POLICY GOALS AND THE DESIGN OF FARM PROGRAMS: AN EVALUATION OF FAIR

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Evaluating the performance of our current farm programs initially requires a specification of policy goals. In performing this exercise, we conclude that the goals have changed, much like the policies have changed. We then evaluate whether the current set of policies will fulfill the goals in a politically acceptable manner. It is concluded that this is questionable, at least in the short run. Moreover, it is concluded that, regardless of what is done in policy terms, the farm structure will continue to undergo dramatic change. Policies will affect the rate of change in structure, but not the direction which will continue toward fewer but larger integrated farms.

Goals of Farm Policy

In preparing this paper, we interviewed key committee staff for the House and Senate Agriculture Committees. In one case, a leading congressperson was involved in a portion of the interview. In all instances, the staff interviewed were in leadership positions during the development of the 1996 Farm Bill (FAIR), although not necessarily in the same position as they currently occupy. Those interviewed were supplied the questions to be discussed three days in advance.[1]

Future Policy Goals

Each of the respondents was asked, "What are the top goals that you associate with U.S. farm policy over the next five years?" The number of goals was limited to five per respondent so as to

[1]As a reference point, the interviews were held on July 1-2, 1999. The authors are on the Faculty of the Agricultural and Food Policy Center, Texas A&M University, College Station, TX.

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provide a relatively uniform weighting across those interviewed. The following 17 goals were identified by the Congressional leaders:

Frequency	Stated Goal
4	Expand markets.
3	Facilitate risk management.
2	Foster market-oriented production.
2	Conserve natural resources.
2	Maintain safe food supply.
2	Increase farm income.
1	Maintain secure food supply.
1	Provide equitable treatment across commodities.

It is important to note that the question has a five-year time frame which could have de-emphasized the effects of the current "farm crisis" on the ranking of policy goals. It is also possible that the "expanding markets" goal was viewed primarily as a means for raising prices and incomes, which was explicitly mentioned in one instance. Yet, it is also important to note that fostering market-oriented production was indicated twice as a policy goal which, arguably, is consistent with expanded trade as well as with less government involvement.

Facilitating risk management was indicated by three of the policy leaders interviewed. This response was unambiguously stated and was not in the context of improving crop insurance–a primary congressional concern at the time of the interview. This suggested a broader policy perspective on risk management than just crop insurance.

Collins, in providing his perspective on post-2002 farm policy, divides policy goals into economic and social goals as follows:

Economic Goals	Social Goals
# Improve risk management decisions.	# Preserve farm numbers.
# Deal with anti-competitive practices.	# Help small farms.
# Deal with environmental problems.	# Helping socially disadvantaged farms.
# Ensure food and fiber safety.	# Helping family farms.
# Educate producers.	# Providing income assistance.
# Conduct basic research.	
# Resolve trade problems.	

Collins notes that the economic goals are designed to achieve greater efficiency, greater competitiveness, and to address market failure. He notes that the most important trends determining future policy are increasing market orientation and producer responsibility for risk management.

The economic goals listed by Collins are consistent with those enunciated by the Congressional leadership. However, the Congressional leadership placed relatively less explicit emphasis on social goals but, again, we constrained them to five or less.

Past Policy Goals

Our reference point for policy goals of the past is a 1976 article by Tweeten titled, "Objectives of U.S. Food and Agricultural Policy and Implications for Commodity Legislation." It is interesting to note that this is one of the few articles found that identifies goals in a manner that has some semblance of the procedure we used. However, Tweeten prefaces his goals from the perspective of what farmers desire. The producers' perspective is reached from our interviews only if the Agriculture Committees'

leadership reflects the perspective of farmers. This may only partially be the case since there are other relevant groups affecting policy goals. Tweeten indicates:

"*Personal surveys and other sources reveal that U.S. farmers desire:*[2]

1. *A reasonable or fair economic outcome as measured by the level of returns on resources, net income or the ratio of prices received to prices paid by farmers.*
2. *A reasonable or fair stability in economic outcomes, avoiding sharp gyrations through time.*
3. *Open access to foreign markets with a minimum of impediments to trade imposed by other nations or the U.S. Government.*
4. *Freedom in making production and marketing decisions consistent with major reliance on pricing and output under market mechanisms of supply and demand that reward resources to their contribution to the value of output.*
5. *Environmental protection, including conservation of land and water.*
6. *Compensation for burdens imposed on farmers by society that are unrewarded by the market.*
7. *Preservation of family farm structure.*
8. *Transfer (welfare) payments to provide a socially acceptable minimum level of living for farm people who lack resources to earn a decent living through the market*

[2]What U.S. farmers desire might not be the same as what Congressional leaders see as the goals. However, in a representative governance system, there should be some resemblance.

because of ill health, disability, or other reasons beyond the control of a 'prudent' family or individual."

