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**Agricultural Policy in the United States:  
From Price Support and Protectionism, to Subsidies, Payments, and Risk Management**

**Anne Effland and Joe Glauber**

*Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2015 Annual Meeting: Trade and Societal Well-Being, December 13-15, 2015, Clearwater Beach, FL.*

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# ***Agricultural Policy in the United States:***

***From price support and protectionism, to subsidies, payments , and risk management***

**Anne Effland, ERS, USDA**

**Joe Glauber, IFPRI**



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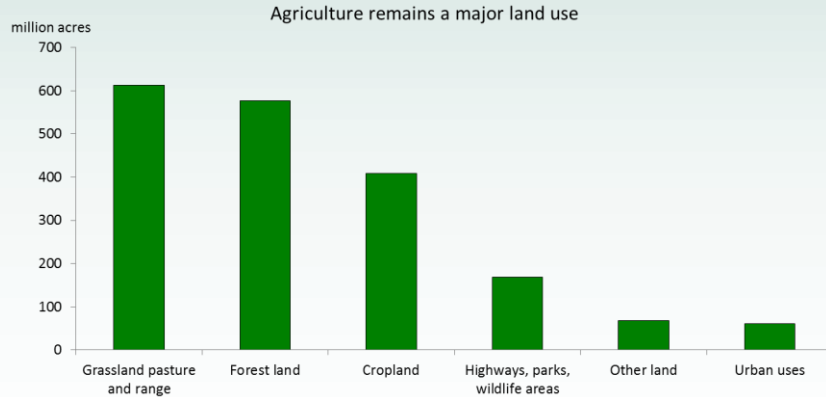
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# Overview

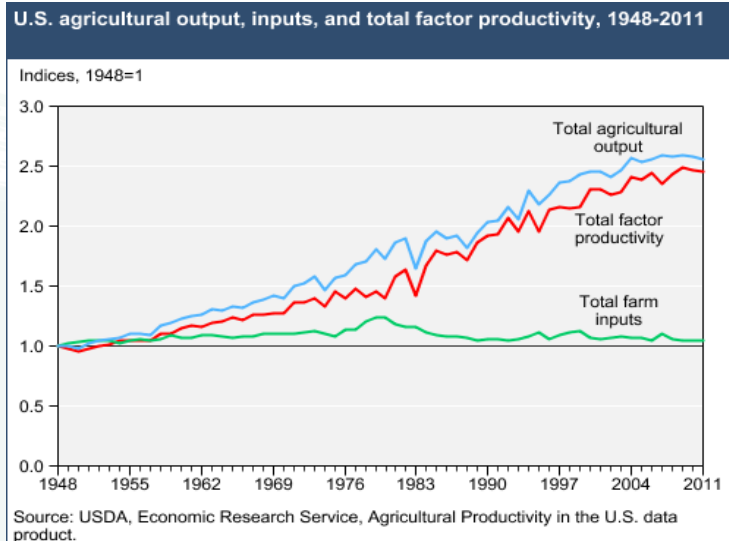
- **Chapter subtitle broadly frames evolution of U.S. support policy**
- **Underlying themes**
  - Most policies originated in 1930s as emergency response to low farm income, but have become permanent
  - U.S. policy evolution has been molded by growing productivity and its impacts on prices—U.S. agricultural support is about surpluses, not shortages
  - Despite their evolutionary path, U.S. agricultural support policies continue to incorporate a wide-ranging variety of approaches
- **Approach to chapter**
  - Review context and policy foundations of U.S. agricultural productivity
  - Examine typology of U.S. agricultural support policies and their impacts



# Abundant land and productivity growth, founded on early policies, influence evolution of U.S. agricultural policy



Source: Major Uses of Land in the United States, 2007, EIB-89, ERS/USDA



- **Land and infrastructure**—public land distribution, transportation and water infrastructure, pest & disease control
- **Public research and knowledge transfer**—USDA/land-grant university research and education/extension systems
- **Credit, market information and promotion**—farm ownership & operating loans, outlook program, grading/food safety, market promotion



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# **U.S. agricultural policy includes a wide range of types**

- **Import restrictions**
- **Input supports**
- **Domestic supply management**
- **Market price support**
- **Export enhancement**
- **Domestic demand enhancement**
- **Direct payments**
- **Loss compensation**

