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Did the 1995 Farm Bill Address the Critical Issues? Discussion

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ABSTRACT

In 1995, for the first time since the 1930s, the United States failed to pass new farm program legislation. The inability to pass farm legislation occurred despite bipartisan agreement that farm programs should continue the trend over the past decade of less government intervention. This paper discusses the sequence of events, the role of agricultural economists, the major issues, and the lessons learned from the 1995 Farm Bill debate. The trend toward declining government intervention in agriculture will require that the profession look increasingly to the private sector for solutions to the problems facing agriculture in the twenty-first century.

Key Words: agricultural policy, congressional debate, equity, farm programs, policy analysis, price and income support.

The title of this invited papers session is: "Did the 1995 Farm Bill Address the Critical Issues?" The simple and obvious answer is *no*. Since 1995 is now behind us, we can definitely bury the idea of a 1995 Farm Bill. Maybe there will be a 1996 Farm Bill, but that, too, is uncertain. Not since the 1930s has the United States been so deadlocked on farm programs. Farmers are just a month or two away from planting and they still don't know what the 1996 farm programs will be.

It is ironic that during debate on the Uruguay Round agreement, some members of Congress moved to abolish permanent farm program statutes and extend current program authorities indefinitely—since permanent authorities failed to meet U.S. obligations under the agreement. The Secretary at that time, Mr. Espy, said no because he wanted to ensure there would be an open debate on farm policy. As pointed out by each of the previous

three authors (O'Brien, Dicks, and Conley), that never happened in 1995.

Before addressing the several issues presented in the previous papers, I would like to first examine what the 1996 farm programs might look like, reflect on Congress' inability to pass new farm legislation in 1995, examine the unique characteristics of the 1990 Farm Bill, and take a look at the types of information that were provided to policymakers in 1995. The remainder of my remarks will address whether the analysis provided to policymakers addressed the issues, the role of equity in the farm bill debate, and issues for future farm bills.

What Will the 1996 Farm Programs Look Like?

Several possibilities remain for the 1996 farm commodity programs—a one-year or possibly a two-year extension of current law, some version of Freedom to Farm (also known as the Agricultural Market Transition Act, or AMTA), extension of current law with greater planting flexibility and an increase in nonpayment acres, or higher price support

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loan rates combined with marketing loans. If new farm program legislation is not enacted by mid-1996, the U.S. Department of Agriculture (USDA) would continue to support the prices and incomes of farmers by reverting to permanent statutes provided under the Commodity Credit Corporation (CCC) Charter Act, the Agricultural Adjustment Act of 1938, and the Agricultural Act of 1949.

If Congress fails to pass new farm program legislation in 1996, some 1996 programs will be essentially unchanged from 1995, while others would revert back to programs that were last instituted more than 30 years ago. For example, program authorities that existed in 1995 for dairy, peanuts, tobacco, sugar, oilseeds, and upland cotton continue through 1996. Furthermore, permanent authorities under the CCC Charter Act could be used to establish a rice marketing loan program providing about the same level of producer support as the 1995 program. In contrast, the wheat and feed grain programs would revert to parity-based price support loan rates, with support for wheat ranging from 75 to 90% of parity (\$6.52 to \$7.82 per bushel) and support for corn ranging from 50 to 90% of parity (\$2.95 to \$5.30 per bushel). For wheat, only producers who harvest within their allotment would be eligible to place grain under loan. Acreage allotments were last announced in 1977, and since then, most, if not all, allotment records have been either destroyed, lost, or are incompatible with the USDA's existing farm records system.

Over the next few months, Congress will try again to pass new farm legislation and avoid the disruption of reverting to permanent legislation, but the ultimate outcome remains uncertain. The House Agriculture Committee has passed the AMTA and sent it to the House floor (H.R. 2854). A similar version of the bill has been passed by the Senate (S. 1541). But, even if a version of the AMTA eventually passes Congress, some anticipate a presidential veto. If that occurs, Congress would likely have to start over, since it is doubtful there would be enough votes to override a presidential veto.