Tweeten lists eight goals–coincidentally the same number as listed in our interviews. As one might expect, Tweeten's goals are purer in reflecting desired end results, as opposed to means. However, his 1976 goals reflect substantial differences from those listed by Congressional staff for the next five years. Specifically, Tweeten's 1976 goals reflect:

1. Substantially greater emphasis on income enhancement.
2. Less emphasis on trade expansion.
3. More emphasis on price stabilization.
4. No emphasis on risk management, except through price stabilization policies.
5. Less emphasis on food safety and security.
6. More emphasis on preservation of family farms.

Subsequently, during the 1996 Farm Bill debate, Tweeten (1995) scrutinized the 12 best reasons for commodity programs. While not a look at goals, per se, greater emphasis was placed on economic efficiency, food security, risk, trade and rural communities. In so doing, Tweeten reflected substantial foresight into current issues involving policy goals.

Farm Size

Realizing that the structure of agriculture has resurfaced as a policy concern, the following question was asked of the congressional respondents, "Is it a high priority that program commodities be produced on the types of farms they have been over the past five years?" The following responses were identified by Congressional Agriculture Committee leaders:

Frequency	Answer
1	Structural change is a consequence of consumer demand, not farm policy.
1	Size of farm is not congressional business.
1	Need to facilitate change in an orderly manner.
1	Need to maintain moderate size farm.

Every office answered this question differently but, except for one respondent, the policy appeared to be one of allowing change to occur regardless of what happens to size and type of farm. This may have resulted from the realization that there is very little that the Congress has done, or can do, about structural change.

The follow-up question was then asked, "Do you think current programs will retain the current moderate size, independent farm structure?" The responses were as follows:

Frequency	Answer
1	No.
1	Other factors dominate structural change.
1	Programs are designed for progressive farmers.
1	Payment limit is counterproductive.

This could be interpreted as a unanimous no. In a more favorable light, the answers indicate that the Congressional leadership feels that farm policy has not done, and cannot do, anything about the survival of moderate-size commercial farms. Moreover, the goals previously indicated by current policy leaders suggest that, except in one case, targeting farm size survival is not a top congressional priority–despite political rhetoric to the contrary.

Location of Production

It is well known, although less well documented, that commodity programs have provided more subsidies to some crops than others (Miller et al; Keough et al; Ernstes, Outlaw and Knutson, March 1997; Ernstes, Outlaw and Knutson, October 1997). Of particular note are cotton and rice–whose production is regionally specific. A contemporary example is soybeans, where the loan rate is high relative to other commodities. Production under more market-oriented conditions has the potential for substantially altering production patterns. In the 1996 Farm Bill debate, rice and cotton producers were particularly concerned about the displacement of production from traditional growing areas. Therefore, the question was asked, "Is it a high priority that program crops be produced in the same geographic locations they have been over the past five years?" The responses follow:

Frequency	Answer
3	Government policy should not force change, cannot assure survival and must assure competitiveness.
2	Farmers must be free to adjust to market forces and diversify even if it means getting out of agriculture.
1	While government does not bear the responsibility for past mistakes, changes need to be accomplished gradually.

There was great hesitancy to giving a yes or no answer to this question. The overall nature of the responses seemed to be that the government cannot and should not protect farmers who are not competitive. The strongest support for maintaining crop production in the current geographic locations came in the single endorsement supporting gradual adjustment.

The follow-up question was designed to determine the leaders' perceptions of what effects the 1996 Farm Bill would have on production patterns: "Do you think current programs will retain locations where commodities have been produced over the past five years?" The responses were:

Frequency	Answer
1	Not without supplementals.
1	Perhaps not everywhere.
1	Flexibility facilitates adjustment.
1	Current payments reflect past payments but Congress needs to know if higher payments are required.

Again, there was reluctance to answer this question yes or no. There was a recognition that decoupled payments have already led to shifts in cropping patterns and that, absent the supplementals, these shifts could accelerate. The last comment is interesting in that it recognizes that, arguably, those commodities receiving higher per unit benefits in the past (rice, cotton, peanuts, tobacco) continue to get them under the 1996 Farm Bill, albeit in a decoupled form.

