

FIGURE Da-O Agricultural exports and imports: 1901–1999

Sources

Series Da1323 and Da1325 deflated by series Ca13.

operations have become increasingly nonviable as commercial enterprises. In a technologically dynamic and competitive industry facing limited demand, it seems inevitable that there will be losers as well as winners.

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FARM POLICY

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Government intervention in the farm sector has taken many forms, ranging from investments in public goods to attempts to use price and income supports to raise farm incomes. As the essay on agricultural productivity in this chapter demonstrates, government policies to promote basic and applied research along with farm extension work have raised farm productivity enormously. In addition, a number of government programs, such as transportation systems, rural mail delivery, and rural electrification, have provided rural infrastructure. Land policies, by which the federal government "privatized" much of the continent, represent another class of government policy that has had a major effect on farmers. For example, the Homestead Act of 1862 allowed farmers to acquire 160 acres of federal land free of charge.¹

This essay concentrates on policies to raise farm incomes or commodity prices through a variety of schemes. These are the policies usually referred to as "farm programs." Collective action to raise agriculture prices in what is now the United States dates back to the early days of colonial Jamestown, when Virginia planters attempted to limit tobacco production. In the nineteenth century, many states experimented with agricultural bounties to encourage the introduction of new crops, and Maine briefly offered subsidies on wheat grown within its borders. But these initiatives were minor aberrations in an era in which farmers grew what they pleased and received prices determined by the law of supply and demand in relatively free markets. (Domestic and foreign tariff policies represented the major market distortions.) In fact, throughout the nineteenth and early twentieth centuries, American agriculture approximated the competitive model, but by the end of the twentieth century many parts of agriculture had become highly regulated and subsidized (Efland 2000). Federal commodity programs, originally justified as emergency measures, have proven difficult to end as farm incomes and land prices have become dependent on government subsidy. Table Da-P shows how the character and extent of government involvement in agriculture has changed over the

¹ This act and other land laws are discussed in Chapter Cf.