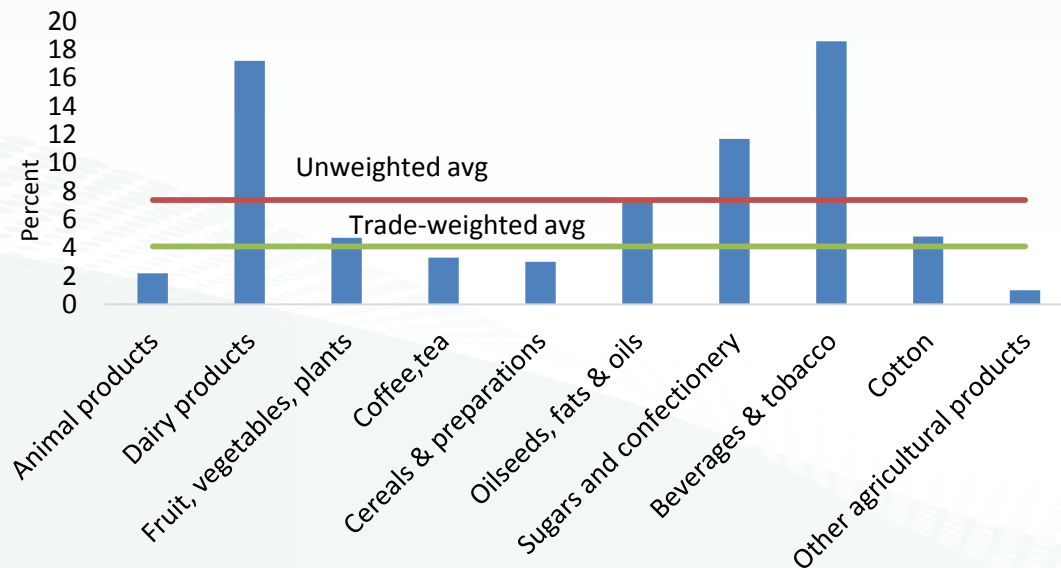




# Import restrictions

- Tariffs
- Trade remedies
- Non-tariff measures

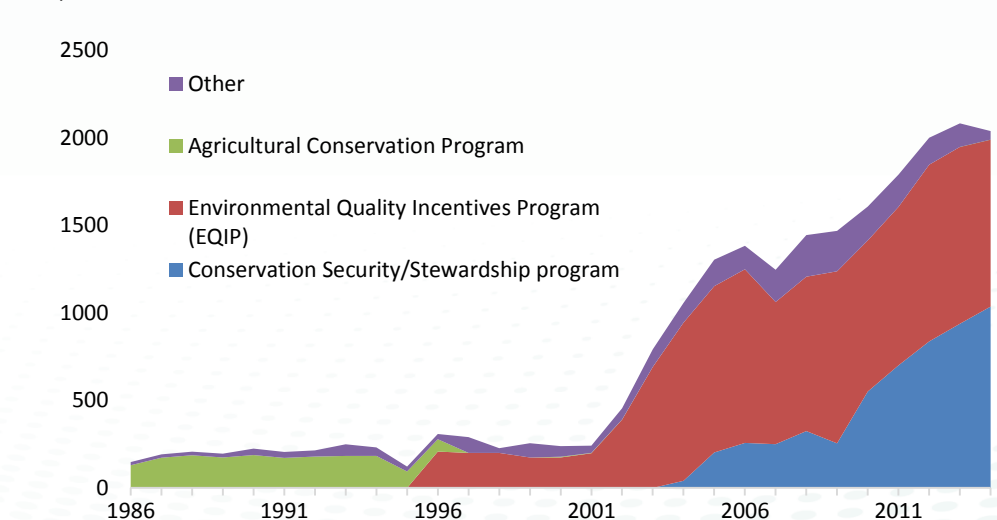
U.S. MFN applied tariffs for agricultural products



# Input supports

- Irrigation/water systems
- Public-land grazing
- Subsidized credit
- Conservation practices cost-share