Economic Status of Farms

In this section, the economic status of agriculture under the 1996 Farm Bill is evaluated. This is done utilizing the AFPC representative crop farms. These 41 farms are located in major crop production areas throughout the United States (Figure 1). In many locations, there are both a moderate size and a large farm. Both are contemporary full-time operations with the moderate being representative of the majority of commercial size operations and the large being 2-3 times as large although it is typically still an independent family-owned operation. These representative crop farms are developed with the assistance of producer panels and are updated by the panel every

three years. In the interim, between updates, the size of farm is not changed. Baseline prices are developed by the FAPRI Consortium of universities. The farms are

Figure 1. AFPC Representative Crop Farms

simulated under conditions of risk utilizing FLIPSIM, a model developed by Richardson and Nixon. The 1999 baseline, finalized in January, reflected what turned out to be an optimistic perspective on Asian recovery and a relatively average perspective on the size of the crop in the Southern Hemisphere. The recovery lagged and the global crop was better than average. Table 1, therefore, contains a modified baseline for 1999. In this modified baseline, WASDE July 1999 estimated crop prices are utilized for 1999. For 2000, the 1999 WASDE prices were adjusted to reflect the differences between the 1999 and 2000 harvest month future prices as of mid-July. The exceptions to this process were cotton and rice, where TAEX specialists projected forward prices. From there to 2002, prices are projected up to the FAPRI 1999 baseline which, based on current crop and global economic conditions, probably is still optimistic.

Table 1. 1996-99 Baseline Prices for Years 1996-2002.

	1996	1997	1998	1999	2000	2001	2002
Corn ($/bu.)							
JAN '96 Baseline	2.75	2.46	2.31	2.23	2.29	2.33	2.43
JAN '97 Baseline	2.75	2.37	2.36	2.42	2.44	2.55	2.61
JAN '98 Baseline	2.71	2.43	2.39	2.37	2.42	2.46	2.49
JAN '99 Baseline*	2.71	2.43	1.95	1.85	2.16	2.10	2.17
Wheat ($/bu.)							
JAN '96 Baseline	3.78	3.37	3.43	3.43	3.45	3.24	3.21
JAN '97 Baseline	4.30	3.38	3.30	3.63	3.63	3.78	3.78
JAN '98 Baseline	4.30	3.38	3.33	3.37	3.49	3.54	3.57
JAN '99 Baseline*	4.30	3.38	2.65	2.70	3.06	3.25	3.34
Cotton ($/lb.)							
JAN '96 Baseline	0.6602	0.6424	0.6426	0.6383	0.6362	0.6400	0.6402
JAN '97 Baseline	0.7133	0.6650	0.6458	0.6499	0.6667	0.6803	0.6857
JAN '98 Baseline	0.6930	0.6520	0.6888	0.6894	0.6942	0.7005	0.7069
JAN '99 Baseline*	0.6930	0.6520	0.6110	0.4900	0.5309	0.5527	0.5796
Sorghum ($/bu.)							
JAN '96 Baseline	2.58	2.31	2.14	2.08	2.13	2.18	2.25
JAN '97 Baseline	2.33	2.28	2.25	2.32	2.38	2.47	2.52
JAN '98 Baseline	2.34	2.21	2.21	2.19	2.24	2.29	2.33
JAN '99 Baseline*	2.34	2.21	1.70	1.55	1.81	1.98	2.05
Soybeans							
JAN '96 Baseline	6.50	6.26	5.74	5.57	5.54	5.68	5.86
JAN '97 Baseline	6.85	6.23	5.83	5.80	5.92	5.98	6.08
JAN '98 Baseline	7.35	6.47	5.87	5.91	5.92	5.97	6.01
JAN '99 Baseline*	7.35	6.47	5.00	4.30	4.63	5.30	5.39
Rice ($/cwt.)							
JAN '96 Baseline	7.33	7.67	8.12	7.80	8.04	8.04	8.12
JAN '97 Baseline	9.41	8.71	8.64	8.50	8.73	8.81	8.92
JAN '98 Baseline	9.96	9.64	9.31	9.30	9.33	9.37	9.39
JAN '99 Baseline*	9.96	9.64	8.75	6.00	7.40	8.79	8.85

*Baseline prices for 1999 were modified to reflect the WASDE July 1999 estimate and, for 2000, the prices were projected using the 1999 WASDE prices adjusted for the difference between the 1999 and 2000 harvest month futures prices, as of July 12, 1999.

