

# A Retrospective on US Agriculture and Farm Policy

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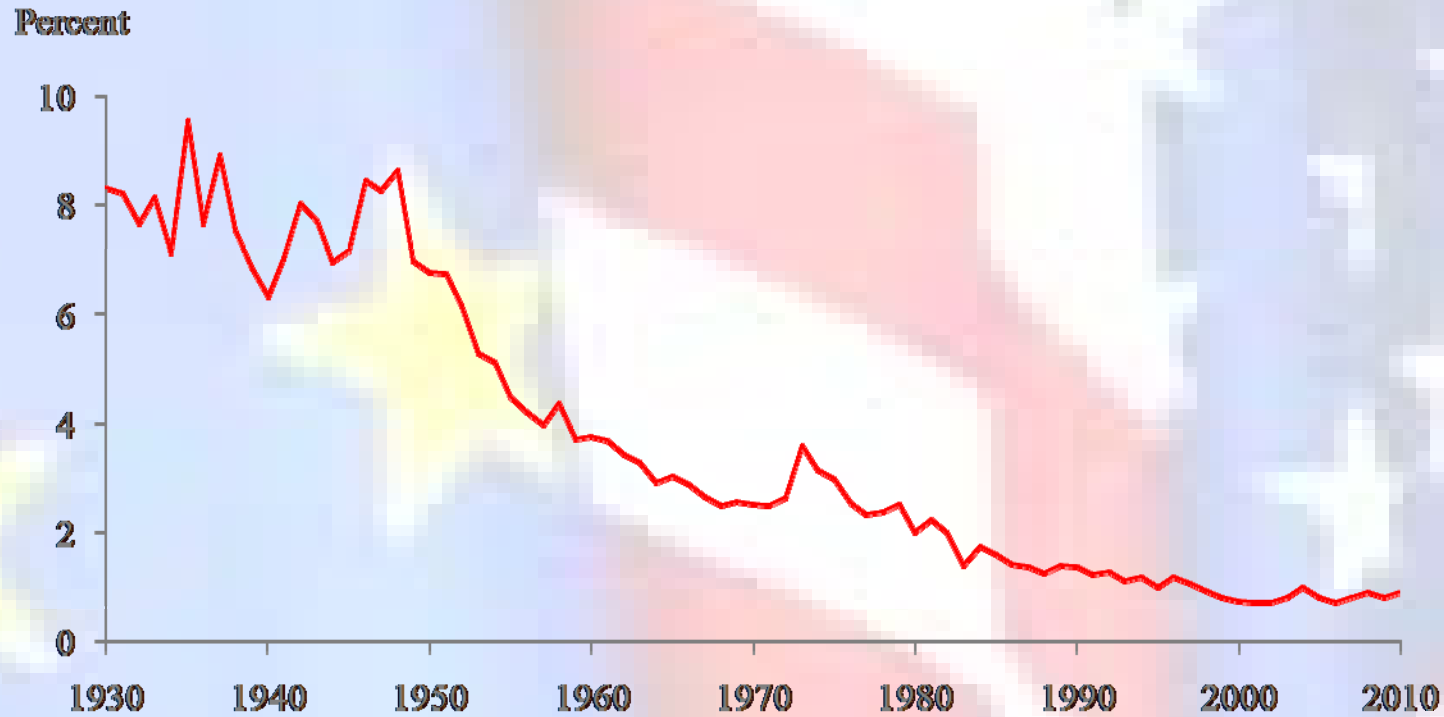
Foreign Agriculture Service, USDA



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# Agriculture's share of U.S. GDP has fallen to less than one percent



