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## Targeting Farm Program Benefits

Our CHOICES panel focuses on one of the most sensitive issues in farming. It is not a new issue. As Harold Breimyer reminds us, the question of tying farm program payments arose in the early years of the commodity programs. Jim Johnson and his colleagues, drawing on the most complete data set available, shows how direct program payments were distributed in 1985. And Dean Kleckner, Dan Glickman, H. O. Carter, and Rudy Boschwitz describe the issue from their perspectives—The American Farm Bureau Federation, the Congress, the University of California (Davis), and the Senate.

Because of the importance of the issue, CHOICES invites you to share your reactions with other readers by sending a letter to CHOICES at 12708 Oak Farms Road, Herndon, VA 22071.

### Little Original Under Farm Policy Sun



*Harold F. Breimyer  
Professor and Extension Economist  
Emeritus  
University of Missouri-Columbia  
His professional career began with  
working in the AAA wheat program  
of 1933.*

Little is original under the farm policy sun. The 1985 Farm Law, enacted after two years of rhetoric calling for a new direction in farm policy, is distinctive not for new techniques but for a major rebalancing among the old.

Most notable is an unprecedented reliance placed on direct Treasury payments to farmers. In the new law direct payments are not only far larger than ever before, but they incorporate to far greater degree an implicit subsidization not only to exports but also to livestock and poultry feeding.

Direct payments were advocated in the earliest years of farm programs. Advocates held that if farmers' incomes were too low, the sensible thing to do was to pay out Treasury money.

However, John D. Black and other architects of programs objected, partly on moral grounds. Even more they believed payments proportionate to farm size would add to oversupply of commodities, setting a ratcheting in motion wherein each further depression in prices would require bigger payments. Moreover, Black and others preferred commodity adjustment, and they wanted to use payments to induce individual farmers to participate.

The outcome was a compromise. Payments then and since have variously served to bolster farm income and pay for acreage reduction.

As payments under the 1985 law balloon while commodity markets are saturated, calls are heard once more to give up on commodity management and just pay out dollars to beleaguered farmers. Some advocates ask that payments be targeted to preferred categories of beneficiaries. Publicity about multi-million dollar individual payments strengthens their case.

#### **Mixed Objectives and Multiple Role**

In order to examine the issues in direct payments, a starting point is to set aside special-purpose payments such as indemnities in crop insurance, cost-sharing for carrying out conservation practices, and the occasional disaster payments. They are

not considered here.

Other payments under the current program combine inducement and reward for idling land; supplement to farmers' income, which applies particularly when commodity management falls short; and an implicit subsidy to all utilization of a commodity, both in foreign trade and domestically.

Payments are offered for idling land according to two sharply different principles. The first is just payment of the equivalent of rent. The Conservation Reserve is straight rental. So is the paid-diversion option in several commodity programs. Money, or commodity in-kind, is paid at a per-acre rate for taking cropland out of production.

The second principle is as complex as the first is simple. Idling of land is induced by a promise that if market price proves to be below a specific target price, the farmer will receive a deficiency payment. The target price level, and therefore the size of the obligation for deficiency payment, is calculated from some concept, however vague, of what farm income ought to be. It is a system-wide, aggregate concept.

At this point ambiguity sets in. The deficiency label reeks of the transfer payment idea. According to it, farmers get the payments because their incomes are too low. Hence, in the popular image, direct payments are transfer payments, a bounty to farmers. Hence, too, the objection to giant size of some individual payments.

Farmers and program-makers look on direct payments primarily as a return for idling land. Manifestly the payments, or promise of them, serve this second purpose.

But more ambiguity appears. Payments are contingency in nature. They will be made only if the acreage reduction for which they pay is not fully successful.

A sidelight is that if the program actually were to lift market prices to the target level, participants would get no differential benefit, and the free-rider syndrome would apply. Contrariwise, and paradoxically, only a prospect of non-success makes it possible for deficiency payments to play the dual role of inducing acreage reduction and themselves contributing to guaranteed minimum incomes.

But that is not all. Insofar as deficiency payments (or promise of them) constitute a reward that brings farmers into programs, a limit to payment size discourages the larger farmers from participating. Anticipating this quirk, writers of recent farm laws provided that to whatever degree a limit takes effect, the farmer is excused from further idling of land.