Cost-share expenditures for conservation practices



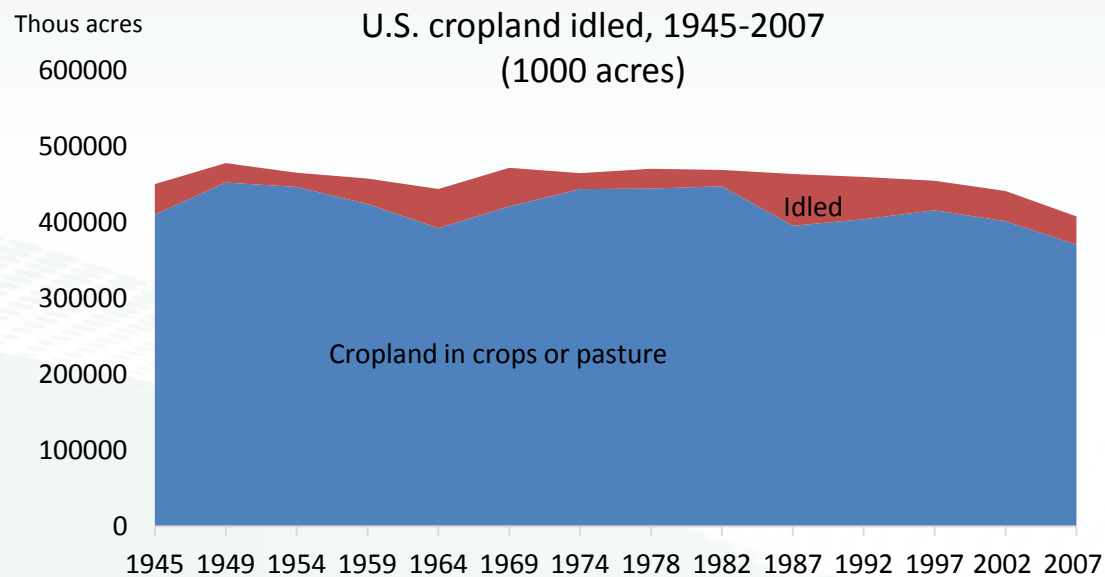
Source: USDA, Economic Research Service, using WTO tariff profiles

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Source: USDA, Economic Research Service using OECD PSE/CSE database

# Domestic supply management

- Acreage reductions
- Marketing orders
- Land retirement



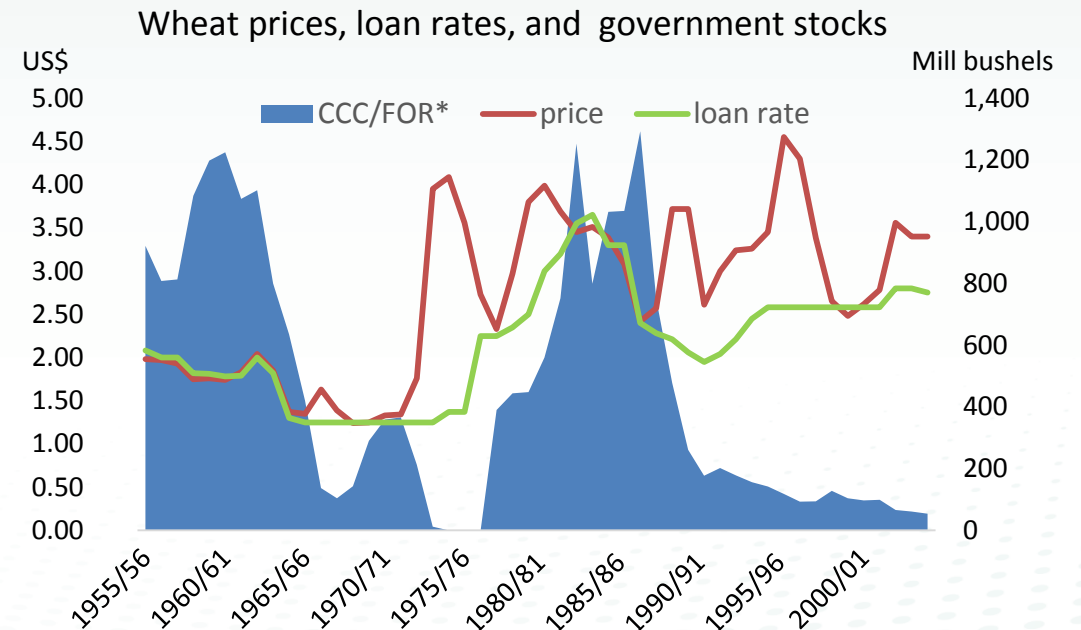
Source: USDA, Economic Research Service, Major Land Uses data