TABLE Da-P Major government agricultural programs and policy: 1766–2000

1766	George Washington suggested to Congress the establishment of a National Board of Agriculture.
1789	First tariff act – for revenue only.
1796	Public Land Act of 1796. Authorized federal land sales to the public in minimum 640-acre plots at \$2 per acre of credit.
1816	Tariff of 1816. Included protection for wool, sugar, hemp, and flax.
1819	State legislature set up the New York State Board of Agriculture – first organization of this sort.
1820	Agriculture Committee, U.S. House of Representatives, established.
1820	Land Law of 1820. Allowed purchasers to buy as little as eighty acres of public land for a minimum price of \$1.25 an acre.
1825	Agriculture Committee, U.S. Senate, established.
1833	Tariff Act of 1833. Began tariff-reducing trend that lasted until the Civil War.
1839	\$1,000 appropriated for Patent Office work with agricultural statistics.
1841	Preemption Act. Gave squatters first rights to buy land.
1852	United States Agricultural Society organized.
1862	Homestead Act. Granted 160 acres to settlers who had worked the land five years.
1862	Morrill Act of 1862. Created the land-grant college complex by giving federal lands to the states to endow colleges in the agricultural and mechanical arts.
1862	U.S. Department of Agriculture set up without cabinet status.
1887	Hatch Act of 1887. Provided annual grants to each state for agricultural research, leading to the system of state agricultural experiment stations.
1889	Department of Agriculture raised to cabinet status.
1890	Meat Inspection Acts. Authorized the inspection of salted pork, bacon, and live animals intended for exportation, and the quarantine of imported animals.
1914	Smith–Lever Act of 1914. Created the cooperative federal–state Agricultural Extension Service.
1916	Federal Farm Loan Act of 1916. Created the twelve cooperative federal land banks.
1921	Packers and Stockyards Acts. Authorized the Secretary of Agriculture to regulate meatpackers and livestock trading practiced at public markets having an area of 20,000 square feet or more.
1922	Capper–Volstead Act. Gave cooperatives legal standing.
1922	National Agricultural Conference established to discuss farm policy reform.
1929	Federal Farm Board established.
1933	Agricultural Adjustment Act of 1933 (Public Law 73-10). Introduced price-support programs, including production adjustments, and incorporated the Commodity Credit Corporation (CCC). Price-support loans by the Commodity Credit Corporation were made mandatory for the designated “basic” (storable) commodities (corn, wheat, and cotton). The provisions for production control and processing taxes were later declared unconstitutional.
1934	Taylor Grazing Act. Gave the U.S. Department of the Interior power to regulate grazing on public domain in the West.
1935	Agricultural Adjustment Act of 1935 (Public Law 74-320). Gave the president authority to impose quotas when imports interfered with agricultural adjustment programs.
1936	Soil Conservation and Domestic Allotment Act of 1936 (Public Law 74-461). Provided for soil-conservation and soil-building payments to participating farmers but did not include strong price- and income-support programs.
1938	Agricultural Adjustment Act of 1938 (Public Law 75-430). Made price support mandatory for corn, cotton, and wheat. It also established the Federal Crop Insurance Corporation and is considered part of permanent legislation.
1941	Steagall Amendment of 1941 (Public Law 77-144). Required support for many nonbasic commodities at 85 percent of parity or higher. In 1942, the minimum rate was increased to 90 percent of parity and was required to be continued for two years after the end of World War II.
1946	National School Lunch Act. Authorized assistance to states through grants-in-aid and other means in establishing nonprofit school lunch programs.
1947	General Agreement on Tariffs and Trade (GATT). An agreement originally negotiated in Geneva, Switzerland, in 1947 to increase international trade by reducing tariffs and other trade barriers.
1948	Agricultural Act of 1948 (Public Law 80-897). Made price support mandatory at 90 percent of parity for 1949 basic commodities. Beginning in 1950, parity would be reformulated to take into consideration average prices of the previous ten years, as well as those of the 1910–1914 base period.
1949	Agricultural Act of 1949 (Public Law 89-439). Along with the Agricultural Adjustment Act of 1938, it makes up the major part of permanent agricultural legislation that is still in effect in amended form.
1954	Agricultural Trade Development and Assistance Act of 1954 (Food for Peace) (Public Law 83-480). Established the primary U.S. overseas food assistance program. The program made U.S. agricultural commodities available through long-term credit at low interest rates and provided food donations.
1954	Agricultural Act of 1954 (Public Law 83-690). Established a flexible price support for basic commodities (excluding tobacco) at 82.5–90 percent of parity and authorized a Commodity Credit Corporation reserve for foreign and domestic relief.
1956	Agricultural Act of 1956 (Public Law 84-540). Began the Soil Bank Act, which authorized short- and long-term removal of land from production with annual rental payments to participants. It established the Acreage Reserve Program and a ten-year Conservation Reserve Program.

TABLE Da-P Major government agricultural programs and policy: 1766–2000 *Continued*