The outcome is that smaller farmers contribute disproportionately to land idling. Large farmers get a cap on their idled acreage, yet are eligible for support loans on all their production. If the program is at all successful, they realize the higher price on all their larger output.

#### **Implicit Subsidization**

As though the features of direct payments have not been complicated enough these 50 years, drafters of the 1985 farm law added, or amplified, a further feature. More than ever before, commodity loan rates were dropped low for the specific purpose of stimulating utilization. It promotes both foreign sale of export commodities and domestic utilization, too—so significant to feeding of feed grains and soybean meal to livestock and poultry. It's enough to cite the poetic line about "Oh, what a tangled web we weave . . ." though any deception arises

from complexity, not by design.

### Summary and An Attempt at Synthesis

During most of the half-century of farm programs, storage loans have been viewed as the principal instrument of commodity programs. Deficiency payments were only incidental supplements and did not generate much hubbub. To be sure, they were recognized as an additional attraction that would help bring land into a reduction program. As such they were regarded as less costly to government than outright rental, because they were contingency and would not have to be paid in a good price year. Rents, by contrast, would always be paid.

Direct payments are so much more in the spotlight now because so many more objectives have been hung on them. Also, under the current law and in the present setting, they are so very costly. A synthesis of the component parts of direct payments is attempted here, as a starting point for analyses that are needed preparatory to any revision of the 1985 farm law.

So long as the farm economy remains far out of balance, a case can be made for addressing acreage reduction as such, separating it from deficiency payments. Acreage reduction can be brought about by mandatory allotments or by voluntary, straightforward, land rental. Rental programs, in turn, can be non-commodity-specific, as the Conservation Reserve, or paid diversion commodity by commodity. Rental payments in either case would presumably be at a minimum rate. Their size would not be subject to a limit, as participation is sought from large as well as smaller farms.

If land for idling is rented outright, deficiency payments are confined to two roles. One is to offset loan rates that are deliberately set at a sub-equilibrium level so as to subsidize utilization, particularly exports. This component of payments probably ought not be limited in size.

The second role is the one that is truly consistent with the term, deficiency. If a further contribution to farmers' incomes is sought, payments can be made or increased for the purpose and may well be targeted. It might be supposed that this component of payments would be designed to be of most aid to moderate sized, full-time farms that are in severe income trouble. In any case, the targeting idea is appropriate.

To all this synthesis, a major caveat must be added. If prosperity were to return to agriculture, so that modest acreage programs would restore acceptable commodity prices, the rationale for direct land rental weakens. In that case deficiency payments as contingency might be adequate. They would be highly saving of government cost.



## Direct Government Farm Program Payments Distribution Targeted To Production



*James D. Johnson, David E. Banker, and Mitchell J. Morehart, Agricultural Economists Economic Indicators Branch Economic Research Service*

Prior to 1983 direct Government payments averaged 1 to 2 percent of the gross cash income of U.S. farmers. Since then, prices of basic commodities have dropped, commodity pro-

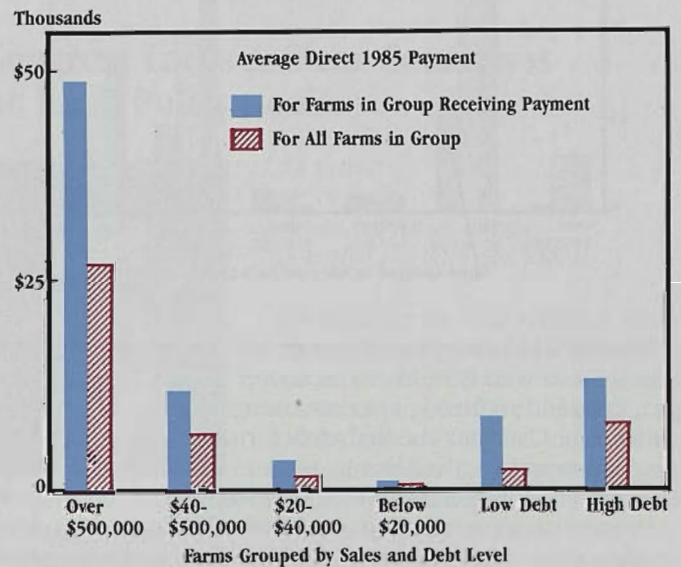
gram participation has increased, and total Government outlays on an annual basis—direct payments, commodity loans and dairy purchases—have increased dramatically, rising from nearly \$7 billion in 1981 to \$22 billion in 1985 and to nearly \$25 billion in 1986. Because of increases in deficiency payments and the addition of new programs such as the Conservation Reserve and marketing certificates, direct payments have risen as a proportion of total outlays and could total \$13 billion in 1986. Consequently, 1986 direct payments could account for nearly 9 percent of the gross cash income of U.S. farmers.

