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The Evolution and Implications of the U.S. Food Security Act of 1985

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Abstract

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The Food Security Act of 1985 sets the United States (U.S.) policy course for the five years, 1986–1990, in the areas of farm product prices and farmer incomes, agricultural production, food aid, and trade in agricultural products. It is clearly an evolution of past policy, deeply rooted in the institutional processes of participatory policymaking. The Act will have important implications for not only domestic producers, consumers, agribusinesses, and taxpayers, but also product agricultural exporters and importers around the world. Just as it was substantially affected by the current loss of export markets and the economic crisis in the U.S. agricultural sector, its implementation and impacts will be affected in the future by the unpredictable weather, macroeconomic conditions around the world, and international trading policies. This article examines the development of the policy embodied in the Act and analyzes its primary economic implications.

Although most provisions of the U.S. agricultural price and income policy that had evolved over the past half century were continued, important changes were made. The resulting policy closely mirrored the preferences revealed from research concerning farmers and leaders of national agricultural and food interest groups. Primary changes from the previous 1981 Act were: lengthening the duration to five years; substantial lowering of the minimum price support levels; permitting a gradual decline in the minimum target prices; providing for a whole dairy herd buyout program; establishing export enhancement initiatives through credit, promotion, and export payment-in-kind (PIK); and initiating major efforts to increase farmland conservation and withdrawal of fragile lands from production.

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Likely implications of the new Act include: (1) lower product prices for agricultural producers around the world, and also farmer incomes if there is no income protection from national policies; (2) a similar but a less proportionate impact on consumers; (3) a substantial burden on the U.S. Treasury, and possibly those of the other nations as well, depending upon the type of policies followed; and (4) likely intensification in the immediate future of the economic conflicts and negotiations between major agricultural trading nations of the world.

Research played a vital role in the development of the U.S. 1985 Act. Given the turbulent, uncertain, and important nature of the agricultural and food sector in the world, research is challenged to provide more and better knowledge for future policymaking.

Introduction

When the President of the U.S. signed the Food Security Act of 1985 on 23 December, one of the most important policy developments of that nation's history was completed; however, the controversy surrounding it continues. It will not only impact domestic producers, consumers, agribusinesses, and taxpayers, but also reach beyond U.S. borders to agricultural exporters and importers around the world. The Act does not chart a new revolutionary policy, nor it is simply a rerun of an outmoded policy. Rather, it signals a continued evolution in the price and income intervention policy which began a half century ago. As the policy is implemented over the next five years of its term, changing economic conditions, likely legislated amendments, and discretionary decisions of the particular administration in power will also alter the Act and substantially shape its consequences.

The purpose of this paper is to examine the development of this policy and analyze its primary economic implications. It will proceed through seven sections: (1) continued policy evolution; (2) economic and political environment for the Act; (3) role of policy research; (4) path of decision making; (5) policy content and comparisons; (6) economic implications; and (7) summary.

Continued policy evolution

The Food Security Act of 1985 is rooted in an agricultural history, in decades of price and income intervention, and in a political institutional foundation. The agricultural focus reaches back to the very founding of the nation over 200 years ago. During the intervening centuries, policies evolved to help develop the basic institutions of the agricultural sector that shaped its patterns of farmland ownership, research and education, credit practices, resources exploitation and conservation, and product marketing. These policies, appropriately characterized as "developmental policies", supported the family farm entrepreneurial system, its productivity, and its continual change.