1961	Emergency Feed Grain Program of 1961. Launched a voluntary reduction program with payment-in-kind (PIK) provisions.
1962	Food and Agricultural Act of 1962 (Public Law 87-703). Gave the president the power to impose mandatory production controls. This power was subject to approval by two thirds of the producers of a commodity before controls could be put into effect.
1964	Agricultural Act of 1964 (Public Law 88-297). Authorized a two-year voluntary marketing certificate program for wheat and a payment-in-kind (PIK) program for cotton.
1964	Food Stamp Act of 1964 (Public Law 88-525). Provided the basis for the Food Stamp Program. It was later replaced by the food stamp provisions (Title XIII) of the Food and Agricultural Act of 1977.
1965	Food and Agricultural Act of 1965 (Public Law 89-321). The first multiyear farm legislation, providing for four-year commodity programs for wheat, feed grains, and upland cotton. It authorized a Class I milk base plan for the seventy-five federal milk marketing orders, and a long-term diversion of cropland under a Cropland Adjustment Program. It also continued payment and diversion programs for feed grains and cotton and certificate and diversion programs for wheat.
1970	Agricultural Act of 1970 (Public Law 91-524). In effect through 1973, it established the cropland set-aside program and a payment limitation per producer (set at \$55,000 per crop). It also amended and extended the authority of the Class I Base Plan in milk marketing order areas.
1973	Agriculture and Consumer Protection Act of 1973 (Public Law 93-86). Established target prices and deficiency payments to replace former price-support payments. It also set payment limitations at \$20,000 for all program crops and authorized disaster payments and disaster reserve inventories.
1977	Food and Agriculture Act of 1977 (Public Law 95-113). Increased income and price supports and established a farmer-owned reserve for grain. It also established a new two-tiered pricing program for peanuts.
1977	Food Stamp Act of 1977 (Title XIII). Permanently amended the Food Stamp Act of 1964 by eliminating purchase requirements and simplifying eligibility requirements.
1979	Trade Agreements Act of 1979 (Public Law 96-39). Provided the implementing legislation for the Tokyo Round of multilateral trade agreements in such areas as customs valuation, standards, and government procurement.
1980	Federal Crop Insurance Act of 1980 (Public Law 96-365). Expanded crop insurance into a national program with the authority to cover the majority of crops.
1981	Agriculture and Food Act of 1981 (Public Law 97-98). Set specific target prices for four years, eliminated rice allotments and marketing quotas, and lowered dairy supports.
1982	Omnibus Budget Reconciliation Act of 1982 (Public Law 97-253). Froze dairy price supports and mandated loan rates and acreage reserve programs for the 1983 crops.
1983	Payment-in-Kind (PIK) Program of 1983. Provided voluntary, massive acreage reduction by adding payments in kind to regular acreage reduction payments for grain, upland cotton, and rice; instituted by executive action.
1983	Dairy and Tobacco Adjustment Act of 1983 (Public Law 98-180). Froze tobacco price supports, launched a voluntary dairy diversion program, and established a dairy promotion order.
1984	Agricultural Programs Adjustment Act of 1984 (Public Law 98-258). Froze target price increases provided in the 1981 Act; authorized paid land diversions for feed grains, upland cotton, and rice; and provided a wheat payment-in-kind program for 1984.
1985	Food Security Act of 1985 (Public Law 99-198). Allowed lower price and income supports, lowered dairy supports, established a dairy herd buyout program, and created a Conservation Reserve Program under which the federal government entered into long-term land retirement contracts on qualifying land.
1985	Farm Credit Restructuring and Regulatory Reform Act of 1985 (Public Law 99-205). Implemented interest rate subsidies for farm loans and restructured the Farm Credit Administration.
1988	Disaster Assistance Act of 1988 (Public Law 100-387). Provided assistance to farmers hurt by the drought and other natural disasters in 1988.
1988	United States–Canada Free Trade Agreement Implementation Act of 1988 (Public Law 100-449). Implemented the bilateral agreement between the United States and Canada to phase out tariffs between the two countries over ten years and revise other trade rules, but important import quotas remained.
1990	Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508). Introduced a mandatory 15 percent planting flexibility and assessment on nonprogram crop producers.
1990	Food, Agriculture, Conservation, and Trade Act of 1990 (Public Law 101-624). Froze target prices and allowed more planting flexibility. New titles included rural development, forestry, organic certification, and commodity promotion programs.
1993	North American Free Trade Agreement Implementation Act (Public Law 103-182). Eliminated all nontariff barriers to agricultural trade between the United States and Mexico, and maintained the provisions of the United States–Canada Free Trade Agreement on agricultural trade. Eliminated or scheduled a phase-out of tariffs on a broad range of agricultural products.
1994	Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Public Law 103-354). Supplemented the federal crop insurance program with a new catastrophic coverage level (CAT) and created the Noninsured Assistance Program (NAP), a permanent aid program for crops not covered by crop insurance.
1994	Uruguay Round Agreements (URA) Act (Public Law 103-465). Implemented the trade agreements concluded in the Uruguay Round of multilateral trade negotiations conducted under the auspices of the General Agreement on Tariffs and Trade.