### Payment Distribution by Size

We do not yet have information on how the \$13 billion worth of 1986 payments were/are being distributed among farmers. However, the 1985 data from USDA's annual Farm Costs and Returns Survey showing the distribution of payments for 1985 are good indicators.

The largest payments, on average, went to farmers with sales of farm products of \$500,000 or more. Slightly over half of these farms received checks in 1985 averaging \$49,000 (figure 1).

## The Highest Payments go the the Largest Farms and Those with High Debt in 1985



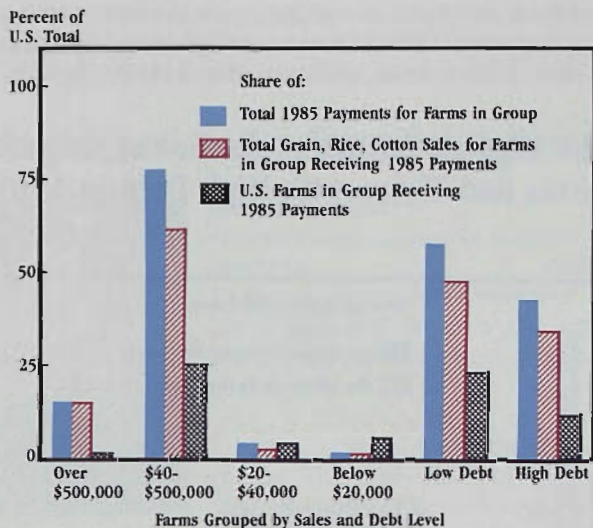
These farms received about 15 percent (figure 2) of total program payments and accounted for about 1 percent of all farms. The farmers receiving payments accounted for approximately 12 percent of crop and livestock sales by all farmers and about 15 percent of grain and cotton sales. They also accounted for slightly more than one tenth of the cropland removed from production through acreage reduction programs operated as a part of program participation requirements. Government payments accounted for about 5 percent of recipient's gross cash income.

Farms with total sales of \$40,000 to \$500,000, did not receive the largest individual payments. However, together this group of farmers received nearly four fifths of total program payments. While program participants in this group accounted for less than one fourth of all farms, they accounted for over one third of total crop and livestock sales by U.S. farmers and more importantly they accounted for nearly two thirds of grain and cotton sales. They also withheld three fourths of all the land removed from production under acreage reduction programs. A larger share of farms in this sales class took part in the government programs than did farmers selling more or less in

1985. Government payments were also very important for recipients in this group accounting for nearly 9 percent of gross cash income.

The smallest 48 percent of farms, those with sales less than \$20,000, received 2.2 percent of payments. These payments accounted for over 12 percent of gross income of participant farmers. Recipients in this class had about 1.0 percent of grain and cotton sales, and removed 2.8 percent of the cropland under acreage reduction programs. Thus, the data demonstrate program payments are geared to production of the farm program commodities—primarily grains and cotton.

## Largest Share of Total Payments go to Farms with Sales of \$40,000 to \$500,000 in 1985



The 1985 data also shows that over half of the farms with high debt—those with debt/asset ratios over .4 participated in the programs and received payments averaging about \$13,000 per participant. Over half the high-debt farms receiving payments also had negative cash flows in 1985. In total high-debt farms received about two fifths of total payments.

In contrast, approximately one fourth of the farms with lower or no debt—with debt/asset ratios less than .4—participated. Their average payment was \$9,000.



## Targeting Is The Latest Bumper Sticker



Dean R. Kleckner  
President  
American Farm Bureau Federation

The \$25 plus billion of federal farm program spending for fiscal 1986 has once again refocused political attention on the distribution of federal benefits to farmers. Those who advocate the "targeting of benefits" to farmers "who truly need" them ignore the basic problem with political solutions to farm problems.

Political solutions are generalizations aimed at the "grand average farmer." Any grand average by definition means there

are some above and some below. Farm programs are no exception.

At one extreme are farmers who produce large volumes of output and thus are eligible for large government benefits. At the other extreme are some producers whose volume is so low that government program benefits are meaningless. Their income can never be improved no matter how high Congress jacks prices.