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# Market price support

- Direct purchases at minimum prices
- Nonrecourse loans

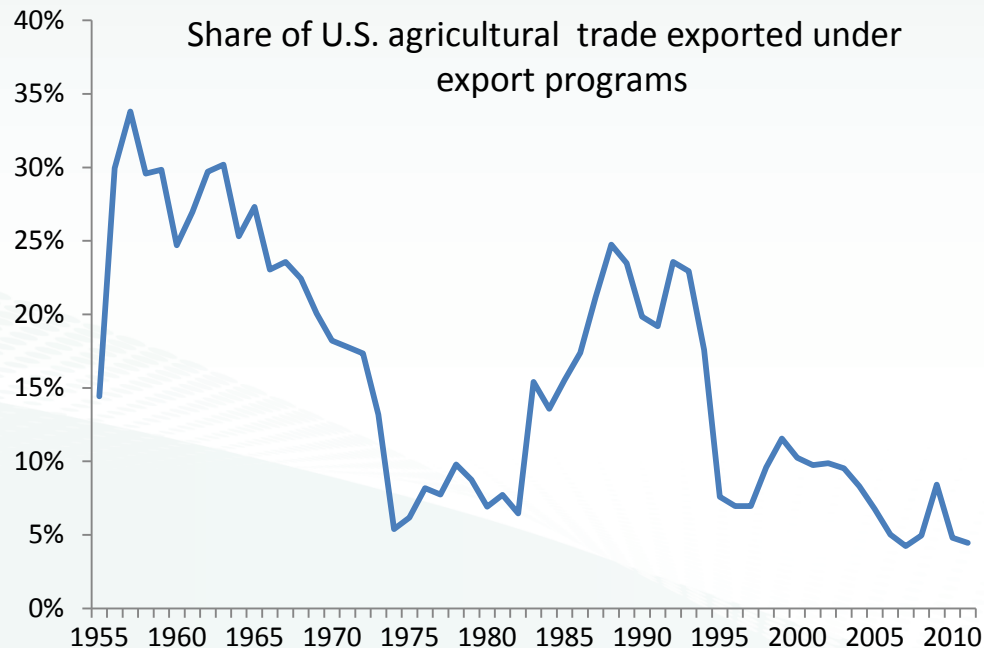


\*Commodity Credit Corporation stocks and Farmer-Owned Reserve  
Source; USDA, Economic Research Service, Wheat Data, app. Table 9



## Export enhancement

- Foreign food aid
- Export subsidies
- Export credits



Note: Includes export subsidies, export credits, and food aid

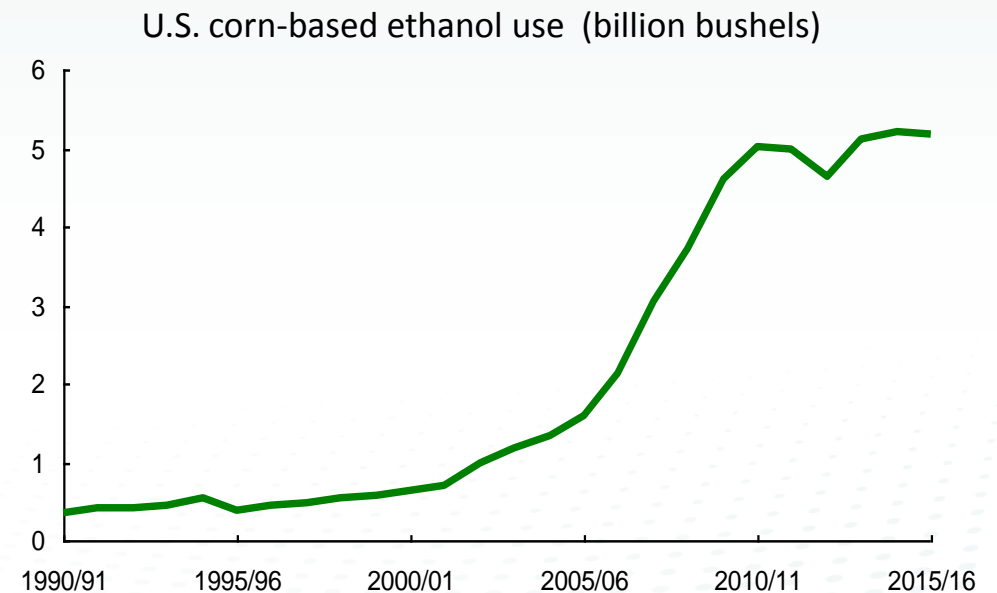
Source: USDA, Economic Research Service, using data from Congressional Research Service and US Agency for International Development.