Table 1 indicates that the crop price outlook has generally deteriorated since 1997 with the big decline occurring in 1999. Policies devised for dealing with the adversities for the 1998/99 crop involved supplemental AMTA payments in addition to the normal AMTA and LDPs authorized in the 1996 Farm Bill. Based on current conditions, it is reasonably easy to conclude that the 1996 Farm Bill could not be enacted today, even though the goals expressed by the Committee leadership are still consistent with the primary provisions of FAIR.

In this environment of political and economic cross currents, is the 1996 Farm Bill sustainable through 2002? To help answer this question, the AFPC representative crop farms were simulated utilizing the following four scenarios:

- AMTA: The authorized level of AMTA payments in the 1996 Farm Bill, LDPs as authorized, no disaster payments and no AMTA supplemental/market assistance for 1996-2002.
- AMTA 98 Sup: The authorized AMTA plus a 49.7 percent AMTA supplemental/market assistance in 1998 with disaster payments for the 1998 crops received in 1999–no AMTA supplement in 1999.
- AMTA Sup: AMTA 98 Sup plus an additional AMTA supplemental in 1999 at the 49.7 percent level, LDPs as authorized and no disaster payments after 1998 (received in 1999).
- AM-Super: AMTA 98 Sup plus an additional 100 percent AMTA supplement in 1999, LDPs as authorized and no disaster payments after 1998.

The 1999 magnitude of payments under each of these four policy alternatives for each of AFPC's representative crop farms is indicated in Table 2.

Table 2. Comparison of AMTA and LDP Payments for Representative Farms by Policy Alternatives, 1999.

	AMTA			AMTA98SUP			AMTASUP			AM-SUPER		
	AMTA	LDP	Total	AMTA	LDP	Total	AMTA	LDP	Total	AMTA	LDP	Total
	Payments in ($1,000s)											
IAG950	15.77	30.81	46.58	15.77	30.81	46.58	23.5	30.81	54.31	31.54	30.81	62.35
IAG2200	38.11	65.92	104.03	38.11	65.92	104.03	56.79	65.92	122.71	76.22	65.92	142.14
NEG800	25	21.68	46.68	25	21.68	46.68	37.26	21.68	58.94	50	21.68	71.68
NEG1575	53.85	45.89	99.74	53.85	45.89	99.74	80.24	45.89	126.13	107.7	45.89	153.59
MOCG1700	13.86	42.55	56.41	13.86	42.55	56.41	20.66	42.55	63.21	27.73	42.55	70.28
MOCG3300	30.54	88.21	118.75	30.54	88.21	118.75	45.51	88.21	133.72	61.09	88.21	149.3
MONG1200	8.49	31.29	39.78	8.49	31.29	39.78	12.65	31.29	43.94	16.98	31.29	48.27
TXNP1600	29.88	22.42	52.3	29.88	22.42	52.3	44.52	22.42	66.94	59.76	22.42	82.18
TXNP5500	92.57	84.03	176.6	92.57	84.03	176.6	137.93	84.03	221.96	185.14	84.03	269.17
TNG900	6.56	26.92	33.48	6.56	26.92	33.48	9.77	26.92	36.69	13.11	26.92	40.03
TNG2400	31.73	72.02	103.75	31.73	72.02	103.75	47.29	72.02	119.31	63.47	72.02	135.49
SCG1500	29.9	52.7	82.6	29.9	52.7	82.6	44.55	52.7	97.25	59.8	52.7	112.5
SCG3500	68.72	144.81	213.53	68.72	144.81	213.53	102.4	144.81	247.21	137.45	144.81	282.26
WAW1500	24.97	23.51	48.48	24.97	23.51	48.48	37.2	23.51	60.71	49.94	23.51	73.45
WAW4250	62.47	49.2	111.67	62.47	49.2	111.67	93.08	49.2	142.28	124.94	49.2	174.14
NDW1760	17.73	20.24	37.97	17.73	20.24	37.97	26.42	20.24	46.66	35.46	20.24	55.7
NDW4850	51.43	59.43	110.86	51.43	59.43	110.86	76.62	59.43	136.05	102.85	59.43	162.28
KSSW1385	20.95	10.95	31.9	20.95	10.95	31.9	31.22	10.95	42.17	41.9	10.95	52.85
KSSW3180	41.29	24.07	65.36	41.29	24.07	65.36	65.51	24.07	85.58	82.57	24.07	106.64
KSNW2325	20.84	14.02	34.86	20.84	14.02	34.86	31.05	14.02	45.07	41.68	14.02	55.7
KSNW4300	44.63	27.62	72.25	44.63	27.62	72.25	66.5	27.62	94.12	89.27	27.62	116.89
COW2700	16.85	12.11	28.96	16.85	12.11	28.96	25.11	12.11	37.22	33.7	12.11	45.81