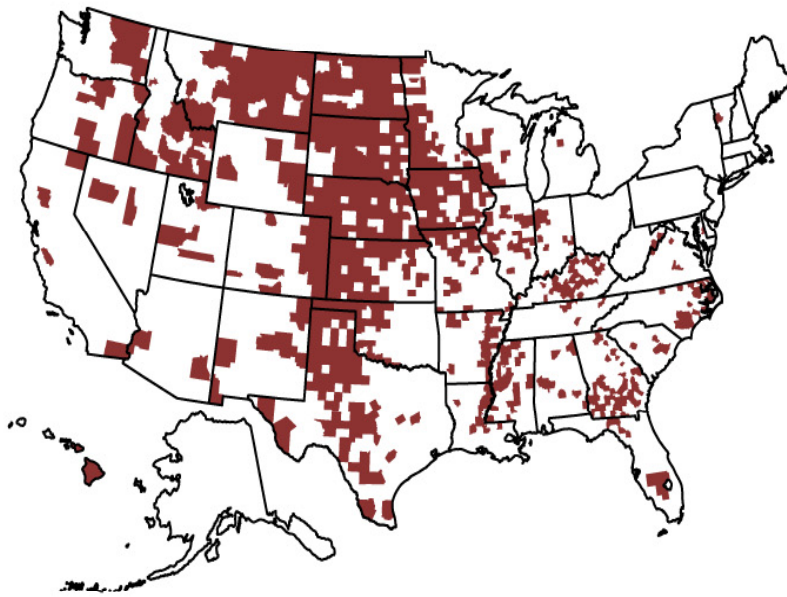
Source: Economic Research Service, USDA



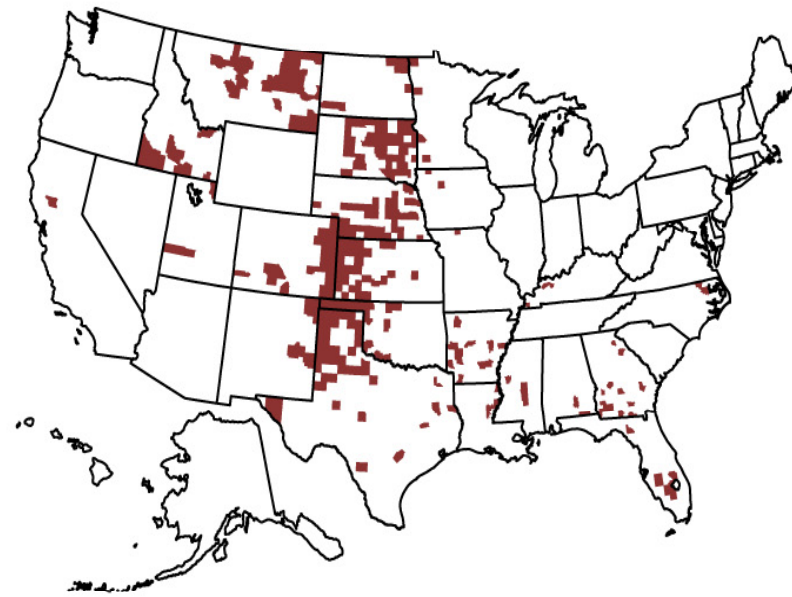
# Agriculture's role in rural economies has been reduced

## Farm Earnings Less Important in Local Economies Now Than 30 Years Ago

Farming accounted for 20 percent or more of earnings in 877 nonmetro counties in 1969.



By 1999, farming accounted for 20 percent or more of earnings in only 258 nonmetro counties.