(continued)

TABLE Da-P Major government agricultural programs and policy: 1766–2000 *Continued*

1996	Federal Agriculture Improvement and Reform (FAIR) Act of 1996 (Public Law 104-127). Removed the link between income support payments and farm prices by providing for predetermined production flexibility contract payments whereby participating producers receive government payments independent of current farm prices and production. It increased planting flexibility by allowing participants to plant 100 percent of their total contract acreage to any crop, except limitations on fruits and vegetables.
2000	Agricultural Risk Protection Act of 2000 (Public Law 106-224). For third year in a row raised contract payments that had been set in the FAIR Act. Also increased crop insurance subsidies and mandated expansion of the program.

Sources

1933–1985. Douglas E. Bowers, Wayne D. Rasmussen, and Gladys L. Baker, "History of Agricultural Price-Support and Adjustment Programs, 1933–84: Background for 1985 Farm Legislation," *Agricultural Information Bulletin* number 485, U.S. Department of Agriculture, Economic Research Service; 1933–1995: U.S. Department of Agriculture, Economic Research Service, "Chrono-

logical Landmarks in American Agriculture," *Agriculture Information Bulletin* number 425; 1996: U.S. Department of Agriculture, Economic Research Service, "Provisions of the Federal Improvement and Reform Act of 1996," *Agriculture Information Bulletin* number 729; 2000: Agricultural Risk Protection Act of 2000, Public Law 106-224.

decades and how resistant subsidy programs have been to major reform once they have been introduced.

The Beginnings of Government Intervention

How did we come to this situation? It was only in the 1920s and 1930s that the federal government began to intervene aggressively in the markets for farm inputs and commodities. In 1921 the newly organized "farm bloc" in Congress steered through several bills regulating middlemen and subsidizing loans to farmers. But the main initiative was the "Equity for Agriculture" plan sponsored by Senator Charles McNary and Congressman Gilbert Haugen. Versions of a McNary–Haugen bill were introduced in Congress every year from 1924 to 1928. The concept was to separate the domestic and export markets through tariffs. Domestic "parity prices" would be set, based on the favorable 1905–1914 relationship between farm and nonfarm prices. In 1927 and in 1928 the bills passed both houses of Congress but were vetoed by President Coolidge, who deemed them un-American. In 1928 the Senate failed to override the veto by a scant four votes (Benedict 1953, pp. 194–8, 216–31; Shideler 1957, pp. 76–117; Knapp 1973).

As the farm depression became more severe, the Agricultural Marketing Act of 1929 created the Federal Farm Board, with a \$500 million fund to buy and store commodities in order to raise prices. Almost immediately the Farm Board was in trouble, as nominal farm prices fell more than 50 percent between 1929 and 1932. The Board accumulated huge stocks of commodities, bidding up U.S. prices, discouraging exports, and encouraging even more production. With its funds exhausted, the Board unloaded its stocks, shocking commodity markets. In 1933 the Federal Farm Board was abolished (Benedict 1953, pp. 198, 239–66; Shideler 1957, pp. 270, 389; Cochrane 1979; Hamilton 1991).

New Deal Policies

The agricultural situation was grave in March 1933 when Franklin Roosevelt entered the White House; farm income had collapsed, foreclosures were commonplace, and rural banks and farm suppliers were in distress. In all but the most conservative quarters, there was the consensus that drastic action was needed. The first step was a set of emergency credit acts to stem the tide of foreclosures. But the main thrust was to restrict production. The Agricultural Adjustment Act (AAA), signed on May 12, became the foundation for Roosevelt's New Deal agricultural relief programs. The

stated goal was to raise the implied purchasing power of most agricultural products to their 1909–1914 parity ratio. Seven "basic" commodities (wheat, cotton, rice, field corn, hogs, tobacco, and dairy products) were originally eligible for production controls. (Eight other commodities were added by 1935.)

The federal government guaranteed prices by granting farmers "nonrecourse loans" secured by commodities stored with the Commodity Credit Corporation (also established in 1933). The farmer could forfeit the commodities and keep the loan money if the price fell below the support level, or reclaim the produce and repay the loan if the price rose above the support level. In addition, farmers could contract with the government to remove land from production in return for a payment as compensation for the foregone output. Because for some commodities production was already underway, the AAA paid farmers to plow up acreage and slaughter piglets and pregnant sows. The destruction of six million baby pigs against a backdrop of massive unemployment and soup kitchens caused a public outcry, ending the slaughter program (Olmstead and Rhode 2000, pp. 729–36).