COW5420	32.52	22.1	54.62	32.52	22.1	54.62	48.46	22.1	70.56	65.05	22.1	87.15
CAC2000	103.05	83.39	186.44	103.05	83.39	186.44	153.53	83.39	236.92	206.1	83.39	289.49
CAC6000	179.53	425.81	605.34	179.53	425.81	605.34	267.48	425.81	693.29	359.07	425.81	784.88
TXSP1682	20.66	48.97	69.63	20.66	48.97	69.63	30.78	48.97	79.75	41.32	48.97	90.29
TXSP3697	62.83	117.03	179.86	62.83	117.03	179.86	93.62	117.03	210.65	125.67	117.03	242.7
TXRP2500	25.88	24.56	50.44	25.88	24.56	50.44	38.55	24.56	63.11	51.75	24.56	76.31
TXBL1400	18.52	21.28	39.8	18.52	21.28	39.8	27.59	21.28	48.87	37.03	21.28	58.31
TXCB1700	37.71	42.34	80.05	37.71	42.34	80.05	56.18	42.34	98.52	75.42	42.34	117.76
TNC1675	26.06	81.56	107.62	26.06	81.56	107.62	38.82	81.56	120.38	52.12	81.56	133.68
TNC3800	68.79	187.7	256.49	68.79	187.7	256.49	102.49	187.7	290.19	137.58	187.7	325.28
CAR424	53.54	35.86	89.4	53.54	35.86	89.4	79.77	35.86	115.63	107.08	35.86	149.94
CAR1365	162.19	117.01	279.2	162.19	117.01	279.2	241.67	117.01	358.68	324.38	117.01	441.39
TXR2118	77.63	47.13	124.76	77.63	47.13	124.76	115.68	47.13	162.81	155.27	47.13	202.4
TXR3750	199.84	132.65	332.49	199.84	132.65	332.49	297.77	132.65	430.42	399.69	132.65	532.34
MOR1900	59.13	62.29	121.42	59.13	62.29	121.42	88.11	62.29	150.4	118.26	62.29	180.55
MOR4000	148.8	189.54	338.34	148.8	189.54	338.34	221.71	189.54	411.25	297.6	189.54	487.14
ARR2645	59.2	79.86	139.06	59.2	79.86	139.06	88.21	79.86	168.07	118.4	79.86	198.26
ARR3400	114.69	122.7	237.39	114.69	122.7	237.39	170.89	122.7	293.59	229.38	122.7	352.08
LAR1100	32.63	35.5	68.13	32.63	35.5	68.13	48.62	35.5	84.12	65.26	35.5	100.76

AFPC's experience in working with the Agriculture Committees of the Congress is that they are most interested in and responsive to the ability of our farms to cash flow. FLIPSIM expresses this as the level of net cash farm income as well as the probability of a cash flow deficit.

Table 3 presents the probability of a cash flow deficit for the AFPC crop farms in 1999 for each of the four scenarios. Since the only difference across scenarios is the disaster and market assistance provided by the Congress, the level of payment is indicative of the change in revenue. That is, no difference in farmer supply response is assumed.

The results indicate that with only AMTA payments as authorized in the 1996 Farm Bill, about 70 percent of the farms (29 of 41) would experience over a 50 percent probability of a cash flow deficit in 1999 (Table 3). The AMTA supplement in 1998 of approximately 50 percent, with the disaster payments authorized in 1998 but paid in 1999, reduces the number of farms having over a 50 percent probability of a cash-flow deficit in 1999 to 28 of 41. With an AMTA of 49.7 percent in both 1998 and 1999, as well as the disaster payment in 1998 only (AMTA Sup), the number of farms having over a 50 percent probability of a cash-flow deficit falls to 20 of 41. With a 100 percent AMTA supplement in 1999 (AM-Super) in Table 3, the number of farms having over a 50 percent probability of a cash-flow deficit is reduced to 15 of 41.

These results suggest substantial political pressure to double the level of AMTA payments. Moreover, the current economic forecasts for years 2000-2002 suggest that this level of supplemental payments may be necessary through 2002.

