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THE POLITICAL PROCESS AND FARM AND FOOD LEGISLATION: IMPLICATIONS FOR THE 1985 FARM BILL

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Despite or perhaps because of our current economic problems, we seem poised at what may be a major watershed in the history of this country. Major change is in the air. This change has a strong philosophical base — in effect, our basic social contract is being brought under review. And whatever the philosophic issues, the implications of such change are quite real. They involve the economic, social, and political realities of day-to-day life.

A concept of government somewhat different than that to which we have become accustomed over the past few decades is being laid before us. It may well be, as John Shannon has asserted, that this shift actually began several years ago.

Agriculture is very much caught up in the tenor of the times. While facing a variety of problems that can uniquely be called its own, the farm sector has also become very much a microcosm reflecting the change with which society is now grappling. Agriculture, for example, has been cast directly into the debate over the appropriate role for government intervention in markets. The outcome of this debate will have both public and private economic implications. Its resolution, however, will occur through the political process and will involve more than just economic considerations.

Of course, the common denominator in this reassessment of society's relationship to government is the public budget. Discipline introduced to the federal budget by the reconciliation process has formalized the setting of public spending priorities and the examination of trade-offs. Although established in 1974, the reconciliation requirement did not effectively constrain the budget process until the budgets for fiscal years 1982 and 1983 were considered.

Through the Agriculture and Food Act of 1981 the farm sector was first to have its relationship to government reexamined. The debate essentially revolved around: "Just what forms of government intervention are justified?" and "How many scarce public dollars should be allocated to support America's farmers?" Concern over federal budget deficits and the need to provide tax incentives to stimulate private investment meant that there would not necessarily be an expanding budget pie. Trade-offs emerged between agriculture and other segments of society with competing claims for public support. Within agriculture, trade-offs also arose.

The debate continues. In considering the case for agriculture it seems likely that the realities of farming in the 1980s will play a major role. Despite the fact that we have nearly 2.4 million farms, it is the largest quarter that produce over four-fifths of the output. These larger commercial farms are currently suffering from low prices and incomes, but it is the apparent variability in their income, not in its level per se, that causes the greatest concern. Moreover, the income problems of the other three-quarters of U.S. farms are not really addressed through existing commodity programs. And size relationships alone overlook the relative debt positions that exist throughout U.S. agriculture, causing financial needs to vary among farmers.

We have all become keenly aware of the importance that world markets hold for our farmers. Over 60 percent of U.S. wheat is produced for international sale; it constitutes more than 40 percent of world trade in wheat. Some 40 percent of U.S. feedgrains moves into world markets; this amounts to 60 percent of world trade in feedgrains. There are certain realities associated with world markets, however, that leave American farmers vulnerable.

For a variety of reasons, the United States has become the world's residual supplier of agricultural commodities. This is due at least in part to the price support and marketing practices of major competitor countries. The European Community, for example, over the 1979-81 period spent nearly $21 billion annually in support of its agriculture. The United States spent just under $10 billion on average over that same period for price and income support. More importantly, perhaps, well over half of the EC's expenditures have gone to export promotion and the sale of surplus commodities in world markets. The U.S., on the other hand, has directed nearly 90 percent of its outlays to domestic production control. Furthermore, in terms of export promotion, the EC spends 25 to 35 cents per dollar of agricultural exports to third country markets; the U.S. spends less than 1 cent. And, while retaining our absolute level of high-valued agricultural exports, we have slipped quite badly in market share over the past decade.

Compounding these difficulties, American agriculture seems also to have become the world's residual adjuster. We hold a disproportionately high share of the world's stocks in times of surplus, and are seemingly alone in making production adjustments.

As the appropriate role for government is reexamined through the political process these realities of agriculture will have to be recognized. We cannot expect that agriculture's policy agenda will be dealt with in isolation, however. Trade issues, for instance, will be considered in their fuller context which also includes autos, steel, and other matters. Farm support programs will consequently involve trade considerations along with the setting of more general budget priorities.

How all this will get sorted out is as yet unclear. For its part, Congress has been groping to deal with the changes that have taken place within the U.S. farm sector and the world agricultural economy — a process which really predates the events of the last 21 months. This is reflected, at least partially, in the tendency of Congress over the past few years to mandate programs, rather than set policy. Between 1977 and 1981, for example, there were 19 legislated changes in farm programs. Congress has moved beyond the charting of general policy directions to the implementation of specific programs. This may reflect a disagreement with executive branch actions, but is also may be symptomatic of a frustration over the basic policy design itself.

As we look to the future, farm and food legislation seems destined to undergo change. The 1981 Act demonstrated the effects of restraint on the total budget pie — commodity was often pitted against commodity. Proposed "farm crisis" legislation in the summer of 1982 failed to get out of the House Agriculture Committee. The coalitions that once dominated the development of farm and food policy are finding themselves in a different policy environment.

It looks as though, ready or not, the time has come when some difficult questions are going to be asked regarding our policies and programs for agriculture. Are current domestic agricultural programs consistent with the other types of market intervention that are deemed appropriate for government? Does our existing mix of programs really meet the needs of the farm sector? Related questions emerge for each of the discussion groups that will follow this presentation:

• **Commodity policy:** How will we deal with the variability that exists in world markets for agricultural commodities? Will we continue to be residual suppliers and adjusters? If not, how will we change the way in which we do business? If so, what sorts of public programs and private market accommodations will be developed to avoid disruptive resource allocation in the farm sector?

• **Marketing policy:** How effective are existing private market institutions in allowing farmers to cope with price and income variability? Can greater use of forward contracts and the trading of commodity options, for example, provide necessary relief? What about our public marketing institutions? The market order program has already undergone some amount of scrutiny. A fee system for access to market information by private decisionmakers is being implemented. What effects will these changes have on farmers, agribusiness, and consumers?

• **Food assistance:** How effective have these programs been? What role should government play in ensuring individual food security? Have food assistance programs been closely enough integrated into an overall package of public welfare and with job training and private sector investment incentives that will create employment?

• **Rural communities:** Finally, how will all these public policy concerns affect rural communities? Is pronounced cyclical behavior in production agriculture a major problem for local and state tax bases? How will local supply and marketing businesses adjust to deal with the realities of agriculture in the 1980s and with the policy responses that ultimately result?

Looking ahead to omnibus farm legislation in 1985 is a difficult challenge. Agriculture will continue to face its own unique set of problems. Public policy will continue to be conditioned by the larger debate on the appropriate role of government intervention in private markets. Being realistic, the incentive for policy change will be affected by the current economic setting for agriculture. The willingness of farmers and society to consider changes in public policy for agriculture will depend upon economic need and the perceived success or failure of existing public and private responses. There has been notable movement toward greater reliance on the marketplace for farmers' returns. How far and how fast this trend will go remains to be seen.