Between 1932 and 1935 nominal farm income and prices increased substantially, but the AAA's impact is unclear. The severe drought in the Great Plains and changes in international markets also significantly affected farm income. The AAA was a bureaucratic nightmare; huge quantities of information had to be collected, thousands of contracts written, numerous appeals heard, and so forth (Saloutos 1982). The effort to help some farmers sometimes had adverse effects on others. As an example, land withdrawn from the production of basic commodities, such as corn, was often shifted into unregulated uses, such as pasture for cattle, thereby hurting the existing producers. Price support programs and land set aside also cut into U.S. agricultural exports.

In January 1936 the U.S. Supreme Court declared the Agricultural Adjustment Act unconstitutional, but government intervention continued under the Soil Conservation Act (1936) and the second Agricultural Adjustment Act (1938). The second AAA became the basis for many farm support programs over the next several decades. The New Deal also added other crops, created marketing boards for specialty crops, allowed farmers to renegotiate contracts and re-acquire farmsteads lost to banks, and subsidized credit, crop insurance, and exports (Rasmussen and Baker 1979; Gardner 1990). Despite limited programs for a variety of other commodities, farm price supports and related programs affected primarily grains, cotton, tobacco, peanuts, dairy, wool, and sugar. About half of U.S. agriculture, including meat products and most fruits and vegetables, has received relatively little government support.

The stated objective of these farm policies was a desire to boost low commodity prices. The results were mixed, in large part because of the inherent shortcomings of the programs. Low prices were themselves a consequence of the existing supply and demand conditions, and the New Deal policies typically made the situation worse. Higher prices led to more quantity supplied and lower quantity demanded, with the government taking the surplus its policies created. Thus, while providing some relief for farmers, these measures also tended to exacerbate the conditions that perpetuated the “oversupply” problems. It took World War II to bring cash farm income back to its 1929 level (Table Da1288–1295).

The Post–World War II Era

Following World War II there was broad agreement that farm prices might again collapse, and that farm subsidies should continue. Proposals to streamline the programs by replacing price subsidies with direct payments failed to gain approval. The Agricultural Act of 1949, which remains the “permanent” farm legislation to this day, essentially continued the Depression-era programs. Since 1949, basic farm commodity legislation, usually referred to as the “Farm Bill,” has taken the form of temporary amendments to the 1949 Act. Programs that began as temporary responses to an emergency have become thoroughly established in the Washington policy landscape and continue to affect the actions of farmers across America. One of the most important effects of the government programs has been to increase farmland values (the program benefits have become capitalized into the price of farmland), thus increasing the wealth of existing landowners, many of whom are not farmers.

The effect of farm programs on the prices received by farmers and on the surpluses accumulated by the government depended on the course of market prices. The thirty-two-year period from 1949 through 1981 saw a few periods of high market prices when programs had relatively little influence. During times when prices were low, stockpiles grew, creating pressure to tighten supply controls. Figure Da-Q provides data for nominal corn prices and the government support prices that show how intervention worked for

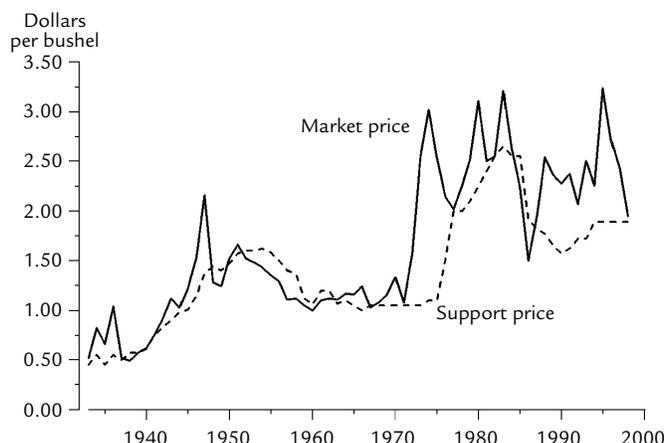


FIGURE Da-Q Corn market price and price support: 1933–1998

Sources
Market price, series Da697; support price, series Da1368.

