Former USDA heads give Farm Bill views

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for people. Market potential is where the people are. World population overseas is growing several times faster than U.S. population, and most of that foreign population is anxious to upgrade its diet.

On the other hand, the domestic U.S. market for food and fiber, as well as in other developed countries, is a mature market. The American domestic market is not likely to expand significantly beyond our U.S. population growth rate.

The productivity of American agriculture continues to increase much faster than the U.S. population. Farmers are producing the food and fiber for the American domestic market–which has nearly a one-third larger population than 25 years ago–with fewer acres than were harvested for that purpose in 1960.

By contrast, the number of U.S. crop acres devoted to producing for foreign markets has increased by three-fourths since 1960.

The 1985 Farm Bill, and American farm policies, should concentrate on expanding agricultural exports in a world that is becoming increasingly competitive. There is no viable alternative. Either U.S. exports will grow or U.S. farmers will have to reduce their production substantially in food grains, feed grains, oilseeds, and cotton. It would be suicidal to ask our farmers to pace their output to the slow growth of the U.S. market while trying to maintain today's modern farm structure, land investments and financing, and the agri-industries that serve American farmers.

If we develop a Farm Bill that helps farmers adjust to new growth and new opportunities, and helps farmers to be competitive in today's world markets, U.S. agriculture will prosper in the years ahead. If we do not alter or eliminate farm programs that are harmful and fruitless in today's market realities, and which will become even more out of step in the 5 to 10 years ahead, farmers will suffer, rural America and its institutions will suffer, and the Nation will be weakened.

1. Non-recourse loans as a safety net. Non-recourse loans have been a part of the U.S. agricultural policy for 50 years, and they have worked well if loan levels are set at or below market clearing levels.

Since 1981, unrealistically high loan rates for most major grain and fiber commodities, in combination with a strong dollar, have priced the U.S. out of world markets, stimulated production abroad, and resulted in a combination of very costly acreage reduction programs and burdensome stocks. We recommend that loan levels be set in such a manner that they will be below season average market prices except in unusual circumstances. In that way, the loan program will protect farmers against major short-term price declines, but not interfere with the longer-term, free working of the marketplace.

2. Authorize the continued use of target prices and deficiency payments. Supplementing farm income through deficiency payments on base acreage instead of price support loan programs has one distinct advantage–it permits commodities to move through normal marketing channels at market clearing prices. A year-to-year buildup of surpluses is less likely. Furthermore, competing countries are discouraged from expanding their production.

Some type of income protection is needed for a time to help farmers adjust. A target price program that gradually adjusts target levels will be less harmful to future export opportunities than a program of high non-recourse loans or a program of idled acres.

Since small commercial farmers ... greatest financial stress, a dollar ceiling should be established on total payments per farm operator. Furthermore, we recommend that Congress not establish specific minimum target levels as was done in the 1981 Act, but establish appropriate guidelines--especially for the second, third, and fourth years. There is simply no way to predict well enough what will happen to suppliers and prices in international markets 3 or 4 years in advance.

3. Reduce need for acreage reduction programs through demand expansion. A primary thrust of U.S. agricultural policy should be to expand demand so that the need for acreage reduction programs, except those for fragile lands, is eliminated. While being used, acreage reduction programs should not be operated to keep prices above support levels.

Government programs that idle U.S. cropland for the purpose of reducing production and raising farm commodity price levels are exercises in futility. These programs fail because they are unilateral efforts by the U.S. to reduce world supplies and raise world prices. People in competing countries watch us closely, and they expand production in response to U.S. actions–thus the effort to raise prices fails. Furthermore, when competing countries expand production and set up increased trade outlets, those are not dislodged easily or quickly. The net result is a gradual erosion of the U.S. share of foreign markets.

4. Redesign the farmer-owned reserve. The Agricultural Act of 1977 required the creation of a farmer-owned reserve for wheat. The 1981 Act continued the program for wheat and also included corn.

Reserves of certain commodities in the hands of farmers should be maintained as a matter of Government policy only for security reasons and for the purpose of providing a reasonable degree of supply and price stability. The quantities should be modest and the maximum amounts should be specified. The stocks should not be obtained through attempts to support market prices. Guidelines for the release and use of reserve stocks should be clearly specified and made consistent with market oriented loan programs.

5. Integrate trade and development activities in a new program to expand exports. Since 1981, U.S. farmers have lost 35 percent of their West European market and 10 percent of their Japanese market. These markets will continue to be important, and we should make concerted efforts to establish international trading rules that will permit us to compete freely and fairly for those markets.

The U.S. will need to look in-

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