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## Domestic demand enhancement

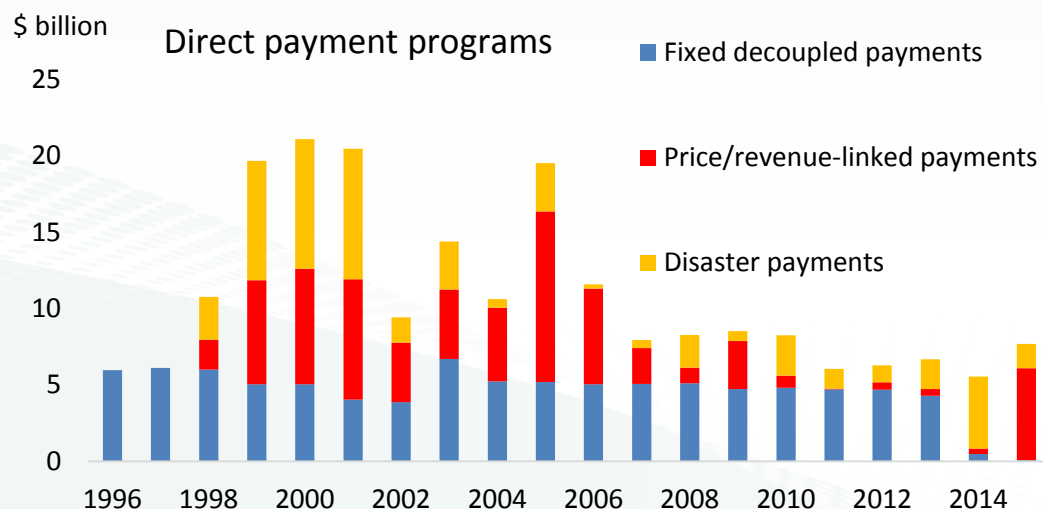
- Domestic food assistance
- User payments to processors
- Biofuel mandates



Source: USDA, Economic Research Service

## Direct payments

- Deficiency payments
- Marketing loans
- Fixed payments
- Revenue-based payments



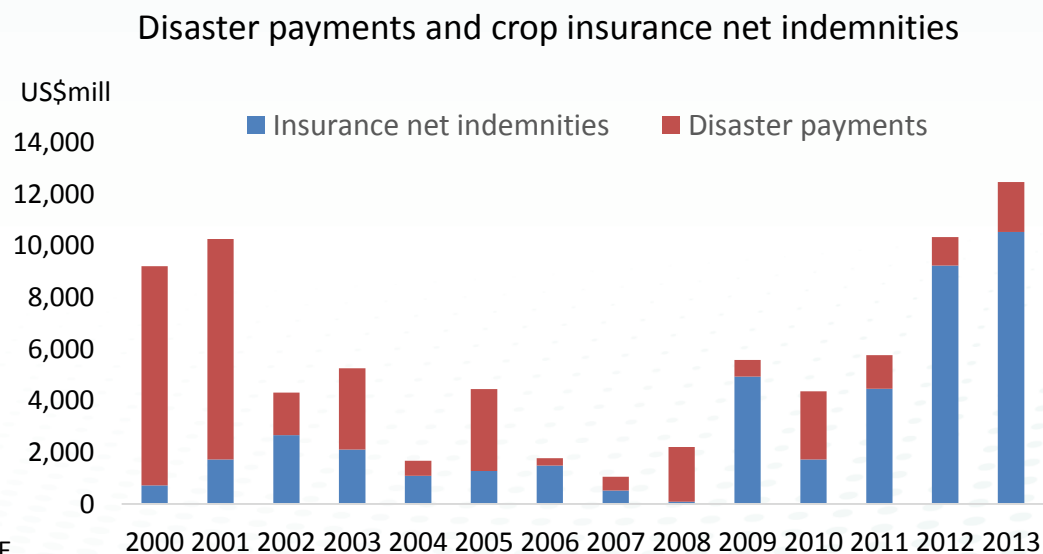
Note: Fixed decoupled = PFC, DP; Price/revenue-linked = marketing loans, CCPs, ACRE, MILC, Dairy MPP; Emergency = Market Loss Assistance, SURE, disaster payments  
Source: USDA, Economic Research Service, Farm Income data



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## Loss compensation

- Disease management
- Crop insurance
- Ad hoc disaster assistance
- Standing disaster assistance