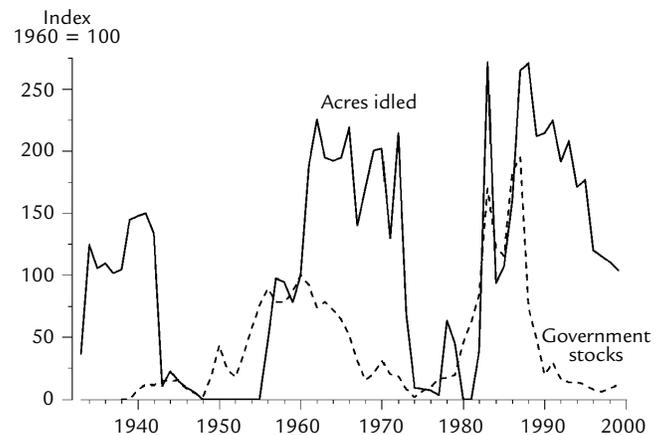


FIGURE Da-R Acreage idled under cropland acreage reduction programs and the value of price-supported commodities owned by the government: 1933–1999

Sources
Crop acres idled, series Da1453. Value of government stocks, series Da1412.

Documentation
For display purposes the values in both series have been expressed as index numbers with 1960 = 100.

this important commodity. In particular, the figure illustrates the jump and subsequent post–World War II fall in nominal corn prices.

Figure Da-R shows the fluctuating pattern of government-held stocks and mandatory land set-asides. Over the post–World War II period stocks rose rapidly, declined briefly during the Korean War, and then reached politically unsustainable levels in the early 1960s (Table Da1403–1415). As a result, there was a significant shift away from commodity loans and stockpiling toward voluntary acreage diversion programs and direct payments when prices were low. Under the new scheme, in addition to a loan program with the government taking physical possession of crops, participating farmers could opt to sell on the open market and receive a “deficiency payment” covering the difference between the market price and a previously announced official “target price.” To qualify, farmers had to agree before planting to idle or “set aside” a share (often 10–30 percent) of their base acreage. As Figure Da-R shows, starting in the mid-1950s there was a rapid upswing in the amount of cropland idled, and by 1960 about 60 million acres of cropland were taken out of production under annual commodity programs. An additional several million acres were idled under long-term land bank programs (Table Da1453–1456). With massive land idling programs, stocks were gradually reduced. Then a commodity price boom of the early 1970s eliminated government stocks and allowed the USDA to relax the requirements that farmers leave part of their cropland unplanted. One may see the negative correspondence between these policy measures (stockpiles and land idled on the one hand, and support prices on the other) by juxtaposing Figure Da-R with Figure Da-Q.²

² One response to the problem of large stockpiles was the Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480). The act heavily subsidized the export of surplus commodities to foreign countries as part of the overall foreign aid program. Although this program is generally seen as a humanitarian effort, its longer-term impact was often counterproductive, because it undercut indigenous producers in many receiving nations.

The brief period in the 1970s of low stocks and full production ended when world commodity prices dipped in the early 1980s, and U.S. support prices again exceeded world market prices by a wide margin. Despite significant political changes with the 1980 election, and despite the pro-market positions of the new Reagan administration, the 1981 Farm Act largely continued the 1977 Act. The lack of political resolve to lower high support prices in the early 1980s led to growing stockpiles of wheat, feed grains, and cotton. In response, the Payment-in-Kind (PIK) program added to the already existing acreage reduction programs, allowing farmers to withdraw an additional 10–30 percent of their base acreage in exchange for title to commodities in the Commodity Credit Corporation stockpiles. The result was one of the largest acreage reduction programs in U.S. history, idling 20 percent of U.S. cropland (seventy-seven million acres); PIK was also one of the most expensive programs, with many farmers receiving commodities valued at hundreds of thousands of dollars (series Da1453).