The price and income intervention focus of the 1985 Act has roots in an initial, yet short-lived policy, the Agricultural Marketing Act of 1929. It was designed to stabilize crop prices and raise the returns to producers during an economically disastrous decade for agriculture, following the collapse of the export market after World War I. During the intervening decades, what is appropriately characterized as "price and income policies" have evolved through a succession of public decisions, embodied in: the Agricultural Adjustment Act (AAA) of 1933, the Soil Conservation and Domestic Allotment Act of 1936, the AAA of 1938, the Steagall Amendment of 1942, the Agricultural Acts of 1948, 1949, 1954, and 1958, the Agricultural Trade Development and Assistance Act of 1954, the Soil Bank Act of 1956, the Emergency Feed Grain and Agricultural Acts of 1961, the Food and Agricultural Acts of 1962 and 1965, the Food Stamp Act of 1964, the Agricultural Act of 1970, the Agriculture and Consumer Protection Act of 1973, the Food and Agriculture Act of 1977, the Agriculture and Food Act of 1981, and now the Food Security Act of 1985 (Benedict, 1953; Spitze, 1978).

What began as programs to stabilize farm product prices and raise farmers' incomes has expanded to encompass production control, a national grain reserve, extensive domestic food distribution programs to various groups, food aid abroad, some ongoing credit and research policies, major farmland conservation programs, and assorted trade policies. Although this price and income policy was initially of primary concern to farmers and their general organizations, the interest in the legislation and participation has expanded to encompass innumerable commodity associations, agribusinesses, traders, consumers, general interest citzen groups, and of course, taxpayers. The policy approach has generally shifted over the decades from compulsory production control, high rigid price supports, and separate commodity programs toward a common program for all major crops featuring voluntary production control (land set-aside and retirement), low price supports varying with market prices, and deficiency target price payments.

These price and income policies have emerged in response to the perceived persistent and interrelated problems of: (1) unstable prices and farmer incomes; (2) periodically depressed farmer prices and incomes; (3) imbalances between farm product supply and demand; (4) threats to the entrepreneurial family farm system associated with more highly capitalized and more commercialized units; (5) pockets of inadequate food consumption and malnutrition among the domestic population and nations of the world; and (6) conflicts among agricultural trading nations. The evolution from developmental to price and income policies suggests that attention was first centered for over a century on helping establish a rather efficient, innovative farming system, and then subsequently focused on preserving that system, stabilizing its functioning, and insuring that its economic returns were "equitable".

The 1985 Act, as the latest installment of this price and income policy, embodies several characteristics: it is evolutionary and comprehensive, it has been developed with broad participation of interest groups, and it is problem-oriented. Its development was rooted in the basic institutional processes of participatory public policymaking (Spitze, 1983). Those processes generally involve: (1) a public issue arising from a problem in ongoing private transactions; (2) disagreement about the solutions to the problem and hence differences among both private interest groups and public officials about the proper policy response; (3) eventual compromise of these differences in the resulting public decision; (4) different views among the participating parties about the likely consequences of the chosen policy; and (5) certain results of the policy that were predicted while others were unexpected.

Economic and political environment for the Act

Determinants of public agricultural and food policy include past policies, the current and recent economic environment, the political setting, and the knowledge base, including past experiences with policies. Termination of the four-year 1981 Act, on 30 September 1985, actually triggered the onset of development for the 1985 Act. Even though much U.S. national public policy, such as business, transportation, education, labor, and health, has no specified term, agricultural price and income policy has generally had an expiration date.

In a participatory policymaking system, the immediate economic conditions are a major determinant. Never has this been more evident than with the current Act. The economic conditions during the 1984–85 period were crucial to the 1985 Act. In general, those conditions had worsened since the enactment of the previous Act, partly precipitated by its very workings, but predominantly overshadowed by policies and events outside the scope of agriculture, particularly in the monetary, fiscal, and trade arena.

