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*each of the Presidential candidates to identify a resource issues on behalf of their candidate. Senior Advisory Council of Rural USA, Bush-Quayle Agriculture Committee, to address policies needed in commodities • Rural people and communities • Natural resources (environment)*

**A**griculture has been important throughout U.S. history and today the food and fiber sector is the Nation's largest industry accounting for nearly a fifth of total employment and a fifth of the Gross National Product. The link between agriculture and the 27 percent of the U.S. population living in rural areas remains strong even though rural America has become increasingly dependent on nonagricultural industries. Farm programs can make a difference, and it is important that future policies focus on expanding demand for farm products and ensuring competitiveness. However, the single most powerful force for improving the economic situation of the farm and rural population is a strong, growing national economy which provides a favorable macroeconomic environment for stable market growth.

## Farm Commodity Policy

U.S. agriculture has experienced a remarkable turnaround since 1985. The dismal legacy of the 1970's—recession, inflation, high interest rates, an overvalued dollar, and uncompetitive farm prices—triggered the worst farm depression since the 1930's. After a painful struggle to bring inflation under control, the U.S. economy is now in its sixth year of economic growth, providing a better environment for agriculture with low-to-moderate inflation, and falling exchange rates.

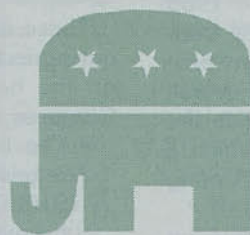
The Food Security Act of 1985 restored market-oriented, competitive pricing of farm products. Under the improved macroeconomic climate and aided by the 1985 Act, U.S. agriculture has regained its competitive edge and has once again prospered. Commodity prices have been more flexible, enabling American farmers to compete in world markets. Export assistance programs have been enacted to offset the export subsidies of other nations.

The 1985 Act helped U.S. farm products regain market

## A REPUBLICAN VIEW

### *Build on the 1985 Farm Bill*

by Robert B. Delano



share. Over the past 2 years, U.S. agricultural exports have increased nearly a third. The U.S. share of world grain trade has increased from 35 to 50 percent, an impressive recovery of lost markets.

The importance of export markets to U.S. farmers and the farm economy cannot be overstated. Last year U.S. exports accounted for the production of nearly

100 million acres—about one-third of total U.S. harvested crop acreage. U.S. agricultural trade will have a positive trade balance of \$13.5 billion this year, helping offset the overall trade deficit, and agricultural exports will generate about one million fulltime jobs.

The 1985 Act has also expanded domestic markets for U.S. farm products. Last year, domestic food use for wheat and rice were record high; soybean crushings also reached a record; and, domestic corn use was the second highest ever.

Expanded markets, both export and domestic, contributed to record net cash farm income in both 1986 and 1987. Farm prices have improved and crop surpluses have been reduced. Although the drought interrupted the progress achieved under the 1985 Farm Bill, the stage is set for continued expansion of markets in the future.

The 1990 Farm Bill will determine the future direction of the U.S. food and fiber system. Policy should be demand expanding rather than supply restricting. The inefficiencies inherent in supply control policies dictate this choice. The remarkable productivity of American farmers requires expanding markets and a competitive pricing policy, otherwise surpluses build and the farm economy shrinks. Domestic markets have not historically kept pace with farm productivity, so export growth must be encouraged if farming is to prosper.

Future programs must build on the best parts of the 1985 Farm Bill—the parts that have worked. Future programs must be increasingly flexible. Prices must be permitted to reflect market conditions, whether in surplus or shortage. History has shown that artificially high prices determined by the Government erode our share of overseas markets and put our domes-

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tic users at a competitive disadvantage. Programs must also allow farmers to plant crops in response to market needs.

Flexible programs will allow U.S. farmers to produce what is needed and profitable, and to compete, affording the market growth needed for the ever more productive U.S. farms. We must not forget that the benefits of growing markets go beyond farmers alone to rural businesses and communities, creating more jobs and greater economic activity throughout the food and fiber sector.