Congress has traditionally shied away from giving farmers direct payments to make up the difference between market prices and the higher target prices set by Congress. In addition, Congress has been reluctant to give payments to farmers for "not producing" food and fiber.

Instead, Congress really wants the best of both worlds, large supplies of food and fiber, higher prices to farmers and low budget costs. These three objectives do not fit.

Present programs are really a hodgepodge of payments to farmers for "doing things." Treasury checks go to farmers for conservation cost-sharing, indemnities in crop insurance, as disaster payments, for retiring land from production and as income supplement. In addition, when farmers default on CCC commodity loans the government has issued still another check to the farmer participating. A substantial portion of the explosion in farm program cost has been defaults on loans. If the devotees of targeting are serious, they will need to "target" the use of CCC loans and the other policy tools used to administer government farm programs.

In shifting farm programs away from direct income subsidies to assorted payments to farmers for "doing things" about production that constitute the federal farm program operations, Congress and policymakers should not be so alarmed that cost escalated and benefits tend to be skewed toward where the production takes place.

The battle cry of government spending reformers has for years been to target the "truly needy." If this standard were applied to the Social Security recipients the budget problem would shrivel, since many of the elderly are not truly needy. Student loans were "retargeted" to the truly needy and the proposal was quickly modified. The net worth eligibility test or the "means test" is too hot a potato for Congress, because it is the middle and upper middle classes that produce the wealth that Congress likes to redistribute, part of which goes back to these groups. Targeting program benefits away from these groups would be the moral equivalent of biting the hand that feeds it. This is why Medicare subsidies and Social Security checks flow to 35 million Americans, only a portion of whom are "truly needy." This cycle will never be broken by a Congress organized for distributing special interest benefits, while taking from those who produce.

Targeting farm program benefits will get a lot of discussion, because it is the latest "bumper sticker" policy proposal. But when the dust settles politicians of both parties will shy away from taking benefits away from "less needy farmers" in order to give them to another group of "more needy" farmers.

In short, there are plenty of ways to target but my guess is that the political will to do it will be missing when its time to count the votes. If the new Congress just has to "do something" to help farmers, it should stay the course on the 1985 Farm Bill and not be so shocked that this law that passed the Democrat-controlled House by a 3-to-1 margin contains some of the essential features for aiming U.S. agriculture at true long-term health—market dependence, not government dependence.



## Targeting Farm Payments in the 100th Congress



*Dan Glickman  
Democratic Congressman  
from Kansas*

Targeting farm program payments is an idea whose time has, finally, come. First seriously proposed during the 1985 Farm Bill debate, those attempts were unsuccessful because they were politically premature. While the intellectual case for targeting had been established, the few farm interests supporting targeting then did so tepidly and, in the case of the House debate, only when it was linked to the marketing loan. The agriculture community in general turned its political energy to beating back the Reagan Administration's agenda. Ironically, the measure of its success in doing so, the \$25 billion plus spent on commodity programs in fiscal year 1986, is largely responsible for creating the political "critical mass" which has put targeting at the top of the agricultural agenda in the 100th Congress. Even a limited attempt to comply with the Gramm-Rudman budget balancing bill will require that all spending categories of government be reduced unless the President and the Congress agree to raise revenues as a way to meet those targets. If agricultural programs are on the chopping block, targeting benefits means that those who need the program benefits will suffer the least.

Urban Members who have been vital to the urban-rural coalition which has rescued agriculture from the budget assaults of the past six years are bracing for yet another round of mammoth cuts to programs vital to their constituencies. So steady has the increasingly negative barrage of publicity become, that on the same day those Members are asked to vote in favor of farm spending, meaning reducing monies available to their districts, it is not unlikely that they will have read yet another story demonstrating how the lion's share of payments go to the largest, and arguably the least in need, producers, not the family farmers for whom they voted in the past.

The ingredient missing from the 1985 Farm Bill debate which kept mainstream agriculture from supporting targeting is present in abundance today: political necessity. Targeting is preferable to retrenchment in defense of existing programs which enjoy declining support even among farmers, to say nothing of the growing restiveness of agriculture's political allies. Also, targeting is preferable to attempts at a wholesale rewrite of the 1985 Farm Bill, especially since the most touted alternatives, either a severe drop in target prices or stiff, mandatory production controls, are deeply divisive and there exists only a narrow window of political opportunity prior to the jockeying which will accompany the 1988 presidential campaigns. In addition to its political appeal at this moment, the two most discussed forms of targeting income support payments make imminent policy sense.