A new Administration in 1981, led by President Reagan, was committed to reducing the size of the federal government, as well as inflation, which resulted in lowered tax revenues and higher interest rates. The latter directly impacted the costs of a farming system undergoing rapid capitalization. Both indirectly impacted the demand for farm products through a sequence of increasing budget deficits, a rising exchange value of the dollar, the growing dollar debt burdens of food deficit countries, a drop in agricultural exports, and declining world commodity prices. These adversities were compounded by increasing worldwide agricultural production, growing intervention and protectionist policies by governments of trading nations, and the negative effects of fixed minimum price supports mandated by the 1981 Act. The results were swift and severe —

TABLE 1

Changes in selected U.S. economic conditions relevant to the 1985 Act

Period	Agricultural exports[a]	Farm prices received index[ab]	Total farm interest costs[a]	Total net farm income[a]	Farm price and income program outlays[a]
1979–80	$\$44.2\times10^9$	161.8	$\$17.8\times10^9$	$\$31.5\times10^9$	$\$3.9\times10^9$
1983–84	$\$36.0\times10^9$	130.2	$\$20.1\times10^9$	$\$23.4\times10^9$	$\$12.3\times10^9$
Change	−18.5%	−19.5%	+12.6%	−26.0%	+218.9%

Sources: USDA ERS, U.S. Council of Economic Advisers, Budgets of the U.S. Government.
[a]Constant '82$.
[b]1977 = 100.

declining farm product prices, lowering of farm incomes, decreasing farmland values, and rising budget outlays for farm programs.

In Table 1, data depict the magnitude of change in some of these economic conditions between the periods just preceding the development of the 1981 and 1985 Acts. Agricultural exports had dropped 18.5%; prices received by farmers were 19.5% lower; farm interest costs had jumped 12.6%; total farmer net income declined by 26% and farm program budgets outlay rose 219%. Even though the latter remained a small part of the rapidly rising federal budget, that proportion rose from 0.6% to 1.6% between the two periods. Furthermore, total world food production rose 4.5% in 1984 and U.S. crop production jumped 6% in the year of the policy decision, 1985.

However, while the agricultural sector was experiencing such economic stress, it was still projecting a favorable image of performance. Note the following overall U.S. data for the five-year period, 1980–84: average annual proportion of consumers' disposable income spent for food (15.8%); average annual net agricultural trade surplus ($\$22\times10^9$); average farm population as a proportion of total population (2.5%); and annual increase in productivity per hour of labor on farms (+3.2%) compared with that nonfarm business (+1.0%).

The political setting for the 1985 Act can be best characterized as a strongly ideologically-oriented Executive and a deeply divided legislature. When the rhetoric of the 1984 general election subsided, President Reagan had been reelected in a landslide, while the Congressional House of Representatives remained under Democratic leadership and the Senate under Republican. Just as the commitment of the two parties to "balance the budget" concealed their differences in approach to accomplish it, so did the common commitment of the agricultural leadership of the two parties to develop a 1985 policy to return prosperity to agriculture conceal their divergence about specific programs.

The Presidency viewed government as the primary problem — not so much the type of program followed but the size and role of government in agriculture, as well as in most other sectors except defense. This led logically to the Administration agricultural policy position of: reduced and eventual elimination of commodity price supports, except for a very minimal stabilizing "safety net", in order to regain lost export market shares and reduce government stocks; elimination of the national grain reserve, target prices, and production control efforts; and the transfer of most direct credit assistance to private lender guarantees.

Secretary of Agriculture Block launched a major Administrative effort in March 1985 to set a new course for agricultural policy with a comprehensive proposal for permanent legislation, the Agricultural Adjustment Act (AAA) of 1985, to replace the programs of the past half century by stating: "... the New Deal programs are not working for today's agriculture. ... The AAA provides for a transition from high and rigid price supports to flexible and market-clearing price supports and gradually phases out acreage reduction programs [and associated target prices], quotas and allotments which keep low-cost American products from competing with those of less efficient foreign producers" (Block, 1985).

The chairmen of the two Congressional agricultural committees submitted quite different comprehensive proposals. Nine other major proposals for 1985 Acts were put forward by legislators. They covered the broad spectrum of options that characterized the two years of intense dialogue among executive and legislative officials, farm leaders, and innumerable interest groups representing essentially every sector of society.