The Democrats' farm platform states that tighter supply controls and higher farm price support levels are needed. Tighter supply controls would set aside vast acreages of productive farmland in order to force farm commodity prices up. As prices move up, demand would fall both at home and abroad. The results would be a smaller food and fiber system, fewer jobs, and less economic activity and, consequently, a comparatively poorer rural economy. The cost of farm programs would be shifted from taxpayers to consumers via higher food expenditures. Foreign consumers would turn to other suppliers.

This parochial view of farm policy ignores the complex and international character of our farm economy. With tighter supply controls, the livestock and poultry industry, farm input suppliers, food processors, distributors, wholesalers and retailers would suffer lower sales volumes and job reductions. U.S. food processors would become less competitive compared with foreign firms. Higher U.S. prices would encourage higher foreign production, and the U.S. share of world markets could only be maintained with massive export subsidies that would likely cost more than current programs. Imports of both raw commodities and processed products would rise unless accompanying protectionist legislation was passed, leading to retaliation by other countries. World agricultural trade would spiral downwards and damage the global economy. Developing countries with large foreign debt obligations would be particularly hard hit.

Considering the consequences of tighter supply controls, it is imperative that farm programs beyond 1990 be flexible and market-oriented—that American farmers be allowed to compete in world markets. U.S. farmers are the most productive in the world, each one providing enough food and fiber for 120 people. The growth of American agriculture should not be stifled, especially since many less developed countries depend upon the United States to fulfill their food needs.

Another element needed for future commodity programs is increased emphasis on expanding the uses of farm products, both existing and new uses. Modern technology holds the promise of new uses for many farm products already, such as biodegradable containers made from corn or nonwoven fabrics made from cotton. Great marketing progress has already been made and should be extended for advancing high-value agricultural products. Finally, to insure the competitiveness of future commodity programs, export market development and assistance programs should be made available to build customers and to counter large export subsidies by competitors.

## Rural Communities

Rural America has a major stake in policies that promote overall economic growth, low inflation, low interest rates, and exchange rates favorable to export growth. Communities that were hard hit earlier this decade by the decline in energy prices and in the farm economy are now showing increased

employment and reduced poverty levels. Employment growth in the rural South, West, and Northeast equaled or exceeded the national average during 1987 and 1988, with manufacturing job growth a major factor. The Midwest has shown strong employment growth in construction, retail, and financial sectors. Even though poverty rates in rural areas have dropped recently, more can be done to encourage rural economic growth. Experience has shown that large-scale public grants for development of a region often

trap resources in inefficient businesses or locations. Site-specific infrastructure investments often result in the bidding of jobs from other communities with no net national gain in the long run. Policies which protect certain industries can produce short-term gains in employment. However, long-run gains cannot be built on subsidies which favor the few or protect industries from a highly competitive world economy. Not only are these policies costly, they stifle creativity, entrepreneurial development, and structural change.

A key role for future Federal programs should be to help improve the knowledge and skills of the rural workforce. Rural communities that are adversely affected by global competitive forces often are unable to capture the benefits of improved education and occupational training programs because those benefiting from the programs find employment elsewhere. Thus, local and state funding of these programs falter. Yet improvements in human capital resources are fundamental to the economic well-being of the Nation as well

as for stimulating rural development.

Rural communities are extremely diverse and are best able to identify local economic opportunities and muster the needed resources. Sometimes the cooperation of several neighboring communities is needed to generate the requisite resources, to keep costs low, and to attract new business capital. There can be a Federal partnership role in areas where community interest is high and new business startups have the potential to stimulate economic growth and employment.

This Federal partnership can take the form of reducing information barriers for private investors or by taking other steps to assure the availability of financing for rural development and technical services. The Federal/State/community partnership can also take the form of aiding local communities to realistically assess the community environment, identify specific competitive opportunities, and marshal their resources. Communities which demonstrate this type of commitment and leadership can better pursue local economic development options.