Source: USDA, Farm Services Agency and Risk Management Agency data

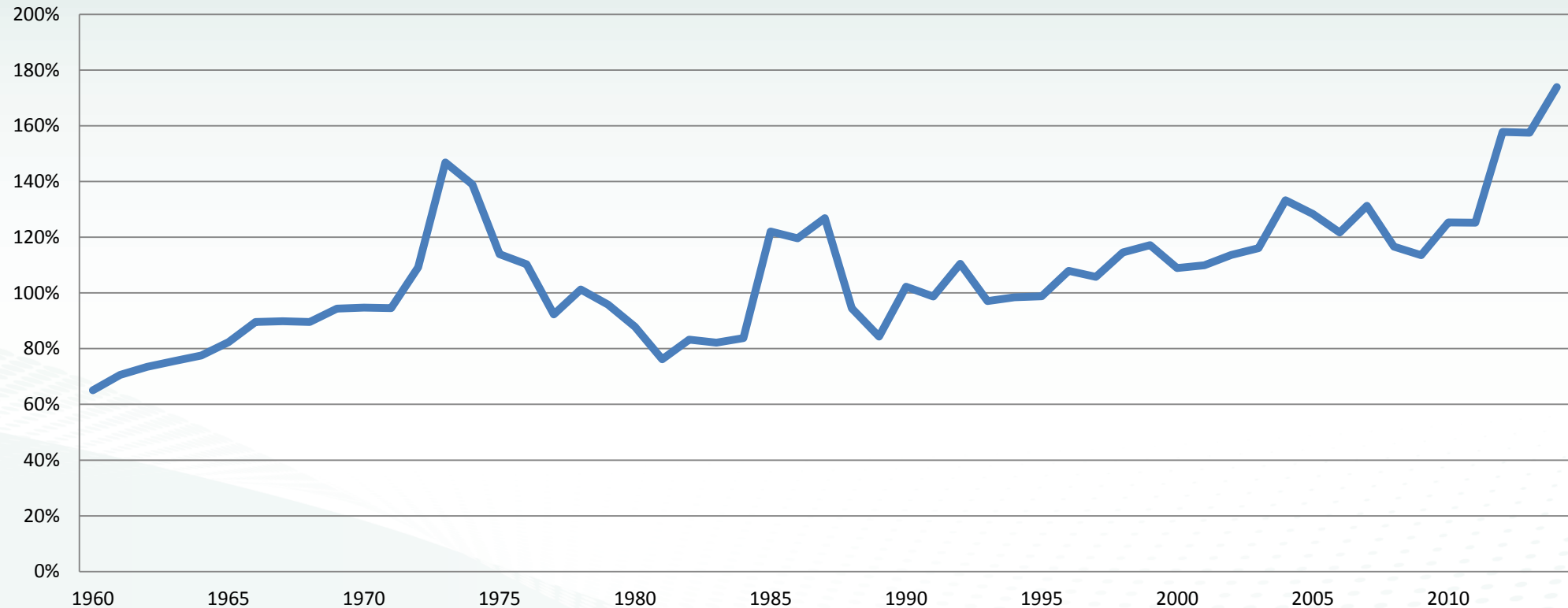
# Integrated view across policy types

- Trends in U.S. agricultural support by various measurements
  - CCC/crop insurance—outlays by function and crop
  - OECD—PSE focused on more-to-less coupled programs, CSE, GSSE
  - WTO—AMS by commodity, non-product specific, and green box
  - World Bank NRA, CTE