Agreement was generally evident on several provisions: the need to change the basis for setting loan and target prices; the continuation of existing domestic food distribution efforts, foreign food aid programs, research and education policies; the urgent need for aggressive export initiatives and subsidization; and the need for major new farmland conservation initiatives to jointly reduce soil loss, lower stream sedimentation, and slow down production. Much more controversy swirled around other provisions: price support mechanisms, target price levels, production control, farmer-owned grain reserve, payments limitations, the Farmers Home Administration (FmHA) credit program, the dairy program, and continuation of programs for the minor commodities of peanuts, sugar, and honey.

Role of policy research

Never before in the history of U.S. agricultural and food policy making had so much effort been given, nor so much information been prepared, to provide a knowledge base with which citizens, interest groups, and public officials could make rational choices about the 1985 policy. Since participatory policymaking always begins with existing policy, a continuous flow of analyses about the 1981 Act came forth during 1984–85 from the research of the Land Grant Agriculture Experiment Stations, non-profit foundations of various ideological orientations, and the analysts with innumerable interest groups and businesses.

Major examples of this flow of information include: a comprehensive set of leaflets about policy issues for the general public (Shaffer, 1984–1986); a series of background bulletins by commodities (USDA ERS, 1984–85); systematic empirical analyses by a new policy research center (FAPRI, 1985), and their use in reports by a national scientific consortium (CAST, 1985); countrywide surveys of farmer and national leader preferences (Guither et al., 1984; Spitze, 1985); agricultural and food policy positions of 68 separate national organizations (Weber, 1985); and proceedings of numerous conferences starting in 1983 (Hamming and Harris, 1983) and ending in 1985 (Price, 1985). Most publicly employed researchers confined their contributions to analyzing alternative policies, but some engaged in proposing and promoting specific policies.

A common theme and conclusion of many policy discussions suggested the nation's public price and income policy for its agricultural and food sector was "out of date" and that a new policy was not only due but in the making in this "watershed" year of 1985. Those who espoused these hopes and predictions may find little in the Food Security Act of 1985 of professional comfort or predictive verification; yet important changes were made.

Path of decision making

Decision making for the 1985 policy commenced early and continued with private efforts of individuals and interest groups as well as with public officials until the legislation was signed. The public effort first occurred in June 1983 at hearings before the Joint Economic Committee, a combined economic-focused commitee of both Houses of Congress, on the theme, Toward the Next Generation of Farm Policy (U.S. Congress, 1983). Then, the Senate Agriculture Committee invited contributions from throughout the nation and distributed the edited results (U.S. Congress, 1984). Although additional background information was developed prior to the general election in the Fall of 1984 by both the Executive and Legislative branches, such as reports from ERS, Government Accounting Office, and the Congressional Budget Office, decision making only commenced in earnest after the President was reconfirmed and the new Congress reconvened in early 1985. Extensive public hearings were held by agricultural committees of both Houses in March and April (U.S. Congress, 1985a,b,c).

Initially, most spokesmen advocated substantial change from the 1981 Act, with the most extreme positions presented by the Administration to phase-out most price and income intervention, and in contrast, a joint proposal of Senators and Representatives (Harkin and Alexander in particular) to reinstate mandatory production control and high price supports. The various farmer organizations (American Farm Bureau Federation, National Grange, National

Farmers Union, National Farmers Organization, and American Agriculture Movement) presented views varying widely from "market-orientation" to "increased government", but the most prevalent voices were those separately representing every commodity affected by the policy.

A decision by majority vote at the level of these legislative committees was not easy, in fact quite acrimonious, particularly in the Senate. The House Committee finally issued its report (Bill H.R. 2100) on 13 September (U.S. Congress, 1985d), and the Senate Committee (Bill S. 1714) on 30 September (U.S. Congress, 1985e).