How Did the Stalemate Occur?

An important question to consider is how the legislative impasse on farm programs could have been avoided—because surely we don't want to repeat it in the future. Looking back over the past decade,

agricultural policy basically has followed a Republican philosophy of less government intervention. Less government intervention came in the form of lower target prices and loan rates, nonpayment acres, and planting flexibility. These policy changes were reenforced by the need to reduce federal spending and correspond with the concerns of economists regarding the distortions caused by farm programs. What is most noteworthy is that this policy trend toward less government intervention occurred when one or both houses of Congress were controlled by the Democratic party and the presidency was Republican.

The political party makeup was just the opposite in 1995—a Republican-controlled Congress and a Democratic President. Republican congressional members began 1995 by developing a seven-year balanced budget package, which called for reducing farm program spending by about \$13 billion over seven years. Democrats had essentially no input into the Republican balanced budget package. As a result, voting of the entire package was along party lines and vetoed by the President.

In contrast to previous farm bill years, the House and Senate Agriculture Committees and Congress did not pass stand-alone farm legislation in 1995. The Republican leadership argued that once a package to balance the budget was passed, additional agricultural legislation would follow, thereby forming a comprehensive farm bill. In fact, the agriculture committees marked up conservation, export, research, and rural development titles to be included in a comprehensive farm bill in 1995.

Congressional Republicans did not move until mid-January of this year to separate out farm programs from legislation to balance the budget. But the need to pass a farm bill quickly left many Democrats feeling they were not included in the farm policy debate. Thus, philosophical differences between Republicans and Democrats were only partly to blame for the inability to pass new farm legislation in 1995. In fact, many Democrats and Republicans agree that farm programs should continue the trend of less government intervention.

What's in a Farm Bill?

The previous presenters leave the impression that many broad issues were not addressed in the 1995

Farm Bill debate. I agree with that conclusion, but we should keep in mind that a farm bill is not all encompassing—no farm bill is going to address all of the “critical” issues facing agriculture.

The 1990 Farm Bill may have created an unrealistic expectation for subsequent farm bills. The 1990 Farm Bill contained 25 separate titles and 1,237 pages, of which 478 were devoted to explanatory notes. Thirteen titles of the 1995 Farm Bill addressed topics other than price and income support programs. Those titles included: forestry, fruit and vegetable marketing, conservation, agricultural trade, research, food programs, credit, promotion programs, grain quality, crop insurance and disaster assistance, rural development, global climate change, and miscellaneous provisions. In comparison, the 1981 and 1985 Farm Bills contained 17 titles, seven of which addressed topics other than price and income support programs. Thus, the 1990 Farm Bill covered more issues than past farm bills and may prove to be the biggest and most comprehensive farm bill in this nation’s history.

The three previous farm bills all contained trade, credit, conservation, research, and food program titles. However, the House’s AMTA does not contain credit, research, and food program titles; further, both the trade and conservation titles are more limited in scope than in past farm bills. Welfare reform explains why the AMTA does not contain a food program title, and a trade title with more limited scope is explained by the implementation of the North American Free Trade Agreement and the Uruguay Round trade agreement. Furthermore, it is not surprising that the Republican-controlled Congress moved toward a more narrowly focused farm bill in 1995, since one of the primary objectives of Republicans was to reduce the size and scope of the federal government.

The previous presenters expressed concerns that Congress did not address a broader spectrum of issues in the 1995 Farm Bill debate. Unlike the commodity programs, program authorities do not expire or revert back to antiquated provisions for research, credit, conservation, rural development, and trade programs. These programs continue, and program redirection can occur through the annual budget appropriations process. Thus, no emergency is created if credit, conservation, rural development, research, and trade programs are not addressed in the farm bill.

Looking ahead, I expect future farm bills to be much less comprehensive than the 1990 Farm Bill. The gradual decline in support for agriculture and reduced rural and farm representation in Congress will mean less interest in agricultural issues and less willingness to spend the time and effort to hammer out farm bills as comprehensive as that in 1990.