In 1985, advocates of targeting pushed proposals which would have tiered income supports. By so doing, some producers, the smallest and medium-sized in terms of production, would have received the maximum level of payments on all of their production. The largest farms would have received successively smaller payments per unit of production. This approach to targeting presumes that production is an accurate gauge of economic need and worth of receiving federal help and that smaller producers should be kept "whole" in comparison to the declining levels of deficiency payments made on

larger per-farm levels of production.

A second approach holds that as opposed to targeting per-farm production, income support payments should be targeted to national production. For example, as opposed to paying on a farm's total production, a farm would receive income supports only on that production commensurate with the farm's proportion of total domestic need. Production in excess of that amount would not be eligible for income support payments, and would also not be prevented. As Congress learned early in 1986, in revising the so-called 50/92 option, uses of land which presumably might be free of program crops under such a program are extremely controversial. In addition, this approach would still tend to funnel the largest payments to the largest producers.

While any form of targeting is not without drawbacks and complexities, few would argue that the present program is flawless either. Targeting is being incorporated into the lexicon of even the mainstream farm groups, a heartening signal to those of us who firmly believe in its merits. For it is to them that those of us who have carried the conceptual ball in the last few years must now look for the answers to the problems of details of implementation and administration.

## Congress Lacks A Clear Consensus on Farm Policy Goals



*H. O. Carter  
Director  
Agricultural Issues Center  
University of California, Davis.*

Subsidies or income transfers have been an integral part of U.S. farm programs since the 1930's; only the form and level of benefits have changed. Rising farm productivity has resulted in excess agricultural production and associated low market prices deemed unacceptable by farmers and their elected officials. The response has been mainly to devise voluntary programs to coax farmers to reduce their burgeoning production as a means of raising farm prices and incomes to levels above what the market would otherwise provide.

Since program benefits have generally been targeted to farmers on the basis of output, it's no revelation to find that the primary recipients are the larger, more efficient farms that produce most of the agricultural output. For example, in 1984, 1.6 million U.S. farms or 70 percent of the total could be classified as *very small or part time* (less than \$40,000 sales). They accounted for 10 percent of the cash sales and received 11.3 percent of government farm payments. All of their positive household income was derived from nonfarm sources. Conversely, the other 30 percent—roughly 700,000 farms comprise what might be called the commercial farm sector. Of this commercial group, about one half could still be considered relatively small farms (sales of \$40,000 to \$99,999). This group accounts for only 16 percent of farm sales, receives 22 percent of the government farm payments, and earns on average about 60 percent of their household income from nonfarm sources. As a group, these smaller farmers are declining in numbers partly because they are not large enough to compete with their larger, more efficient neighbors.

In California the numbers are even more skewed and are probably indicative of what the U.S. farm size/income distribution will be in 10-15 years. The *very small* quasi-farms are also 70 percent of the total number but account for only 3.5 percent of the sales. Ten percent of the farms fall in the *small* category (\$40,000 to \$99,999 sales) and represent 4.4 percent of total farm sales. Thus, California farms with sales above \$100,000 (20 percent of total farms) produce about 92 percent of the agricultural output. Again, program benefits are roughly proportional to output.

Clearly, if the main intent of commodity programs is to provide income support to the *very small* and *small* family farms, then the programs are well off their mark. But, if the intent is to target the payments to those farmers that have the most potential to reduce surplus capacity, the aim is better. Payment limitations, even if strictly enforced, will simply limit participation by the farmers producing most of the output and contribute little to solving the oversupply problem. In reality, preoccupation with payment limitations by Congress reflects a lack of a clear consensus on farm policy goals.

Continuing the present policy course raises an important question: how resolute will Congress and the U.S. taxpayers be in paying commercial farmers for the removal of excess domestic production when much of the rest of the world is also producing at surplus capacity. Increased productivity growth, particularly with recent biotechnology developments and more on the horizon, is more than likely to offset any increase in demand from modest U.S. population gains; thus, total cropland needs sufficient to meet domestic consumption will be further reduced in the coming years. With similar population and technology trends in other industrialized nations and with increasing self-sufficiency among many traditional importing countries, export markets offer no panacea outlet for domestic supplies. Accordingly, if society is neither willing to continue providing farmers ever increasing levels of government payments nor to accept considerably higher consumer prices, then overcapacity must be dealt with by some other means—namely through the market.