Decisions were no easier when the respective bills came to the chamber floors. All parties were trapped between the imperatives of their budget commitments and the irresistible demands rising from the farm crisis. The extreme positions for policy change had long since been discarded, and now the negotiating was on how to reshape the evolving past policy into a more workable, but budgetarily acceptable document. The House completed its bill on 8 October, while the Senate delayed and debated until 23 November 1985.

In the meantime, the 1981 Act had ceased to exist on 30 September, necessitating three temporary extensions by Congressional and Presidential action to maintain continuity in some of the programs. Although there was major agreement between the Houses on most provisions, there were also major differences: (1) the House wanted a longer delay than the Senate in years of a target price freeze prior to a gradual reduction; (2) the House emphasized a dairy production reduction program while the Senate called for lower price supports; and (3) the Senate designed separate food distribution and commodity bills while the House combined them.

A conference committee including the agricultural leadership of both Houses was appointed to laboriously negotiate for eight days before the final compromise combining food and farm provisions was struck on 14 December (U.S. Congress, 1985f). Signed by the President on 23 December 1985, the most comprehensive, difficult, widely debated, and perhaps important, price and income policy for the agricultural and food sector of the U.S. was created as the Food Security Act of 1985. The pace quickened to make the necessary discretionary administrative decisions and to launch programs for the 1986 crop year already at hand.

Policy content and comparisons

In Table 2, there is summarized the highlights of the Food Security Act of 1985, which is neither a new generation of policy nor simply an extension of the past. Rather, it signals a continued evolution of the expanding price and income policy of the U.S. that commenced half a century ago. Few of the much heralded "watershed" provisions of a new policy can be found, but indeed important changes are evident. A more detailed description can be found in

TABLE 2

Summary of provisions of Food Security Act of 1985

Item	Provisions	Comparison with 1981 Act
Duration	5 years	One year longer, beyond next election
Food aid		
Domestic	Food stamps, emergency aid, education continued; slightly higher funding	Similar; states must offer employment help
Foreign	P.L. 480 continued; more restrictions	Similar
Grain reserves	Farmer owned reserve continued; both maximum and minimum quantity levels	Maximum added to avoid its use to support prices
Commodities		
Grains	Voluntary production control; minimum set-aside; discretion for cross-compliance and paid diversion; moving bases	Similar but with more options at discretion of Secretary
	Price supports related to 5-year moving average price; maximum 5% change per year, discretion to 20% if prices low	Initial support lower; more discretion to drop; new moving price base
	Target prices slightly lower each year; advance deficiency and PIK payments	Initial level similar; declines instead of rises
Soybeans	Price supports set similar to grains; no target prices or production controls	Similar
Sugar	Price support $0.18 per lb (0.45 kg); restrict imports	Similar; no Treasury Cost
Dairy	Price supports slightly lowered; production control by whole herd buyout	Support declines instead of rises; new herd buyout
Payment limits	$50 000 per year per producer with some waivers if support lowered to maximum	Similar
Conservation	Sodbuster program denies program benefits if erodible land plowed	New
	Conservation reserve of 40×10^6 acres[a] of erodible land by competitive bids for annual rental; shared cover costs	New
Exports	Export enhancement with credits, PIK bonuses, subsidies, and trade promotion; over $\$5\times10^9$ annually in outlays or guarantees	More programs aimed at competitor policies; more direct subsidization; higher funding
Credit	Continued FmHA for farmers; funding shifts from direct to guaranteed loans	More emphasis on farm, less on community sevices
Research and education	Continued formula, matching, and competitive grants programs	More restrictions; emphasis on technology, new uses
Miscellaneous	Promotion checkoffs; advisory commissions; aquaculture; animal welfare; etc.	More special programs and mandated studies

[a]1 acre = 0.4047 ha.

the fine print of the 178 pages of the Congressional Record (U.S. Government Printing Office, 1985) or in two summaries released by USDA ERS (Glaser, 1986; Stucker and Collins, 1986).