The Profession’s Response to the 1995 Farm Bill

The inability of Congress to pass a farm bill is certainly very disappointing to those of us who have now worked more than two years on the “1995” Farm Bill. But, we should not let this disappointment overshadow the efforts made by agricultural economists to provide policymakers with the information and analysis for making sound policy decisions.

Early in 1994, the USDA began preparing for the 1995 Farm Bill debate. Preparation began with a Secretarial retreat. One of the main subject areas of the retreat was the 1995 Farm Bill. The USDA’s Office of the Chief Economist and the Economic Research Service (ERS) jointly prepared a paper on the 1995 Farm Bill for that retreat which covered the history and the effects of farm programs and options for the 1995 Farm Bill (USDA/ERS 1994b). Following the retreat, the Secretary established several task forces to further develop background papers and options for the 1995 Farm Bill.

In the fall of 1994, the White House felt that other agencies should also be involved in developing the administration’s farm bill proposal and established several interagency task forces for the purpose of reaching a consensus on the final proposal. After several months of intense negotiations, the administration released its 1995 Farm Bill proposal, or “Blue Book.” The “Blue Book” covered all the program areas of the USDA—commodity and marketing; rural development; conservation and environment; trade; food and nutrition; research, education, and economics; and food safety. With respect to commodity and conservation programs, the administration’s farm bill proposal called for increased planting flexibility, less reliance on acreage reduction programs, a limited increase in nonpayment acres as the contribution to deficit reduction, elimination of payments to farm-

ers earning more than \$100,000 off-farm, extension of authority to enroll new acreage in the Conservation Reserve Program (CRP), and more involvement at the local level in conservation programs.

Following the release of the administration's farm bill proposal, the Secretary testified before the House and Senate Agriculture Committees on the proposal and options for reducing the cost of farm programs by \$13 billion over seven years (Glickman). In addition to discussing the administration's proposal, the Secretary presented three options for reaching the \$13 billion in proposed cuts. Those options included the administration's proposal with an increase in nonpayment acres, a targeting proposal along with an increase in nonpayment acres, and a marketing loan proposal.

During 1995, the USDA, at the request of Agriculture Committee staff, conducted numerous briefings on the operation and the effects of current farm programs and the administration's proposal. At the request of the House and Senate Agriculture Committee staffs, the USDA provided data on program variables, such as acreage idled, loan rates, flex acreage, deficiency payment rates, target prices, and program participation rates, and on the supply, use, stocks, and prices of program commodities. The ERS briefed staff members on rural economic conditions, the financial characteristics of payment recipients, and proposals to target farm program payments. The ERS also published a series of background and issues papers on the 1995 Farm Bill (USDA/ERS 1994a, 1995a, b).

The USDA responded to numerous requests from congressional members and staff for analysis in 1995. Policy options analyzed included various marketing loan and acreage flexibility proposals and an accelerated phase-out of farm programs. At the request of Senator Dole, the USDA conducted an analysis of the equity by commodity of farm policy changes beginning with the 1985 Farm Bill (USDA/Office of the Chief Economist). In addition, commodity and policy specialists within the USDA communicated informally with congressional staff and members on the possible effects of proposed policy options.

The academic community, commodity, conservation and farm groups, agribusiness organizations, and private consultants also provided a steady flow of information to congressional members and staff during the 1995 Farm Bill debate. The Food and

Agricultural Policy Research Institute (FAPRI), for example, briefed the House and Senate Agriculture Committees on the effects of several farm bill proposals, including the AMTA (FAPRI 1995a, b, c). Another source of information is the immense base of literature that has accumulated over the years on agricultural policy—journal articles, books, popular articles in newspapers and magazines, government reports, etc. As an example, the General Accounting Office (GAO) in the past two years has published reports on the cotton and rice programs, including estimates of societal costs (GAO 1994, 1995).

Did the Profession Address the Issues?