# Farm household income has risen steadily

Farm household income as percent of US household income

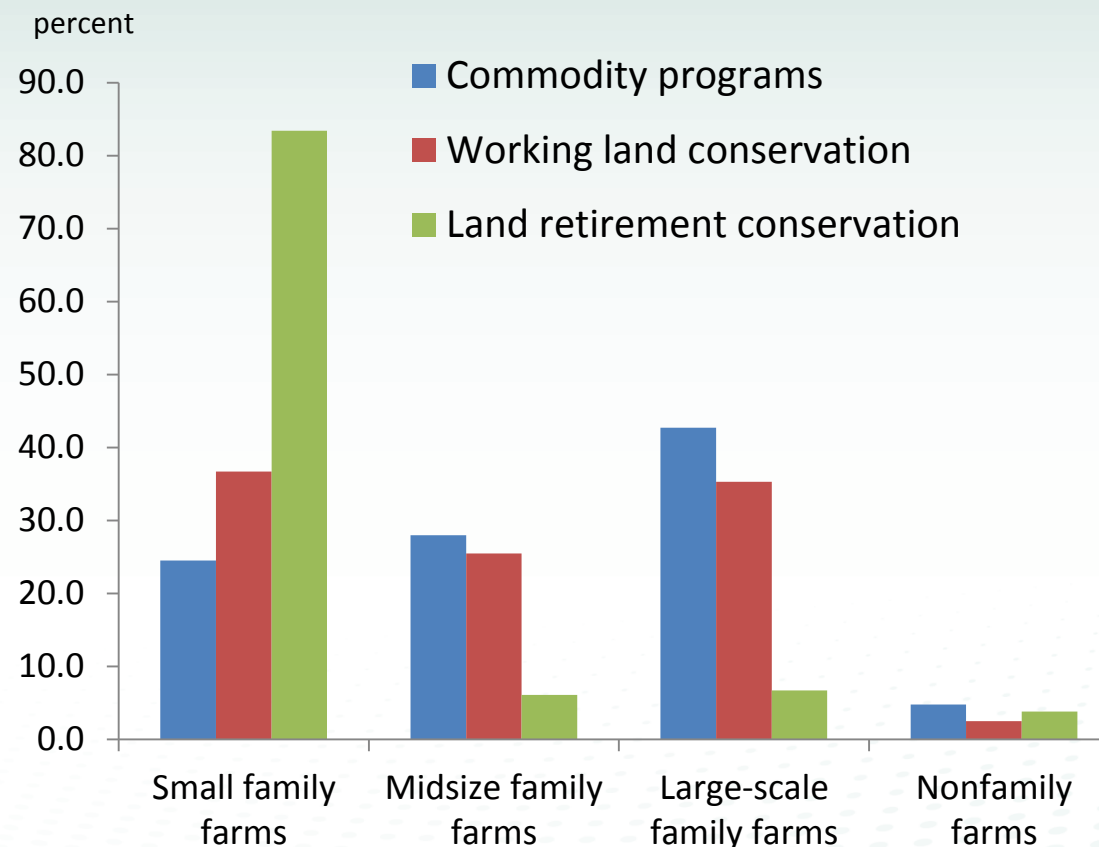
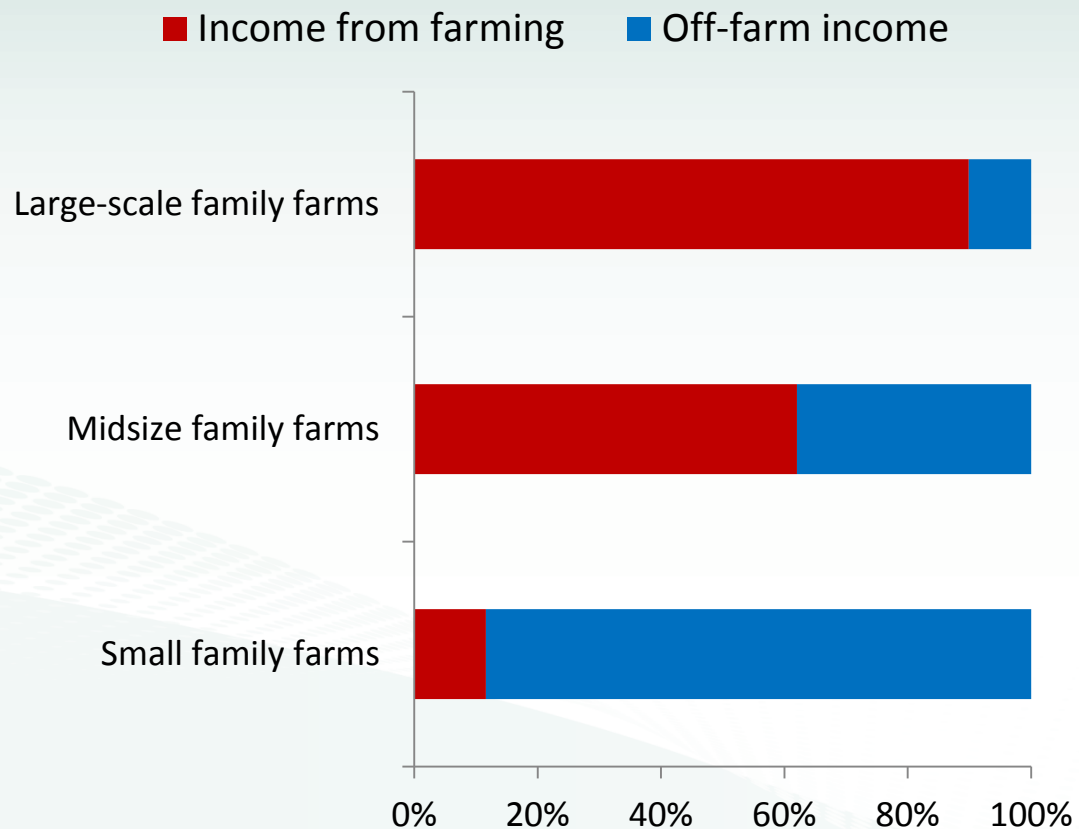


Source: USDA, Economic Research Service, Farm Income data; Bureau of Census income data.