Consistent with the nature of public policy, the Act has been strongly denounced by some, defended by a few, but has been greeted generally with silence from the agricultural policy research community. As the provisions of the Act are compared with the preferences of both farmers and leaders of national agricultural and nonagricultural groups reported in the research surveys previously cited, a strong similarity appears. Most of what the majority, or at least a plurality, preferred was indeed chosen.

Increased discretion was permitted for administering the Act. With the 1986 commodity programs in place and those for 1986 already announced, some significant choices by the current Administration can be seen, in particular to lower price supports as far as permissable. Proposals have already been advanced to start revising the policy, and pundits are predicting its short life. Primary changes in the 1985 Act compared to the previous one follow.

Duration of the 1985 Act

In place of the recent customary four-year term, five years was chosen primarily to avoid shouldering the next Administration and Congress, to be elected in 1988, with the responsibility for making the difficult policy choices in their first year.

Price support (nonrecourse loan) levels

In place of the previous fixed minimum support levels ($3.55 per bushel* for wheat — later lowered — and $2.55 per bushel for corn, etc.), the minimum for the grains will be a five-year moving average of market prices, dropping the high and low, with a maximum reduction of 5% per year, but also permitting a further 20% drop under specified conditions of low current prices. As a result of the low recent and current price levels, the loan rate for eligible wheat producers was dropped from $3.30 for 1985 to $2.40 for 1986 and $2.28 for 1987, while corn was dropped from $2.55 to $1.92 for 1986, and to $1.82 in 1987. This could permit a decline by 1990 to below $2.00 for wheat and about $1.50 for corn. Effectively, these levels for 1986 were lowered to the producer by another 4.3% by an across-the-board budget deficit reduction plan. Loan levels for other crops were similarly changed, but not in the same fashion.

Target price levels

In place of the escalation in the previous Act of target prices, the primary instrument for producer income protection, at about 6% per year in recognition

*1 bushel = 0.3524 hectoliter.

of the inflation rate of that period, target prices for grains in the 1985 Act were frozen for two years, with subsequent maximum declines of 2%, 3%, and 5% for the final three years of the Act. Thus, wheat minimum target prices for eligible producers remain at $4.38 per bushel for 1986–87 and can only drop to $4.00 by the end of the five years, while the respective corn target prices are $3.03 and $2.75. The difference between these target prices and the higher of either the loan or average market prices is made up to producers via a combination of Treasury (deficiency) and PIK payments.

Eligibility for receiving either government loans or target payments is conditional upon the annual set-aside of acreage and the use of conservation practices, e.g. corn producers in 1987 have to remove 20% of their feed grain base acreage from production and wheat producers 27.5%. Additional inducements to comply are diversion payments for portions of the retired acreage, partly in PIK, advance receipt of eligible payments, and access to the grain reserve. As a result of these PIK features and the option of possible future use of a new marketing loan provision (loan repayment at market price instead of grain forfeiture into government stocks), substantial governmental CCC (Commodity Credit Corporation) holdings of farm products could be released on the current market, which is already experiencing declining prices. It should be emphasized that, except for tobacco, participation in these commodity programs remains voluntary, with the producer having the option to produce and market without any direct governmental intervention.

Dairy program

In place of the past program of rigid price supports with no production control, which has proven costly in terms of stored surpluses of manufactured dairy products, the 1985 Act launched a whole dairy herd buyout program for three–five years. It is based upon the best bids offered by producers, financed partially by an assessment on all dairy farmers, and permits a slowly declining price support level from the present $11.60 per cwt.* when supply is heavy.

Export enhancement

In place of only embargo protection, discretionary export promotion, and credit funds in the previous policy, the 1985 Act aggressively addresses loss of export share, which was commonly viewed as the primary direct cause of the current agricultural crisis. It mandates increases (minimum tonnages) in P.L. (Public Law) 480 distributions, export short-term guarantees ($\$5\times10^9$ over five years), export intermediate-term guarantees ($\$.5$ to $\$1.0\times10^9$ per year), targeted export assistance ($\$325\times10^9$ per year), and export market expansion

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*1 cwt = 45.36 kg.