A transition to a market-oriented agriculture could be initiated by amending the current program to ratchet down target prices to loan levels (reset each year at or near world prices) within (say) five years. This could be coupled with a more ambitious conservation reserve program to help meet environmental needs as well as cushion the income adjustment period. A revival of whole farm retirement programs similar to those used in the 1950's and 1960's, but targeted at small and marginal farmers would also provide transitional support. For the 1.6 million very small and part-time farmers, assistance, where needed, must be targeted at revitalizing rural communities, through job creation and improved social services.

Ideally, similar policy changes would be sought in international negotiations with other countries facing the same overcapacity problem. If other countries follow our lead, the adjustment process will be shorter and less painful for all concerned.



## 'Decouple' Supports First; Then Target Benefits



Rudy Boschwitz  
U.S. Senator from Minnesota

A lot has been said lately to the effect that government farm program benefits should be more closely targeted to certain groups of farmers. I support that general thrust because a lot of our current farm expenditures go to people who don't particularly need the additional income. But I think it is unrealistic to expect that modest steps such as tightening down the payment limit while leaving the rest of the farm program untouched will accomplish much. I doubt that it would save the government much money or go very far toward reducing the inequities among farms in the distribution of program benefits.

The problem is that farmers have strong incentives under existing law to subdivide farms in order to qualify for multiple payments. This pressure would be exacerbated if we try to do greater targeting within the present farm program framework. I expect that many crafty rural attorneys would find ways around any new rules.

My belief is that we must change the farm program framework by breaking the link between income support payments and the requirement that a program crop be planted. Many people refer to this as "decoupling." Once decoupling is accomplished, then program benefits can be targeted sensibly and effectively.

Several conditions must be met in order for decoupling to work well. First, payments should be made according to some historic measure of base and yield, both of which are frozen. This approach has a major implication for making targeting work. If a farmer received no benefit in the past, he would be eligible for none in the future. Thus, if a farmer tried to split up his farm into several units for payment purposes, he would discover that none of the new farms would be eligible. They had not received program benefits historically, so they would not now be granted the right to receive payments. This would remove the incentive to subdivide farms and make it easier to direct payments to the desired recipients.

A second condition is that the farmer should be able to receive his income support payment (based on what he received in previous years) regardless of what he plants in the current year. Payment would be made even if he decided to plant nothing. This would free up the farmers to plant what makes sense rather than locking them into a government-dictated planting pattern. Current law does a great job of inducing farmers to plant the full amount allowable on their bases regardless of the market price. This system has moved U.S. agriculture uncomfortably close to the type of centralized planning used in the USSR. Bureaucrats at USDA are no more qualified to tell farmers what to plant than are bureaucrats in the Kremlin.

A third condition to make decoupling successful is to provide a definite payment which will not be reduced if the market price should rise above the loan rate. The fear that a payment would be taken away if the price goes up would be a strong inducement for many farmers to continue producing the full amount of their program crop. This so-called "upside provision" allows farmers to benefit from upward price movements. We almost got this in the 1985 Farm Bill. I introduced it in the Senate and it was in the Senate version of the bill, but it

was dropped as a mandatory part of the bill during the House-Senate conference committee deliberations.

If these conditions were met, it would be straightforward and justifiable to phase out direct payments to farmers over some period of time. If a farmer knew that he would receive a definite series of declining payments over 5 to 10 years, he would be able to plan his farm operations accordingly. Although I believe that the government has an obligation to help farmers through several difficult transitional years, I do not believe that we should be in the business of making perpetual income transfers to the farm sector. This approach would serve both the farmers' and the government's interests during the transition by making the payments completely predictable.

The farm bill I introduced with Senator David Boren in 1985 would have reduced payments by half over a six-year period. After that, payments would have become subject to the discretion of the Secretary of Agriculture.

The overall effect from decoupling the income support in this way would be to eliminate the production incentive that currently comes from the target price and the deficiency payments. The present farm programs with their incentives to produce coupled with set asides to allegedly control production remind me of driving a car with one foot on the gas and the other on the brake. You can get away with that for awhile, but our brake linings are getting thin!

