Anupa Sharma
Assistant Professor, Department of Agribusiness and Applied Economics,
NDSU
Assistant Director, Center for Agricultural Policy and Trade Studies,
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1776-1887

1776: Declaration of Independence (Repressive Ag. policies of colonial period toward end)

1785-87: Encouraged western settlement, removed tax, gave five years titles to 160 acres (reform continued until 1862)

1862: Establishment of DoA and Land Grant Universities, Homestead to settlers in West

By 1850’s dep., 80% export from Ag.

Demand for Ag. products from foreign and home increased, sent prices up

1861-65: Civil War, young people from North and South joined Army, labor shortage in Ag.

Use of horse power (First American Agriculture Revolution)

1865-1896, prices for Ag. products fell

1887: Passage of Hatch Agricultural Experiment station Act, Ag. research further strengthened

Regulation of railroads, warehouse, break up of monopolies, increase in money supply

Farmers cooperative

Production ↑ about 2X population
1900-1936

the early 1900's: Foreign and home demand still rising, discovery of gold in Alaska triggered inflation

1920: Ag. price collapsed because demand from Europe declined, rigid nonag. price aggravated gap between farm income and input costs

Agricultural Adjustment Act of 1933 (President Roosevelt)

- Reduce acreage of production on voluntary agreements
- Agreement with processors to control prices paid to producers
- License processors to curb unfair practices

Emergency Farm Mortgage Act, 1933

Farm Credit Act, 1933

Rural Electrification Administration, 1935

The production control invalidated by supreme court in 1936

WWI—beginning of new fed. policies
1936-1956

1936: Soil conservation and domestic allotment act

Replacement for prod. control provision

1938: Ag. adjustment act – non-recourse loan, acreage allotment, marketing quotas, parity prices and income

Basis of ag. price support today.

Productivity increase continued, since production control was threatened – relaxed acreage allotment and high support price for well over 100 commodities

High price support at fixed level of parity

World prices over 100% of parity

World War II

Ag. adjustment act 1949 supported parity prices between 75 and 90%

1954: Ag. trade development and assistance act

Relief-exports to manage surplus

1956: Soil bank established by the ag. act of 1956; 1957: 21 mill. acres in acreage reserve, 29 mill. acres in conservation reserve

Adjust S-D by taking land out of prod.
1965-1985

1965: the food and ag. act of 1965—attempts to separate the income enhancement features of farm programs from their stability-enhancing programs

Price controls and mandatory supply controls didn’t solve chronic surplus

1973: the agriculture and consumer protection act — Farmers assured target prices, loan rates at below market price, deficiency payments when target price was below either market price or loan rate, extended P.L. 480 and the food stamp and related programs (also by the acts of 1977 and 1981)

Emphasized production to respond to worldwide demand for food and fiber

World shortage of food grains, worldwide inflation, devaluation of dollar, export subsidies

Liquidation of the grain stocks finally solving the chronic surplus established under previous support programs

1977: the food and ag. act — farmer owned reserve programs for wheat, price supports through loan programs and target prices established in 1973 continued (even in ag. and food act of 1981), demand and prices generally high

Ag. exports and prices ↓, inflation, surplus accumulation, cost of price support programs ↑

1983-85: Payment in kind acreage diversion program
1985-2002

1985: the food security act of 1985 — no increase in target price for the farm bill period, but if market prices were below the loan rate, producers were allowed to repay their loan at the world market price or at 70% of the basic loan rate, whichever was higher; reduction in diversion payment; given flexibility to plant 25% acreage to other non-program crops in acreage reduction program (ARP); introduced dairy-herd buyout program

1996: Federal Agriculture Improvement and Reform act of 1996

1999: Congress ↑ed level of support for commodities receiving the production flexibility contract (PFC) payments as their prices ↓ed

First area-based direct payment to U.S. farmers decoupled from current production and prices

PFC payments institutionalized through 2001 in the form of market loan assistance (MLA) payments