(export PIK of $\$2 \times 10^9$ for three years). However, some of these export minima were subsequently reduced with a shift of funds to direct farmer assistance. Clearly, the intent of this new policy thrust is to counter what was perceived as "unfair subsidization" by foreign competitors, such as the European Community (E.C.), and equally clearly, its implementation has ignited contentious reaction from agricultural exporters around the world.

Farmland conservation

In addition to the past policy combining assistance in technical conservation practice (Soil Conservation Service) and very limited assistance in conservation cost-sharing (Agricultural Conservation Program payments), several substantial initiatives were launched with the 1985 Act, jointly to reduce soil loss, clean up waterways of nonpoint sediment pollution, and reduce production of crops from erodible land. Few provisions of the Act were as universally supported by essentially all participants in the policy development, and, incidentally, also by the respondents in the previously cited farmer and national leader surveys.

The new initiatives involve: ineligibility for commodity program benefits if sodland or swampland is tilled for crops ("sodbuster" and "swampbuster" provisions); ineligibility for commodity program benefits if approved conservation practices are not followed on highly erodible farmland (conservation cross-compliance); and a $40–45 \times 10^6$ acres* (approximately 10% of all cropland) conservation reserve whereby the government rents highly erodible cropland for ten years on the basis of farmer bids, with 5×10^6 acres targeted for the first year. The estimated eventual Treasury costs are $\$1 \times 10^9$ rental payments per year and $\$1 \times 10^9$ initial cost-sharing for tree or sod cover.

Economic implications

The unfolding economic events for the agriculture sector of the U.S. during the five-year term of the 1985 Act are dependent upon worldwide weather conditions, macroeconomic policies, international exchange rates, trade and production policies of other trading nations, economic growth rates of potential importers, and the implementation of the provisions of the Act. Even though most of these factors are unpredictable, some assessments follow of the general economic implications of the Act, under the assumption that present economic trends continue. Further, it is assumed that the price elasticity of demand for exports is inelastic but less so than for domestic markets. More precise predictions can be determined from a carefully specified model, such as the one developed by FAPRI (FAPRI, 1986).

*1 acre = 0.4047 ha.

Producers and agribusiness

The 1985 Act portends neither boom nor doom for the U.S. agricultural sector but will expose producers of other nations to downward price pressures in markets unprotected by trade interventions by their own governments. In the current international environment of global trade, floating exchanges, and massive capital flows, the destiny of producers around the world are economically intertwined.

Compared to recent years, U.S. farmers certainly will face even lower prices as a result; however, the income-protecting target prices will provide a cushion. In such a market with declining prices due to the lowered price supports and to disposal of government stocks with various versions of PIK, the value of gross sales is likely to stay low, with producers' net income increasingly dependent upon their countries' trade protection and other economic "safety nets". The impact on agribusinesses will be similar, with the contradictory forces of the marketing sector handling a higher volume associated with "surplus disposal", while the input sector serves producers with less acreage and purchasing power.

Of course, the economic fate of both domestic producers and agribusinesses is considerably brighter than it would have been without the target price income protection and without the continued withdrawal of considerable cropland under the annual set-aside and the conservation provisions of the Act.

However, the arena of world trade and international negotiation is likely to remain more turbulent due to the impacts of the Act. The U.S. will be more aggressive in its export dealings, using various means of export assistance where it deems its markets have been limited by "uncompetitive" national trade policies abroad. Similarly, many other exporting countries have already registered their indignation about this new policy stance and promised to meet it with counter-measures. The continuing bilateral dialogues between the U.S. and the E.C., Canada, and Japan can be expected to remain strained while the upcoming general GATT negotiations promise to be difficult.