Overall, the four-decade period following World War II was one of numerous adjustments, but relatively little change in the

basic structure of U.S. farm commodity programs (Bowers, Rasmussen, and Baker 1984). That changed beginning in 1985.

The Food Security Act of 1985 recognized that lowering price supports was necessary to reduce the accumulation of stocks and increase the competitiveness of American exports. The gradual reduction of support prices and increased planting flexibility signaled a change in policy direction. The Act also allocated more than \$1 billion per year to direct export bonuses, mainly for wheat (Tables Da1436–1444). The subsidy of exports was not a new policy but, rather, as Table Da-S shows, export programs have been a recurring feature of U.S. farm policy. A new long-term Conservation Reserve Program paid landlords to remove from production erodible cropland for a ten-year period. In most of the years since 1986, about thirty-six million acres have been idled under this program (series Da1456). Total annual outlays for farm programs peaked at \$26 billion in fiscal 1986 and direct payments peaked at \$17 billion in fiscal 1987 (series Da1357). In addition, major ad hoc disaster payment programs were enacted in the late 1980s that allocated several billion dollars in direct payments to farmers (series Da1366).

TABLE Da-S Chronology of selected agricultural export programs: 1935–1996

1935	Price subsidies: Section 32 for exports (1935–1974). Credit or guarantees: Export–Import Bank loans/guarantees (1935–present).
1947	Market development: First state check-offs for generic promotion.
1948	Food aid exports: Economic Cooperation Act (Marshall Plan). Other programs: The Commodity Credit Corporation chartered as a federal corporation.
1949	Price subsidies: Cash subsidies to assist wheat under the International Wheat Agreement (1949–1966). Credit or guarantees: Special loans to Afghanistan, India, Pakistan, Spain, and the United Kingdom. Food aid exports: Section 416 (b) (1950–1954). Other programs: Agricultural Act of 1949.
1953	Food aid exports: Mutual Security Act.
1954	Food aid exports: Public Law 480 (1955–present). Market development: Title I of Public Law 80–480 currencies for market development, Cooperator Program (1955–present). Other programs: Public Law 80–480 barter (1954–1963).
1956	Credit or guarantees: The Commodity Credit Corporation direct credit sales (GSM-5), 1956–1980, 1984–1985.
1958	Price subsidies: Payment in kind for wheat, feed grains, cotton exports.
1961	Market development: First appropriation for Cooperator Program.
1962	Price subsidies: Payment in kind for nonfat dry milk exports.
1963	Other programs: Barter under Commodity Credit Corporation Charter Authority (1963–1973).
1971	Market development: Export Incentive Program (1971–present).
1979	Credit or guarantees: GSM-101 (1979–1981), GSM-201 (1979).
1980	Credit or guarantees: GSM-102 (1980–present). Food aid exports: Food Security Wheat Reserve Act (1980–present).
1981	Credit or guarantees: GSM-301 (1981–1982).
1982	Food aid exports: Section 416 (b) reauthorized (1983–present).
1983	Price subsidies: Flour sales to Egypt. Credit or guarantees: Blended credit (1983–1985).
1984	Price subsidies: Commodity Credit Corporation sales to West African countries.
1985	Price subsidies: Export Enhancement Program (1985–present), Dairy Export Incentive Program (1986–present). Credit or guarantees: GSM-103 (1986–present). Food aid exports: Food for Progress (1986–present), and Section 416 (b) expanded. Market development: Targeted Export Assistance Program (1986–1990). Other programs: Red meat sales (1986–1987), mandated dairy sales (1986–1988), and Agricultural Trade and Development missions (1986–1990).
1988	Price subsidies: Sunflowerseed Oil Assistance Program.
1989	Price subsidies: Cottonseed Oil Assistance Program.
1990	Market development: Market Promotion Program (1991–1996).
1994	Price subsidies: Uruguay Round Agreements: limits on export subsidies.
1996	Market development: FAIR Act Market Access Program (1996–present).

Source

Karen Z. Ackerman, Mark E. Smith, and Nydia R. Suarez, *Agricultural Export Programs: Background for 1995 Farm Legislation*, U.S. Department of Agriculture, Economic Research Service, Agriculture Economic Report number 716.

