Agricultural Policy in the United States: 
From Price Support and Protectionism, to Subsidies, Payments, and Risk Management

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Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium’s (IATRC’s) 2015 Annual Meeting: Trade and Societal Well-Being, December 13-15, 2015, Clearwater Beach, FL.

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Agricultural Policy in the United States: From price support and protectionism, to subsidies, payments, and risk management

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Overview

• Chapter subtitle broadly frames evolution of U.S. support policy

• Underlying themes
  • Most policies originated in 1930s as emergency response to low farm income, but have become permanent
  • U.S. policy evolution has been molded by growing productivity and its impacts on prices—U.S. agricultural support is about surpluses, not shortages
  • Despite their evolutionary path, U.S. agricultural support policies continue to incorporate a wide-ranging variety of approaches

• Approach to chapter
  • Review context and policy foundations of U.S. agricultural productivity
  • Examine typology of U.S. agricultural support policies and their impacts
Abundant land and productivity growth, founded on early policies, influence evolution of U.S. agricultural policy

- **Land and infrastructure**—public land distribution, transportation and water infrastructure, pest & disease control
- **Public research and knowledge transfer**—USDA/land-grant university research and education/extension systems
- **Credit, market information and promotion**—farm ownership & operating loans, outlook program, grading/food safety, market promotion
U.S. agricultural policy includes a wide range of types

- Import restrictions
- Input supports
- Domestic supply management
- Market price support
- Export enhancement
- Domestic demand enhancement
- Direct payments
- Loss compensation
Import restrictions

- Tariffs
- Trade remedies
- Non-tariff measures

U.S. MFN applied tariffs for agricultural products

Input supports

- Irrigation/water systems
- Public-land grazing
- Subsidized credit
- Conservation practices cost-share

Cost-share expenditures for conservation practices

Source: USDA, Economic Research Service using WTO tariff profiles

Source: USDA, Economic Research Service using OECD PSE/CSE database
**Domestic supply management**

- Acreage reductions
- Marketing orders
- Land retirement

**Market price support**

- Direct purchases at minimum prices
- Nonrecourse loans

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**U.S. cropland idled, 1945-2007**

(1000 acres)

Source: USDA, Economic Research Service, Major Land Uses data

**Wheat prices, loan rates, and government stocks**

*Commodity Credit Corporation stocks and Farmer-Owned Reserve

Source: USDA, Economic Research Service, Wheat Data, app. Table 9
**Export enhancement**

- Foreign food aid
- Export subsidies
- Export credits

**Domestic demand enhancement**

- Domestic food assistance
- User payments to processors
- Biofuel mandates

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**Share of U.S. agricultural trade exported under export programs**

**U.S. corn-based ethanol use (billion bushels)**

**Note:** Includes export subsidies, export credits, and food aid

Direct payments

- Deficiency payments
- Marketing loans
- Fixed payments
- Revenue-based payments

Loss compensation

- Disease management
- Crop insurance
- Ad hoc disaster assistance
- Standing disaster assistance

Note: Fixed decoupled = PFC, DP; Price/revenue-linked = marketing loans, CCPs, ACRE, MILC, Dairy MPP; Emergency = Market Loss Assistance, SURE, disaster payments

Source: USDA, Economic Research Service, Farm Income data

United States Department of Agriculture, Economic Research Service
Integrated view across policy types

- Trends in U.S. agricultural support by various measurements
  - CCC/crop insurance—outlays by function and crop
  - OECD—PSE focused on more-to-less coupled programs, CSE, GSSE
  - WTO—AMS by commodity, non-product specific, and green box
  - World Bank NRA, CTE
Farm household income has risen steadily

Farm household income as percent of US household income

Source: USDA, Economic Research Service, Farm Income data; Bureau of Census income data.
Income sources and policy benefits vary by farm size

Benefits can be important to small-scale farm incomes

Average government payment on participating farms ($1000)

Government payments’ share of average GCFI on participating farms (percent)

GCFI = Gross cash farm income.
Additional analysis

• FAPRI projections showing impacts of removing programs on farm income, government outlays, and consumer expenditures