Consumers

Consumers of agricultural products worldwide stand to gain marginally in the term of the 1985 Act compared to recent years, as more products move into the markets at lower prices. This will occur both directly with food grains and indirectly with feed grains via various forms of livestock and poultry. The gains are small at best, due to the minor effort that producer prices have on those at the consumer level, and even those benefits could be obstructed by import, taxing, and distribution policies of any nation. Again, immediate consumer gains are less than expected if the 1985 Act would have signaled substantial removal of governmental price and income intervention.

Treasury exposure

Few issues surrounding the 1985 policy were as controversial or as intractable as U.S. budget exposure. The conclusion is inescapable that this burden will rise in the course of the Act. However, when compared to recent years, this is due as much to the continued deterioration of exports and of the farm economy as to direct impact of changes in policy.

It is the continued public effort to cushion the effects of markets upon agricultural economic well-being that determines the taxpayer burden. Thus, without the policy, there would be no such Treasury outlays, and likewise, without the recent loss of export market shares and the collapse of market returns, the tax burden would be much less. The incidence of the tax burden to make these income transfers is dependent upon the progressivity of the revenue system. Burdens of the lowest-income taxpayers within the U.S. are protected somewhat by the other public transfers, such as the food distribution programs provided by the same 1985 policy.

As the policy decision making proceeded, the resolve on the part of policymakers to cap the Treasury costs gradually eroded. The final estimate on the average cost of the compromise was $\$17 \times 10^9$ for farm supporting programs, but this is now considered an underestimate. At either level, it is considerably above the average actual annual outlay of $\$12 \times 10^9$ for similar programs of the first half of the 1980s.

To put such a Treasury exposure in perspective, $\$17 \times 10^9$ is 1.7% of current U.S. budget outlays, higher than that for most of the past decade but approximately half of what it was in the combined decades of the 1950s and 1960s (Spitze and Brewer, 1985). The sobering fact is that inflation distorts many economic times series, and often also our perspective, and most U.S. budget outlays, particularly defense, have increased faster than have farm program costs. U.S. producers will likely be relying in the near term on the Treasury for an important portion of their net farm income, probably at least half, and producers of other countries may also be similarly dependent, provided their governments continue to take counter-protective measures.

Summary

The Food Security Act of 1985 of the U.S. will have important economic impacts on not only the several sectors of its economy but also on many countries throughout the world. The act represents neither a new generation of policy nor a rerun of old. Rather, it signals a continued evolution of a history of public intervention in that nation's agricultural and food sector in response to perceived persistent economic problems. Created through compromise among strongly conflicting preferences, the new policy is the most comprehensive of its type, represents the most extensive participation previously witnessed of individuals and interest groups, and had the benefit of the most detailed base of knowledge ever assembled from the research enterprise.

The most important changes from recent policy are: substantial lowering of the minimum price support levels during the five-year term; only a gradual lowering of the minimum target price (producer income protection); substantially increased mandated export initiative through credit, subsidies, and market promotion; and several fundamental program thrusts toward conservation of highly erodible farmland to reduce erosion, waterway sedimentation, and slow production.

Impacts of the new policy will be felt by producers and consumers around the world as the "umbrella" price level of U.S. intervention is lowered substantially. Domestic producers will have the option of considerable income protection from rising transfer payments while the fate of producers of other countries will be partly determined by reactive policies of their governments. The level of conflict and of negotiation between major trading nations is likely to rise. U.S. treasury burdens are likely to continue on the upward path of recent years, but proportionate to the total national budget they will remain below those of the 1950s and 1960s.

Finally, research played a vital role in providing descriptive and predictive insight so invaluable for participatory public policy making. Implementation difficulties, the continuing agricultural economic crisis, and future uncertainties surrounding the agricultural sectors of the world will continue to challenge that research enterprise for more and better relevant knowledge for policy making.

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