An interesting conclusion from the decoupling concept, given the current low prices, is that farmers might choose to leave a lot of land idle if they were free to do so. This becomes clear when we realize that corn prices in much of rural Minnesota, for example, are between \$1.00 and \$1.20 per bushel. Yet, the variable costs of production are roughly \$135 per acre. If a farmer gets a yield of 100 bushels per acre at a buck a bushel it's worth \$100, so he'll have lost \$35 per acre.

But, our present program makes him sustain that \$35 loss in order to be eligible for a deficiency payment of over \$100 per acre. This farmer would have a \$35 increase in income per acre if he planted nothing and was still able to receive his deficiency payment. On top of that, the government may well save money by running the program that way because there would be less surplus to go under loan, be stored, etc.

So, I'm advocating a program that could end up taking a lot of land out of production. Does that make sense? I think it does because it would be economic forces taking land out of pro-

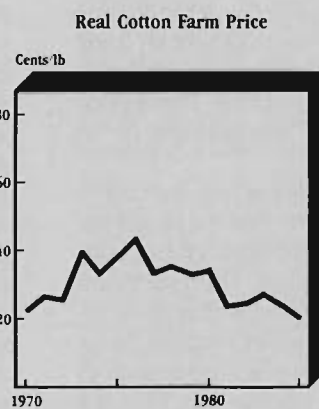
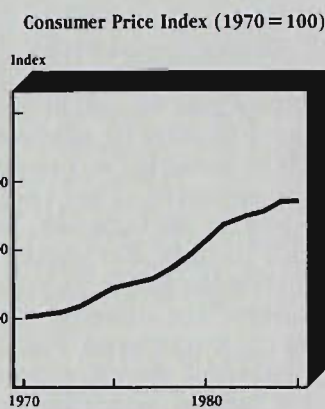
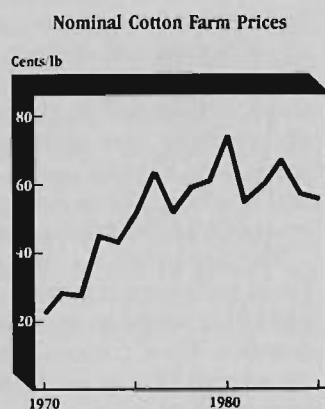
duction, not an arbitrary government program. In fact, this change would make it feasible to end annual acreage reduction programs altogether, perhaps lower target prices and rely solely on the conservation reserve. It would allow farmers to make a significant supply adjustment by their own choice and then bring land back into production when conditions improve. Such a program would allow for much more efficient resource use than is now happening.

Another point about decoupling the payments is that it would make our domestic programs much more compatible with free trade in agriculture. Making these changes would complement our efforts in the latest talks under the auspices of the General Agreement on Trade and Tariffs. Not only would our programs be in the best interest of the U.S. domestically, but we would have fashioned a system of income subsidies which have no effect on production and, thus, cause no trade distortions. Moving our domestic policies in this direction could well increase our leverage in the GATT negotiations.

Now back to targeting for a moment. It isn't hard to see how targeting could fall into place quite nicely if we can first decouple income support from the need to plant. Only existing farms could qualify for targeting. New ones simply wouldn't be eligible no matter how or why they were created. The targeted farmer (along with all others) would be free to make the most efficient use of his resources based on his farm's capabilities and the realities of the market. (It is nice to think that, if we are going to target certain farmers for special assistance, we will at least allow them to operate efficiently.) On top of this, the targeted farmer would have the certainty of knowing he would get a definite (albeit, likely a declining) series of payments over several years.

If policy makers a few years down the road felt it prudent, the act of decoupling now would make it easier to have targeted payments for a smaller and more select group of farmers in the future. Perhaps such targeting could be done solely on the basis of a means test relating to income or other factors. If we don't decouple and instead continue to make payments related to bushels of current production, it would be much more difficult to shift to any type of means test.

The policy changes I've outlined would allow the U.S. commercial agricultural sector to produce and flourish, while providing needed economic support to deserving farmers during the transitional years. **C**



## Will the Real "Figures" Stand Up

In the Centerfold of our fourth issue of CHOICES we placed "1970" on the wrong tick mark of the figures. This made the plotted data appear to cover the years 1960 to 1990. However, the graphs really relate to years 1970 to 1985 and this is how "Bill" Herndon described the data. Thus, we reprint the real figures with "1970" in its correct place.