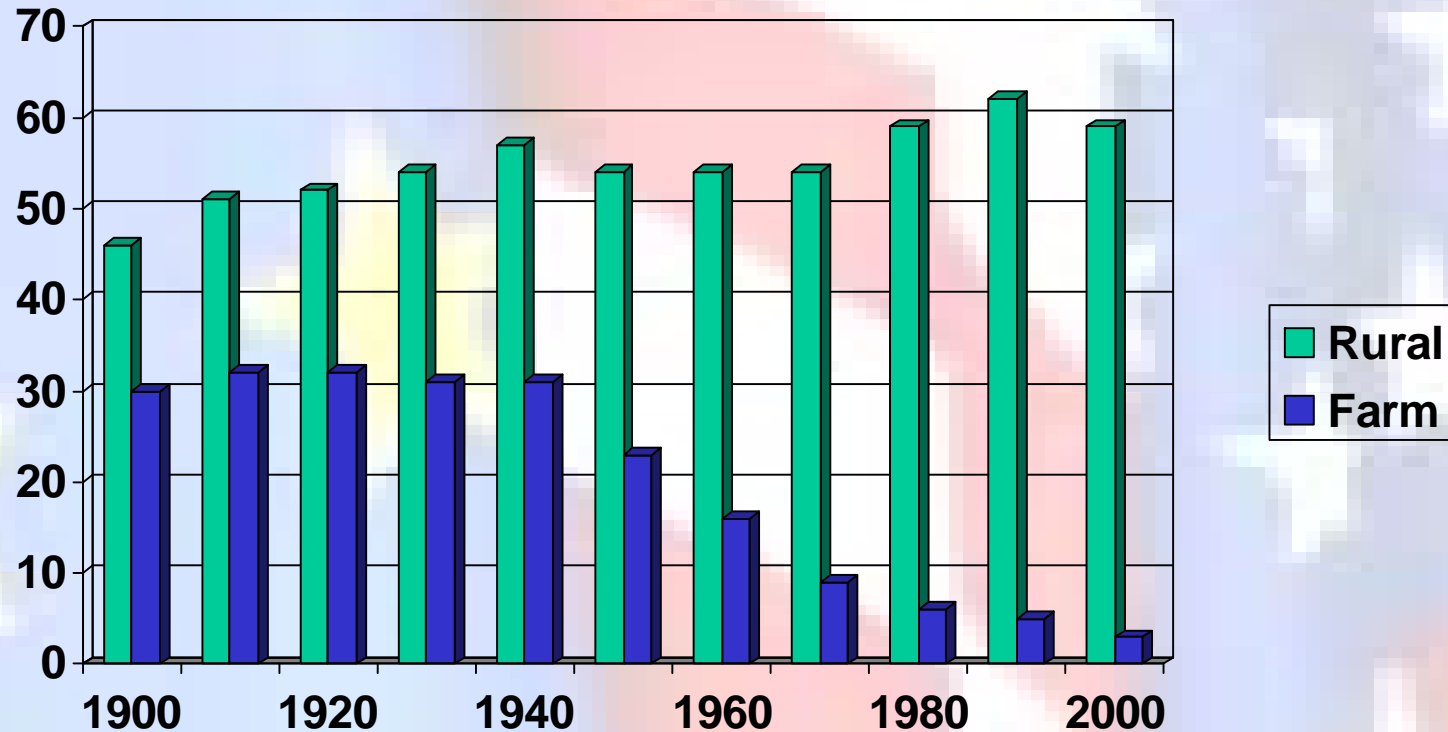


Source: Economic Research Service, USDA.