The papers of both Dr. Conley and Dr. Dicks support the conclusion that the agricultural economics profession failed to provide the information policymakers needed in the 1995 Farm Bill debate. For example, in his paper Dr. Conley states, "Economists seemed limited in their contributions to the specific policy decisions" that were taken. He also observes:

Broad policy issues were raised early in the process by economists such as Gardner and Tweeten, questioning the justifications for existing farm policy. . . . Yet, on the specific issues which Congress considered, . . . economists were noticeably small in number in providing analysis that would encourage examination of the tradeoffs implicit in the policy alternatives.

Senator Lugar, early in the debate, questioned the need for commodity programs. At least two comprehensive studies were provided to Congress on the effects of phasing out farm commodity programs—one by the USDA (USDA/ERS 1995b) and another by FAPRI in conjunction with the Agricultural and Food Policy Center (AFPC). Each of these studies provided estimates of the effects of a phase-out on commodity prices, supply and use, and farm income, along with other indicators of the financial well-being of the sector as a whole and specific farming operations. In addition, the Coalition for a Competitive Food and Agricultural System (Miller), the Progressive Foundation (Runge, Schnittker, and Penny), and the Heritage Foundation (Frydenlund) published reports or made statements regarding the effects of eliminating farm

programs, but these reports were not as comprehensive and generally examined the effects of a phase-out on only a few indicators.

The Heritage Foundation study suggested that farm income would be much higher without farm programs. The foundation argued that without farm programs, farmers would plant more acreage and that the increased production could be sold abroad without depressing market prices. In contrast, the USDA/ERS and AFPC/FAPRI studies showed a decrease in acreage and exports under a phase-out. These two studies also indicated that farm income would fall under a phase-out, but the drop in income would be less than the drop in program payments.

Dr. Conley suggests that the differences in supply response between the various program elimination and program phase-out studies reduced the value of economic analyses in the policy process. Dr. Dicks makes an even stronger statement in his paper. In his concluding statement, he asserts, "Many of the statements made by agricultural economists during the 1995 farm debate had little support in the agricultural economics literature."

Let's consider the congressional staffer who receives two different studies that report conflicting results. The staffer can throw up his or her hands and say the economists don't know. Alternatively, that individual could carefully study the two reports, closely scrutinize the analysis and assumptions and, perhaps, review the literature. The staffer might also inquire into the credentials of the report's author. A thorough review along these lines could possibly lead the staffer to place more confidence in one study over another, forming the basis upon which the staffer reaches a conclusion as to the effects of a particular policy.

Both increased planting flexibility and elimination of ARPs had bipartisan support in 1995. Economists are in agreement that increased planting flexibility and the elimination of acreage-idling programs would reduce the distortions caused by farm programs. As Dr. Conley points out, analysts disagree over the effects that increased planting flexibility and the elimination of acreage-idling programs would have on planted acreage. Nevertheless, increased planting flexibility and the elimination of ARPs reduce the distortion caused by farm programs and should be implemented for that reason alone.

Another issue voiced by Senator Lugar was fiscal accountability. He argued that attempts to reduce farm program spending failed because actual spending on farm programs exceeded projections. That concern supported either fixing the amount or capping the level of payments. The idea of fixed payments is not new. In 1985, Senators Boschwitz and Boren introduced the Family Farm Protection Act, which provided fixed and declining payments to producers of wheat, feed grains, rice, cotton, and oilseeds.

All of the preceding authors conclude that the policy-making process followed by the Republican-controlled Congress in 1995 greatly reduced the opportunities for debate and analysis of specific issues. However, the public has had the opportunity to debate the administration's proposal with payments inversely related to market prices and AMTA's fixed payments for months now. Congress has also had time to review a FAPRI study that compared the two policy options (FAPRI 1995b) and another study that provided long-term projections assuming fixed payments (FAPRI 1995c).