2002: Farm security and Rural Investment Act of 2002 — introduced direct payments; MLA institutionalized through countercyclical payments, movement from adhoc disaster assistance to risk management

high level of income support to producers
[2] Production flexibility contract payments created in 1996 were based on a producer’s historic plantings and crop yields and were paid on a per-crop basis. This payment was classified as “Green box” under World Trade Organization’s System.
[3] MLA payments were classified as “product non-specific amber box” although there were some disputes surrounding these payments.
[4] Direct payments are a variant of PFC payments. PFC had a payment rate that at first increased and then decreased over the life of the 1996 act while direct payments maintained the same payment rate for each scheduled year of 2002 act. Additionally, producers were given the option to update their payment acres for direct payments to their planting from 1998 to 2001, a more recent period than the basis for PFC payments.
[5] Counter-cyclical payments are also administered based on historic base acres and program yields, but were triggered by decline in prices. The total size of these payments was based on marketing year average price for a crop. Producers who updated their base acres for direct payments were given the option to update the program yields for counter-cyclical payments to the 1998-2001 level.
[6] Further revisions to 1994 and 2000 changes in federal crop insurance program–higher premium subsidies to encourage participation and higher coverage.
[7] In 1987, almost 10% of the gross farm income in the U.S. was direct government payments.
2008: the food, conservation and energy act of 2008 – Food Stamp Program renamed as Supplemental Nutrition Assistance Program (a shift from food access to increased nutrition), eligibility increased, a conservation program for planted acres was reauthorized (a shift in focus of conservation title beyond its traditional focus on land retirement), fixed direct payments continued, optional average crop revenue election program (ACRE) included several innovations including a moving-average revenue benchmark and a focus on shallow-loss.

2014: — redesigned price and revenue crop programs and expanded reliance on crop insurance, repealed direct payments, repealed counter-cyclical payment, and repealed ACRE.

Spending on farm supports became politically unsustainable

Low national economic growth, increase in general price level partly due to bio-fuel mandates, strong crop markets between 2008–2010 and 2011–2013 (as a result average annual SNAP expenditures ↑ ed from $50 billion to $74 billion while average net farm income rose from $74 billion to $121 billion)

Created new upland cotton insurance program and a new dairy margin protection program (MPP)
The redesign includes Supplemental Coverage Option (SCO), a new county shallow loss program. It partly covers losses that fall under the crop insurance deductible. The other insurance programs to address shallow loss include agriculture risk coverage (ARC). This is a revision of ARCE and is available in two versions—county (ARC-CO) and individual (ARC-IC). Programs that address multiple year losses include price loss coverage (PLC) and the two versions of ARC. PLC is a revision of target price counter-cyclical program. “Midwest, upper Great Plains states, and the South favored the policy design of ARC-CO, ARC-IC, and PLC, respectively (Orden and Zulauf, 2015).” Payments for PLC is based on reference (target price renamed as reference price) price while payments for ARC is based on benchmark revenue for a crop year.
Projected outlays under the 2018 Farm Act, 2019-2023

Nutrition, 76%

Crop insurance, 9%
Commodities, 7%
Conservation, 7%
Other, 1%

Total outlays = $428 billion

Sources: USDA, Economic Research Service calculations based on Congressional Budget Office estimates.
2018: the agriculture improvement act of 2018 – change in effective reference price for commodity support payments, addresses ARC base acres and PLC program yields, no provision for payments for base acres on farms entirely planted to grass or pasture, provision for updating yields for covered commodities for the purpose of calculating PLC or ARC payments

Marketing loan rates increased, reference prices under PLC are allowed to float higher based on the Olympic moving average price, the plug yield in ARC benchmark revenue calculation is provisioned to be no lower than 80% of the county’s historic yield, ARC makes program payments on 85% of farm’s base acre and PLC makes program payments on 85% of a farm’s base acres but also utilizes PLC program yields to determine gross payments

Legalization of hemp and removal of industrial hemp from the list of controlled substance

Continuation of Supplemental Nutrition Assistance Program (SNAP) with minimal change, Continuation of the conservation stewardship program although the funding is reduced, continuation of trade development and international food aid programs, continuation of Cochran and Borlaug fellowship program, created local agriculture market program for small farmers and local food systems, created programs for beginning/socially disadvantaged/veteran farmers and ranchers

[10] Loan rates increased for all crops other than upland cotton, peanuts and
minor oil seeds.

[11] PLC reference price may increase up to 115% of the statutory reference price.

[12] This only applies to hemp with a tetrahydrocannabinol level below 0.3%, plus state laws would still be applicable.

[13] Eliminated an award program that otherwise would provide states an annual federal funding of up to $48 million for their high performances in areas such as program access and payment accuracy.

References