Traditionally, concerns about payment limits have been largely a Southern phenomena and these farms have generally been restructured so that these constraints have not been as binding.

Table 3. Probability of a Cash Flow Deficit in 1999 for Representative Farms by AMTA Policy Alternative.

	AMTA	AMTA98SUP	AMTASUP	AM-SUPER
	Probability (%)			
IAG950	59	59	52	47
IAG2200	53	53	48	44
NEG800	95	95	94	94
NEG1575	72	72	65	57
MOCG1700	38	38	28	23
MOCG3300	45	45	43	34
MONG1200	91	91	88	88
TXNP1600	56	55	38	32
TXNP5500	36	34	30	26
TNG900	83	80	77	71
TNG2400	43	43	39	35
SCG1500	62	48	43	39
SCG3500	37	28	21	16
WAW1500	79	79	69	66
WAW4250	63	63	58	53
NDW1760	51	51	40	33
NDW4850	56	56	49	43
KSSW1385	60	58	40	26
KSSW3180	20	20	11	6
KSNW2325	84	84	83	79
KSNW4300	74	74	64	55
COW2700	54	54	43	30
COW5420	46	46	37	30
CAC2000	58	58	50	38
CAC6000	39	39	37	30
TXSP1682	79	53	48	42
TXSP3697	21	3	1	1
TXRP2500	76	75	70	65
TXBL1400	43	37	30	23
TXCB1700	99	97	95	92
TNC1675	70	70	66	58
TNC3800	79	79	73	69
CAR424	98	98	80	40
CAR1365	96	96	73	34
TXR2118	75	75	33	16
TXR3750	84	84	51	23
MOR1900	99	99	99	96
MOR4000	92	89	85	75

ARR2645	40	40	24	13
ARR3400	39	39	18	9
LAR1100	97	97	91	79

In 1998, however, payment limits became binding on a larger share of Midwest farms as well as on Southern farms that were not prepared for increased LDPs, especially for soybeans.

Table 2 indicates that with a 100 percent 1999 AMTA supplement, 19 of the 41 farms would be over the $40,000 additional supplemental payment limit for a single entity/person ($80,000 total), which is generally the most binding. When considering both AMTA and LDP payment limits, 21 of the 41 farms exceed the limit if structured as a single "person." AFPC studies have indicated that farmers having exceeded their payment limits in commodities such as cotton and rice had successfully restructured their operations to avoid this constraint. The easiest method of restructuring involves the inclusion of the farmer's spouse as a "person" in the operation. However, with good legal counsel, there appears to be very little constraint on the ability of a farmer to legally restructure to enhance the payment limit.

In 1998, our analyses indicates that a number of farmers who had not previously confronted the payment limit found that they left subsidies on the table. Most of these farmers who had not restructured were located in the Midwest where payment limits had not previously been a constraint. Interestingly, Midwest interests have been traditional supporters of payment limits. In 1999, there will be another test of the support for the relatively low current limits, at a time when a larger number of Midwest farmers are adversely affected by them. Raising the limits or eliminating them could now get bipartisan support.

A final question asked of Congressional leadership involved the sustainability of annual transition supplementals. Specifically, "Are ad-hoc market assistance/disaster payments a viable approach to get farmers through the next five years and at other times as the need arises?" The responses follow:

Frequency	Answer
1	Yes, through 2002 but it will be ugly.
1	Yes, as long as budget surpluses exist.
1	Yes, but the answer may be different after redistricting in 2002.
1	Yes, but not every year.

All answers were a qualified yes to the sustainability of the 1996 Farm Bill through at least 2002. Some would interpret these answers as an endorsement of the FAIR transition payment concept in that it provided the flexibility for supplementals. Others would suggest that this flexibility is not unique to FAIR. It has always existed and has been exercised when needed for either economic or political reasons. Interim "fix it" farm bills have been common whenever agriculture goes on the rocks.

Conclusions

The goals of policy have changed with FAIR, but the ability of farmers to command high levels of spending in times of need is still present. Congressional leadership generally supports the goals and philosophy that underlies FAIR, despite the "crisis" that confronts many farmers. The type of support, however, has changed to a combination of decoupled AMTA payments, coupled LDP payments, and ad-hoc supplementals for years of adverse yields and/or prices. High payments are possible in years of budget surpluses with rural and urban horse-trading on tax and spending issues. Annual appropriations for decoupled payments would be more difficult if there were budget deficits. Payment limits could be a more important issue than they have been in the past because limits are now binding on a cross section of farms for all major commodities and geographic regions.

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