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# Income sources and policy benefits vary by farm size



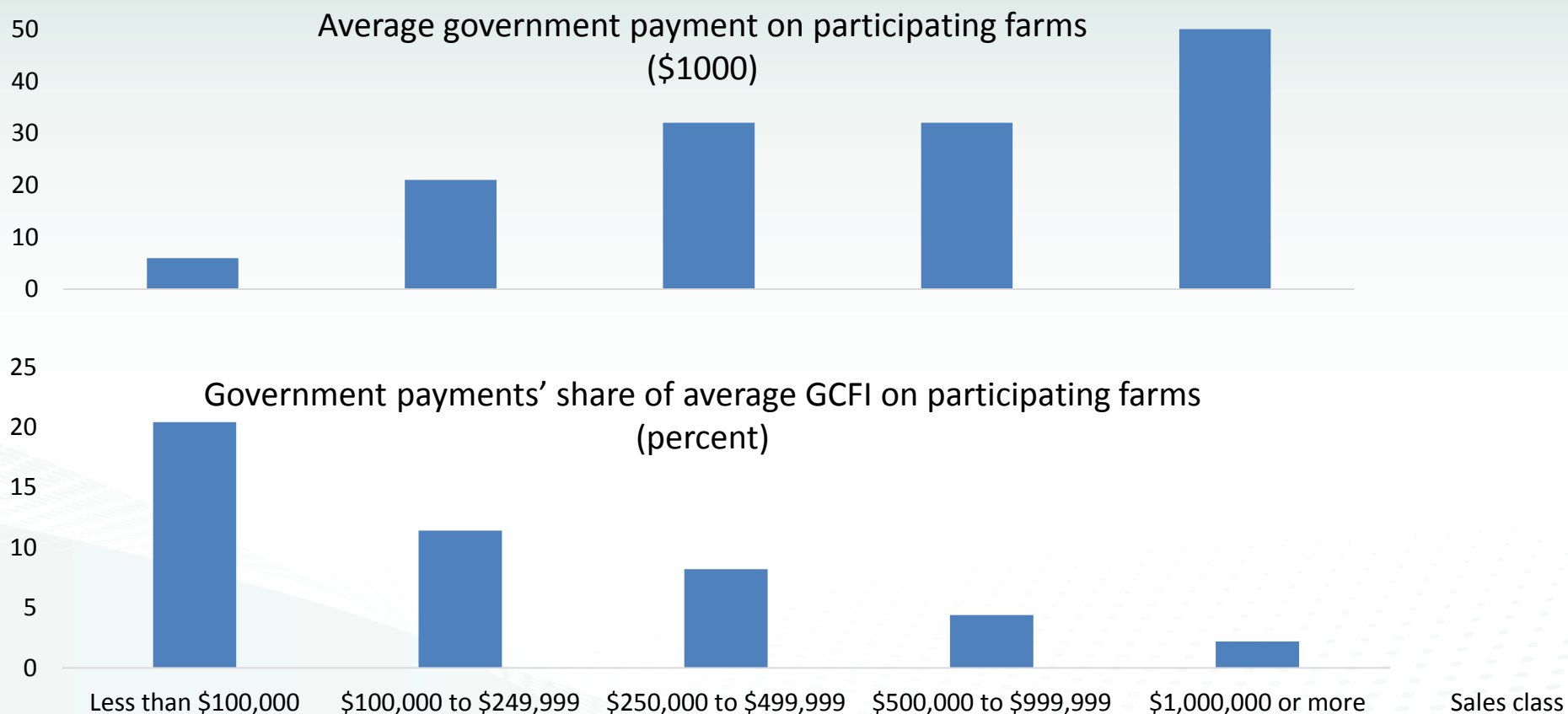
Source: USDA National Agricultural Statistics Service and Economic Research Service, 2013, 2014 ARMS.



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# Benefits can be important to small-scale farm incomes



GCFI = Gross cash farm income.

Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2014 Agricultural Resource Management Survey, Phase III.



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# Additional analysis

- FAPRI projections showing impacts of removing programs on farm income, government outlays, and consumer expenditures

