation must identify the fundamental, long-term changes in policy direction needed to move U.S. agriculture — and a considerable portion of the rest of the economy dependent on agriculture — back toward prosperity in the years ahead.

In this article, USDA economist Patrick O'Brien collaborates with other Economic Research Service analysts to review some of the past policy decisions and current policy issues. The following article traces the New Deal origins of today's farm programs through the words of USDA historian Wayne Rasmussen and three noted economists outside government.

Shortcomings

One of the major shortcomings of U.S. agricultural policy over the last decade has been the tendency to tailor legislation to meet current farm sector needs or an often narrowly conceived notion of future needs.

Allowing longer term policy to be dictated by a current, generally short-lived perspective on the outlook is full of risks. The long-term impact may be substantially different from the intended short-term results. Just as important has been the failure to build into farm programs the greater flexibility needed to deal effectively with increasing farm sector instability.

There are few examples of these two shortcomings as dramatic as the 1981 farm bill. The bill was originally designed to continue the move toward a more market-oriented agriculture. However, because of major changes in the market setting since 1981, it resulted in the largest scale government intervention in agriculture on record. How could this happen?

The impressive growth in U.S. exports over the 1970's shaped the thinking that went into the 1981 Agriculture and Food Act. The idled acreage of the 1960's had been brought back into production during the 1970's, and farm policy was generally geared toward expansion.

Shortages feared

The major concern to many policymakers was not food surpluses but shortages. Many observers were raising serious questions about agriculture's capacity to keep up with the world's growing population and appetite. These concerns were reinforced by the severe 1980 drought which substantially reduced U.S. crop production. Oil shortages also tended to focus attention on limitations in natural resources, including the land necessary to produce food.

The experience of the 1970's was taken as a harbinger of things to come. Expectations of continued high levels of inflation, a weak dollar, and rising oil prices gave credence to forecasts of strong export demand, rising production costs, and the need for full production in the years ahead.

At the time, it seemed reasonable to take the likely increases in the costs of producing farm products into account by raising the safety net of loan rates and target prices for farmers. As a result, the 1981 Act called for annual increases of 4 to 5 percent in target prices and raised minimum loan rates for each of the next 4 years.

Yes, there was some concern about the impact of higher support levels on our competitive position in the world market. But open-market prices appeared quite likely to increase even faster than the farm bill's support levels. Inflation was running at two to three times the rate of the target price increases, and production costs were rising almost as rapidly.

Global demand

Moreover, it was generally assumed that only the United States had the ability to satisfy continued expansion in global demand.

Although occasional years of excess supplies couldn't be ruled out, there were two safety valves: a farmer-owned grain reserve to take temporary surpluses off the

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