Documentation

This table shows the major programs affecting U.S. agricultural exports. The programs are listed under the following categories: price subsidies; credit or guarantees; food aid exports; market development; and other programs.

Budget pressures and moves to further liberalize farm policy led to several reforms in 1990. These included fewer acres eligible for deficiency payments, additional planting flexibility, lower price supports, and frozen nominal target prices used to determine direct payments. Export subsidies and the Conservation Reserve Program were continued with some reforms (Sumner 1995). The 1990 legislation replaced the price support program for grains and oilseeds with a “marketing loan” program under which payments were triggered whenever an average local market price was below the local loan rate. Because loan rates were set at between 75 percent and 85 percent of the moving average of past prices, the expectation was that few payments would be triggered by this new payment scheme. In fact, no payments were made until 1998 (Orden, Paarlberg, and Roe 1999).

As the 1990 farm legislation neared expiration, several forces combined to encourage further reforms (Gardner 1999; Orden, Paarlberg, and Roe 1999). First, farmers and others continued to complain that the programs limited planting flexibility and attempted to control markets. Second, budget pressures continued. Third, farm prices began to rise dramatically while the new law was being developed and farm leaders came to realize they were likely to receive no payments under the traditional target price policy. This last point turned out to be crucial, causing the Federal Agricultural Improvement and Reform (FAIR) Act of 1996 to replace payments linked to market prices with new fixed “contract” payments (Young and Westcott 1996).

Despite widespread accounts to the contrary in sources such as the *New York Times*, the FAIR Act did not schedule a phase-out of farm subsidy programs. Rather, it was an extension of the policy path of the previous decade. Nonetheless, by reinforcing and consolidating previous changes, the FAIR Act changed the form of crop programs by eliminating planting requirements, land set-asides, price supports, and government stockpiles.

The FAIR Act set contract payments in advance for seven years. However, when prices fell and remained depressed, ad hoc legislation raised payments by 50 percent in 1998 and doubled payments for 1999 and 2000 (series Da1366). In all, subsidies jumped from about \$4.6 billion in fiscal year 1996 to \$19.2 billion in fiscal year 1999 and \$32.2 billion in fiscal 2000 (USDA 2001). The FAIR Act turned out to be an excellent contract for farmers. Reforms of the 1980s and 1990s that made farm programs more efficient were not reversed by these bailouts at the end of the century. However, the attempt to limit farm subsidies in times of low farm prices proved politically unsustainable when budget pressures declined. The policy clout of farmers remained powerful entering the new century.

Since World War II there has been a general movement toward freer trade for industrial goods. But for most of this period, agriculture represented a major exception to the general trend, because most industrial nations chose to protect their farmers. This began to change in 1986 when the United States supported a complete global elimination of trade-distorting farm programs at the Uruguay Round of trade negotiations. The Uruguay Round trade agreement was finally signed in 1994 and began to be implemented in 1995. This agreement has received much public attention. It opened some closed markets, eliminated nontariff barriers, began significant reductions in tariffs, and substantially reduced the use of export subsidies. But the implications for domestic farm subsidies were minimal. The agreement contained no binding limits

on payment programs, loan rates, or other internal program instruments.

An Evaluation

Farm commodity programs have now been a part of the American political landscape for nearly seventy years. Although numerous administrations have expressed an intent to trim the subsidies, most efforts were abandoned when faced with a downturn in farm prices. Subsidies have become entitlements that have proven very difficult to abolish, even during periods of prosperity. Most estimates suggest that there has been substantial waste in the attempt to manipulate commodity markets to raise farm revenues. For this and other reasons, most economists, including many former advocates of subsidies, have come to question whether there is any remaining rationale for these farm programs (Gardner 1992). In addition, many critics recognize that price support programs have never been very effective tools for helping the rural poor; benefits are based on farm production for selected commodities and the poor simply do not produce much. The result has been a growing intellectual sentiment to eliminate farm subsidies. But so far the political consensus in support of subsidies has held firm; indeed, the nominal 2000 outlays for farm subsidies were higher than ever. Some cows are, indeed, sacred.

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