In recent months, the AMTA has drawn strong support from several agricultural economists. Fifteen agricultural economists, including Dale Hathaway, Willard Cochrane, D. Gale Johnson, Bruce Gardner, Don Paarlburg, Luther Tweeten, and several others, wrote a letter to the President of the United States indicating their support for the AMTA. Here is an excerpt from that letter, dated December 13, 1995:

It is right, after 60 years, to end government-imposed acreage controls, to provide farmers the flexibility to make their own planting decisions, to keep price supports at competitive levels, and to limit spending on deficiency payments.

I do not believe these economists reached this conclusion hastily and before they carefully explored other program alternatives.

Equity and the 1995 Farm Bill

The level and distribution of program payments, one measure of equity, continues to be a concern. Initially, the administration argued that the level of payments provided under the AMTA were too low,

because the bill cut more from farm programs than the administration proposed. That argument proved to be invalid. Compared with the Congressional Budget Office's (CBO's) February 1995 baseline, the AMTA reduced payments to farmers by \$8.6 billion during fiscal years 1996–2002. Compared with the USDA's February 1995 baseline, which projected higher prices and lower outlays than the CBO's baseline, the AMTA increased payments by \$4.6 billion over seven years. As these baselines were revised during 1995 to reflect more up-to-date market conditions, the CBO's projections of savings declined and the USDA's projections of increased cost grew. The CBO projected in December that payments to farmers would be reduced by just \$1 billion under the AMTA over the next seven years, compared with continuation of current programs. In December, the USDA projected the bill would provide a staggering \$20 billion more in payments over seven years.

One possible measure of equity is to compare payments under the AMTA to historical payments. Over the past seven crop years, total program payments to producers of program crops amounted to \$37 billion. Over the next seven crop years, payments under the AMTA would total \$36.3 billion. Furthermore, the distribution of payments across commodities under the AMTA is close to the historical allocation. Feed grains accounted for 53%, wheat 26.3%, rice 9.9%, and upland cotton 10.7% of the payments over the previous seven years. Under the AMTA, feed grains would account for 53.2%, wheat 27.3%, rice 7.8%, and upland cotton 11.7% of total payments. Thus, only the share to rice producers seems low compared with history.

Dr. Dicks argues that economists should spend more time measuring equity, but he also states that "the economist is best trained to determine efficiency." Economists can and do provide measures of equity all the time. Equity measures are typically derived by manipulating the output of economic analysis and by examining the effects of programs at the micro level. I do not believe that agricultural economists should try to develop more elaborate models for the specific purpose of measuring equity—because I don't believe economists can determine with any degree of accuracy what is or is not equitable, and there is no single measure of equity. Agricultural economists can best provide informa-

tion on the economic effects of policy options. Deciding what is or is not equitable is best left to the political process.

Issues for Future Farm Bills

Dr. Dicks states that several critical issues need to be analyzed in as complete a modeling framework as is possible. He mentions regional concerns, excess capacity, environmental and food safety, land use, income, and rural economies. Dr. O'Brien also mentions a somewhat similar list of issues in his paper. These are all interesting research topics, and research on these subjects should continue. But looking back on 1995, I doubt whether addressing these issues in a comprehensive modeling framework would have contributed much to the debate.

Could it be that policymakers didn't consider these issues to be of primary importance, or to be the ones that needed to be addressed in the 1995 Farm Bill? This doesn't necessarily mean that we as a profession should ignore these issues, because some day in the future they may emerge as the concerns of highest priority to policymakers. For example, is the move to a more market-oriented agriculture over the past decade a direct result of the vast body of knowledge that has accumulated in the agricultural economics literature over the past 20 or so years? Paraphrasing Dr. Conley, "An economist's solution was reached even though economists were noticeably absent." Can this be explained by the notion that policymakers had been influenced by the thoughts and writings of economists over the years?

Final Observations

In the future, the move toward less government intervention will require that agricultural economists look first to the private sector for solutions rather than to the federal government. We'll not only have to identify the issues and conduct analysis, but we'll also have to explore a wider range of options for addressing issues. Fewer rural representatives in Congress means that the profession will have to do a better job of educating nonagricultural and nonrural interests as to the problems facing farmers and rural communities, and explaining why government intervention is the appropriate means of addressing those problems.

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