An example of the importance of local community commitment is the town of Broken Bow, Nebraska. Faced with bank and business closings, the citizens of Broken Bow initiated a self-help effort to aid new local businesses that built on unique local conditions and resources. There have been several suc-

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Successful startups, offering young people employment opportunities in their hometown. The key has been organized community leaders who were motivated to take advantage of competitive opportunities.

Fostering growth in rural communities will take commitment at all levels. The Federal role in this partnership is principally one of commitment to expanding export markets for farm commodities, encouraging international trade and world economic growth, and maintaining a strong U.S. economy.

## Natural Resources

Conserving soil productivity and protecting groundwater quality are the major goals of a natural resource policy. The Food Security Act of 1985 created the Conservation Reserve Program, which when fully implemented will convert as much as 45 million highly erodible cropland acres to grasses and trees. The Act also requires that farmers follow conserving practices if they wish to receive government program benefits. These programs are essential for protecting the Nation's valuable resources.

Chemical contamination of groundwater is a growing national concern. Groundwater contamination by fertilizers or pesticides has been reported by 40 states. Groundwater provides half of the Nation's drinking water and nearly all drinking water in rural areas. Farm families are directly affected by this threat and are willing to improve their chemical management. Information is needed to help them do so, rather than the heavy hand of regulation.

Research and information programs leading to prudent use of agricultural chemicals are needed to protect the quality of surface and ground water. This can be accomplished with Federal support and cooperation by farmers; agricultural, conservation, and environmental organizations; the chemical industry; and agencies of government at all levels. Research and information on the ways agricultural chemicals are used, the costs and benefits of their use, the parts of the environment and food chain which are affected, and the location of greatest risks all need to be expanded and made accessible to farmers and the public. Less harmful products need to be developed, and non-chemical and low-risk chemical management practices need to be adopted.

The American farmer knows first hand the importance of soil conservation. Stewardship of land resources is more than good business; it also means less soil erosion, improved water quality, better wildlife habitat, and increased tree production. Much of what has been accomplished has been a result of voluntary efforts. To ensure continued progress, the 1985 Farm Bill provided the strongest possible incentives for producers to work with government to develop conservation plans and apply conservation systems to agricultural lands.

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Significant progress has been made in reaching the goals of the Conservation Reserve Program. Nearly 26 million acres

of highly erodible cropland are now enrolled, reducing soil erosion by 535 million tons annually. The sodbuster, swampbuster, and conservation compliance provisions of the 1985 Act have focused on important soil conservation issues. Future policy should take a look at other resource problems. For instance, swamp land or sinkholes are not presently eligible for the Conservation Reserve Program because they are not highly erodible. Yet, farming this type of land poses a potential threat to groundwater quality.

## Food and Nutrition

Food assistance programs for disadvantaged members of society has grown into a major responsibility of the Federal Government. Food assistance outlays have risen 50 percent since 1980 and now exceed \$21 billion, accounting for more than 40 percent of the U.S. Department of Agriculture's budget. In addition, surplus government commodities valued at \$5 billion were donated to the needy during the 1980's. The Food Stamp Program, the largest food assistance program, provides benefits to 19 million people. The Federal Government will continue to protect the wholesomeness of the food supply and provide information on nutrition.

Food assistance should be targeted to those with low incomes and to those with special needs such as the elderly, pregnant women, and children. Strong efforts must continue to improve the efficiency of the programs, reduce administrative costs, and stop fraud and abuse of food programs, so that the truly needy reap the entire benefits of the programs. During the 1980's, fraud and abuse of food programs has been reduced by over \$1 billion. Donations of surplus government products should be handled carefully to avoid displacing commercial sales and damaging private businesses.

Regardless of the level of outlays for food assistance, a strong economy with growing employment ultimately contributes more in terms of dignity and self-sufficiency than any food program. The reliance on food stamps has steadily declined since 1983 as the economy has improved.

The steady drop in the rate of unemployment and poverty in that time has enabled more Americans to purchase more food, and more nutritious food. A strong economy with low rates of unemployment and inflation, and continued gains in per capita income mean that Americans now spend less of their income on food than at any other time in history. 