Developments in U.S. Agricultural Policy

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Selected Farm Policy Goals

- Production of abundant supplies at reasonable, competitive prices
- Support farm incomes
- Reduce trade barriers
- Promote and enhance food quality and a healthy environment
- Maintenance of a family farm structure
- Realization of a high-quality rural lifestyle

Agricultural Spending Levels Remain Close to those of Recent Years

Key Programs

- Commodity programs
  - Marketing loans
  - Direct payments
  - Counter-cyclical payments
- Crop insurance
- Conservation programs
  - Conservation Reserve Program

Coupled vs. Decoupled Programs

- Coupled programs
  - Linked to production
  - Linked to specific crops
  - Increases overall production
- Decoupled programs
  - Not linked to production
  - Raise total revenue more generally

Marketing Loans: Coupled

Source: CCC Budget.
Direct Payments: Decoupled

Counter-cyclical Payments Mostly Decoupled

Producers had a one time opportunity to update acreage base

Wheat Revenues Under 2002 Farm Act

Crop Insurance Plays an Important Role in the Farm Safety Net

Other Commodity Programs

- Peanuts
- Dairy
- Sugar
Trade-Related Provisions

- Export programs
- Export Enhancement and Dairy Export Incentives Programs
- Export Credit Program (GSM-102 & GSM-103)
- Market promotion
- Food Aid

WTO “Circuit Breaker”—Secretary of Agriculture to adjust spending to meet U.S. commitments under the Uruguay Round Agreement on Agriculture

Conservation funding shifted toward working land

Conservation Reserve Program Expanded

Planted Area: Eight Major Crops

Government Payments
Government Payments Account for a Small Share of Farm Cash Receipts

Conclusions

- Agricultural spending similar to recent years
- Production impacts are mostly from
  - Marketing loan changes
  - Larger Conservation Reserve Program
- Agricultural programs are less coupled to production
  - reduce market distortions
  - budget
  - WTO

Additional Resources

- USDA’s Farm Bill website
  www.usda.gov/farmbill
- Economic Research Service (ERS) web site
  www.ers.usda.gov
  1996 and 2002 Farm Bill side-by-side comparison
  www.ers.usda.gov/Features/farmbill
  Farm Bill impacts
  www.ers.usda.gov/briefing/FarmPolicy