

## Developments in U.S. Agricultural Policy

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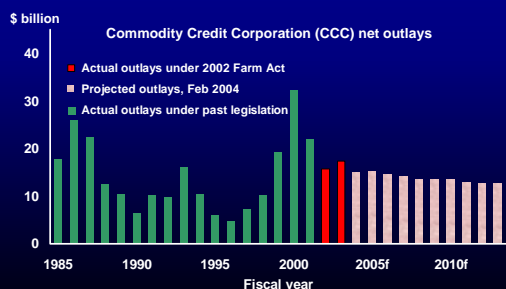
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## Selected Farm Policy Goals

- 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

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## Agricultural Spending Levels Remain Close to those of Recent Years



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## Key Programs

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



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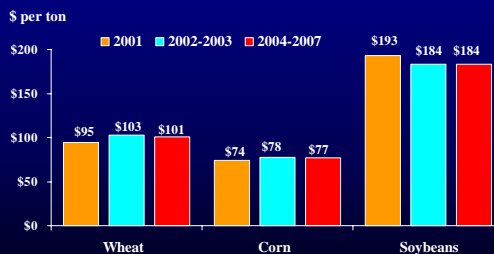
## Coupled vs. Decoupled Programs

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



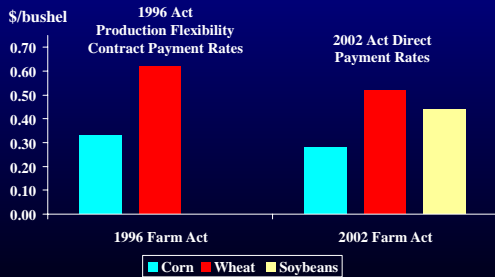
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## Marketing Loans: Coupled



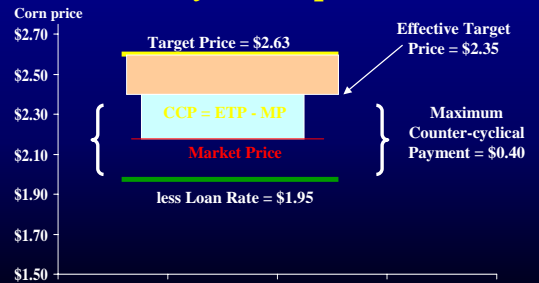
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## Direct Payments: *Decoupled*



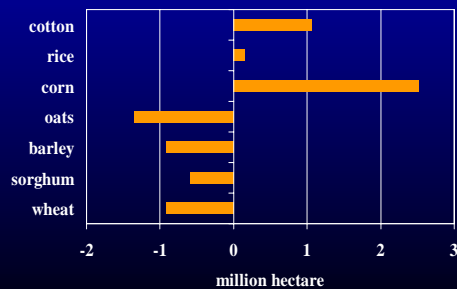
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## Counter-cyclical Payments *Mostly Decoupled*



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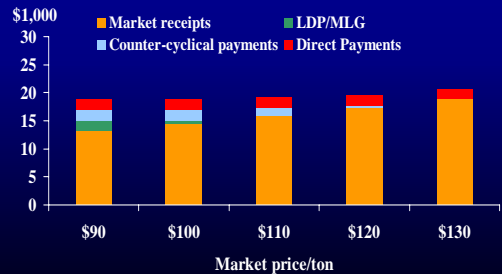
## Producers had a one time opportunity to update acreage base



In addition, 23.4 million hectares of oilseeds enrolled.

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## Wheat Revenues Under 2002 Farm Act



Assumes 50 hectare wheat plantings, 50 hectare wheat base, 2.9 mt/he yield, 2.3 mt/he direct payment yield, 2.5 mt/he counter-cyclical payment yield.

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## Crop Insurance Plays an Important Role in the Farm Safety Net

- Crop insurance guards against risk of yield losses
- USDA's Risk Management Agency subsidizes
  - Delivery costs
  - Administrative costs
  - Premiums
- Expected indemnities = total premiums
- Many farmers believe that expected indemnities do not exceed their share of costs
  - Program is too complicated (too many options)
  - Risk of insurable loss is low, therefore self insure
  - Farmers can reduce risk through use of other risk management strategies

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## Other Commodity Programs



- Peanuts
- Dairy
- Sugar

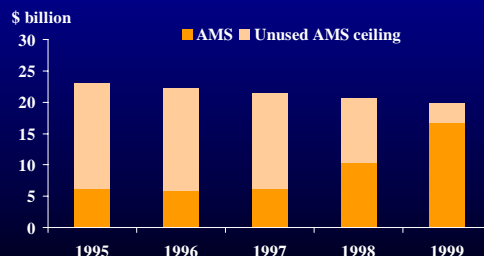
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## Trade-Related Provisions

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

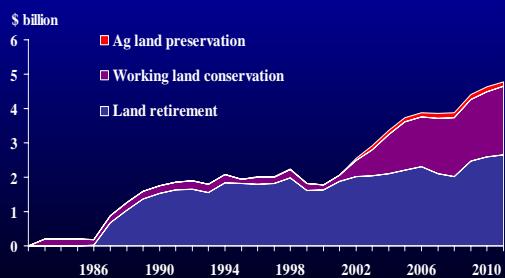
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## WTO “Circuit Breaker”—Secretary of Agriculture to adjust spending to meet U.S. commitments under the Uruguay Round Agreement on Agriculture



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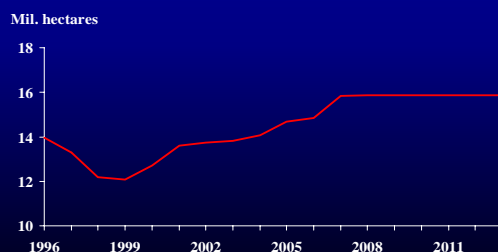
## Conservation funding shifted toward working land



Source: Office of Budget and Policy Analysis, USDA, and Congressional Budget Office

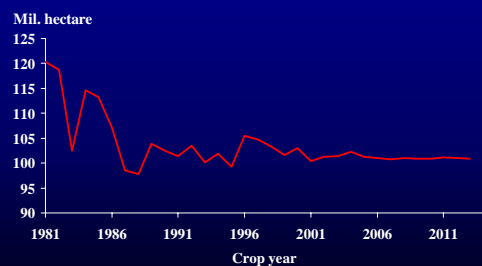
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## Conservation Reserve Program Expanded



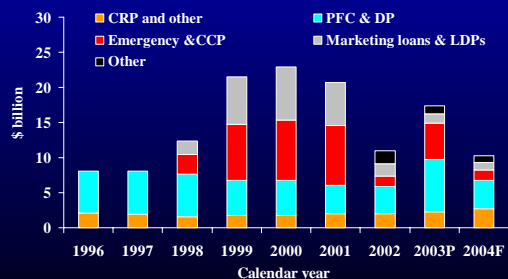
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## Planted Area: Eight Major Crops



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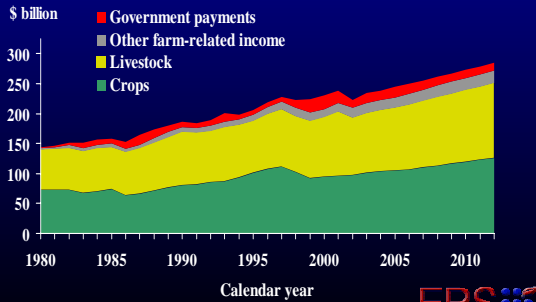
## Government Payments



\* February 2004 forecast  
Source: Economic Research Service, USDA.

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## 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

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## Additional Resources

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

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