# As the U.S. farm population dwindled within the U.S. rural population...

Million

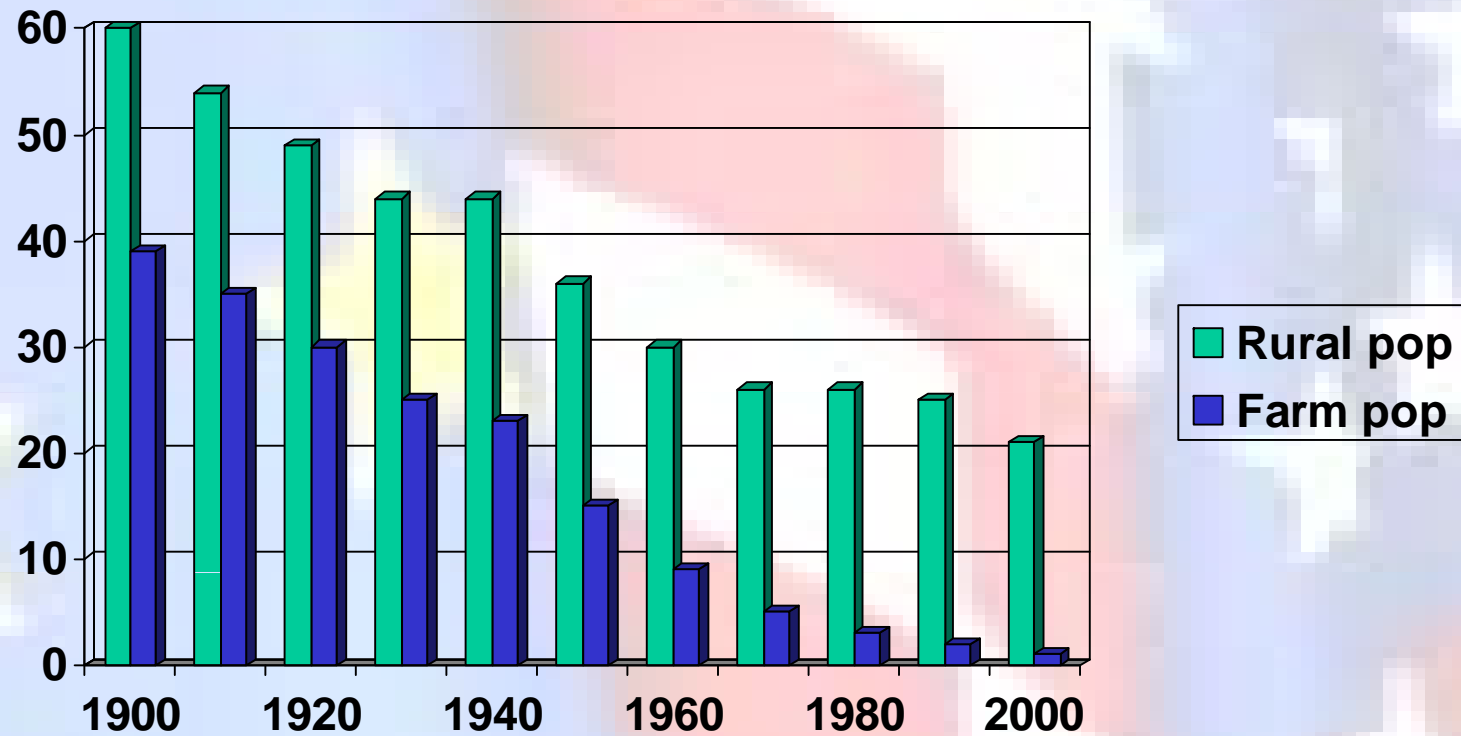


Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005



...both declined as a share of the Nation's overall population

Percent



Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005



## Farm sector changes

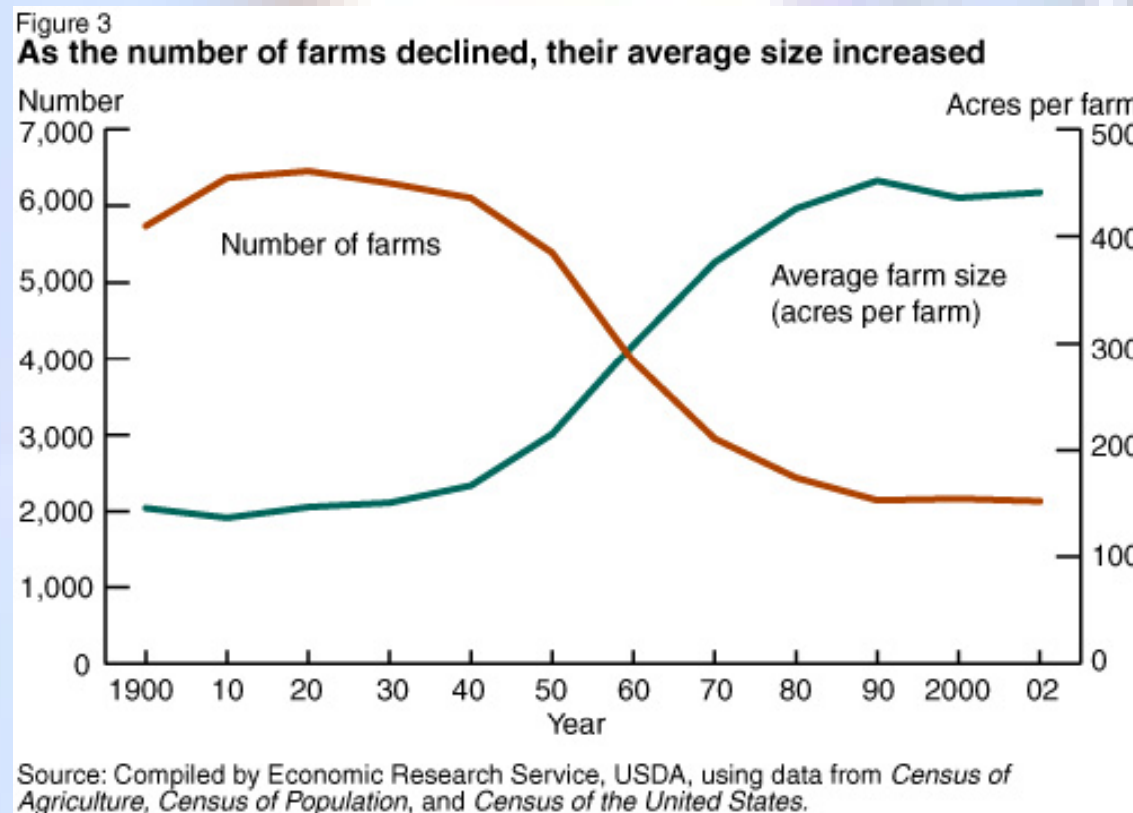
Year	Number of farms (millions)	Size (hectares)	Products per farm (average)
1900	5.7	60	5.1
1930	6.3	61	4.5
1945	5.9	79	4.6
1970	2.9	152	2.7
2000/02	2.1	178	1.3



Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005



# As the number of farms declined, their average size increased

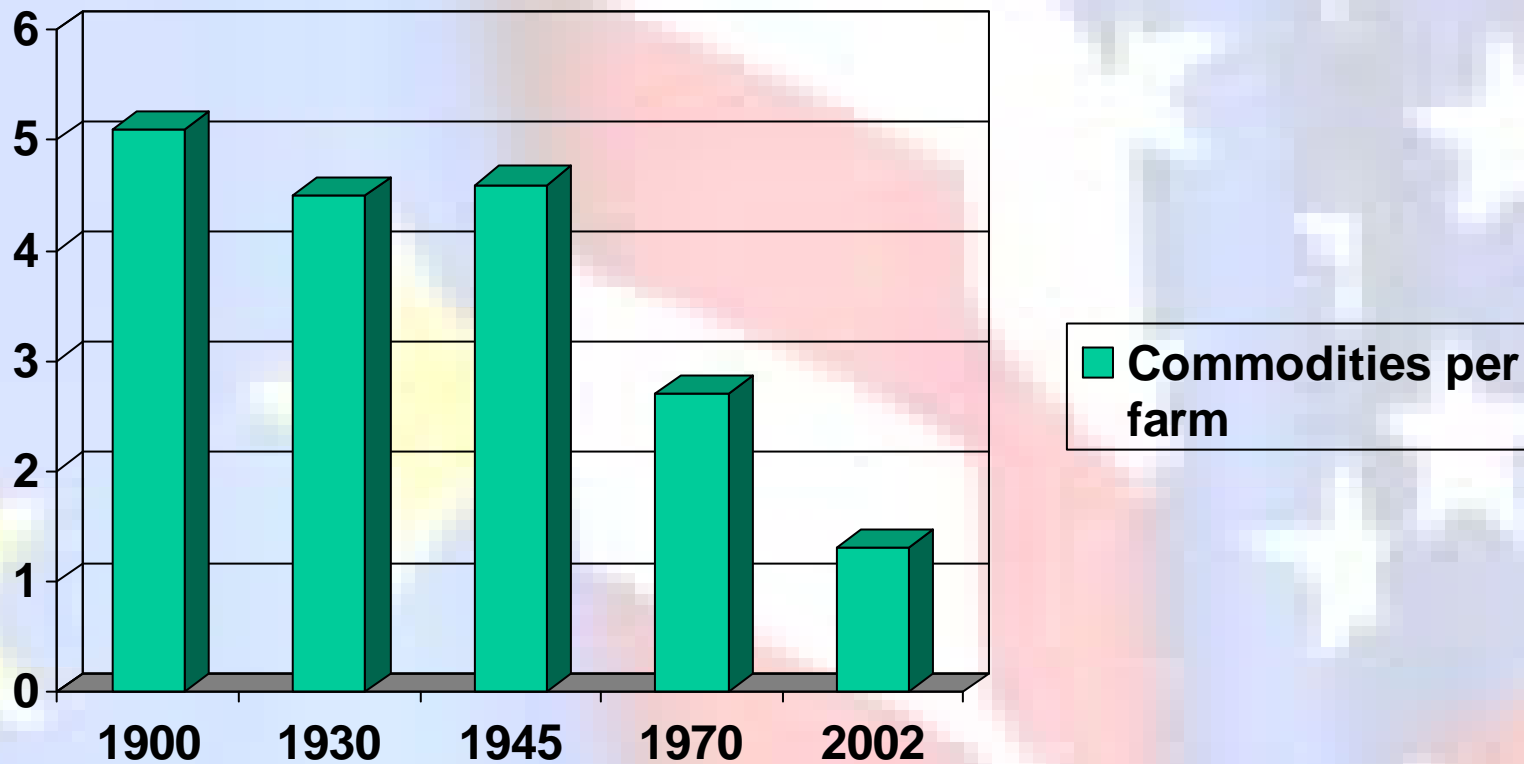


Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005





As farms have become more specialized,  
the number of commodities produced per farm  
has decreased



Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005





## Comparison of 1900 and 2000/02

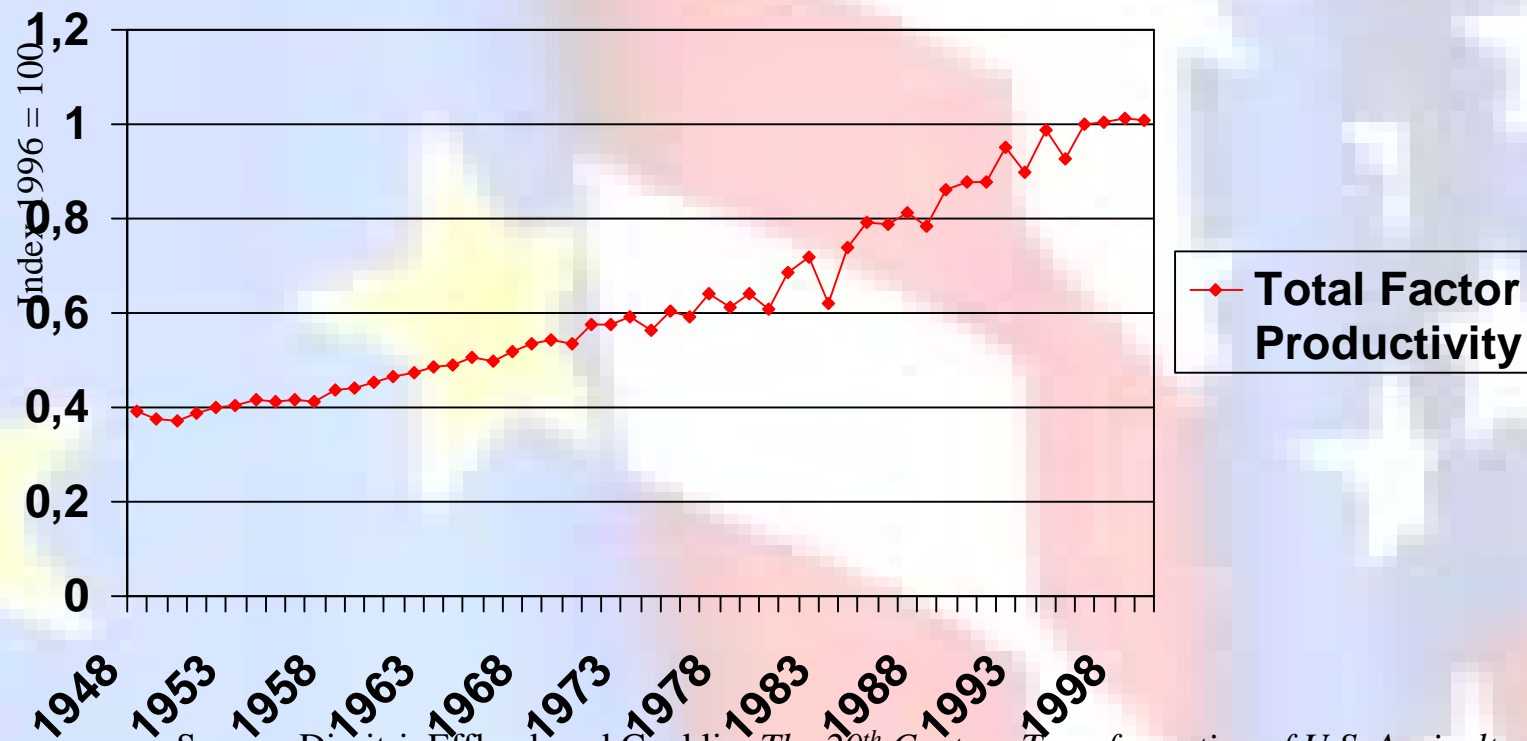
	1900	2000/02
Farm population	39%	1%
Rural population	60%	21%
Number of Farms	5.7 mill.	2.1 mill.
Average size (hectares)	59	178
Labor force in ag	41%	1.9%
Number of tractors	0	4.6 mill.
Work animals	21.6 mill.	NR
Off-farm income	NR	93%
Commodities per farm (avg)	5.1	1.3



Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005



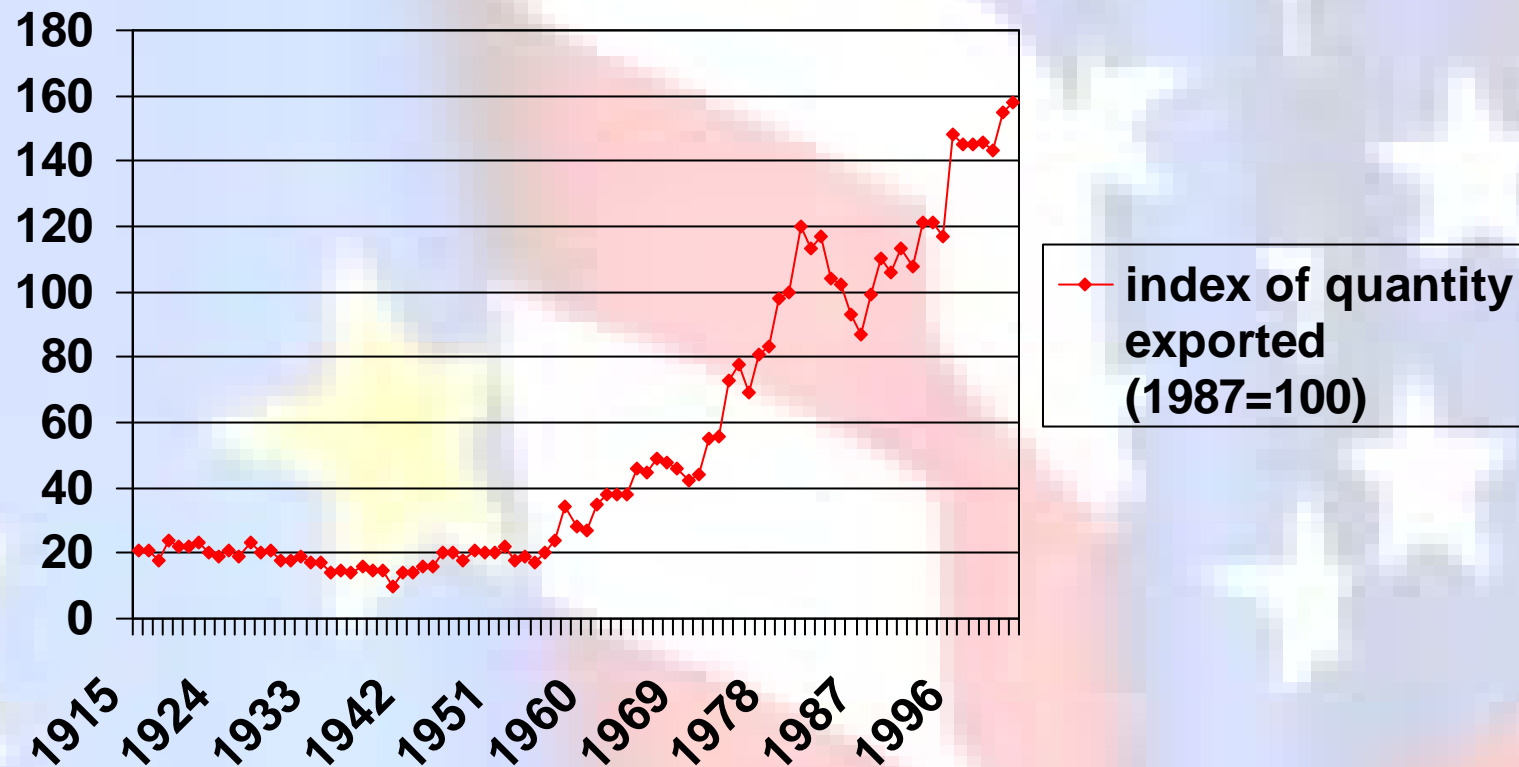
# Agricultural productivity increased in the last half of the 20<sup>th</sup> century



Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005



## Agricultural exports grew dramatically in the last half of the 20<sup>th</sup> century



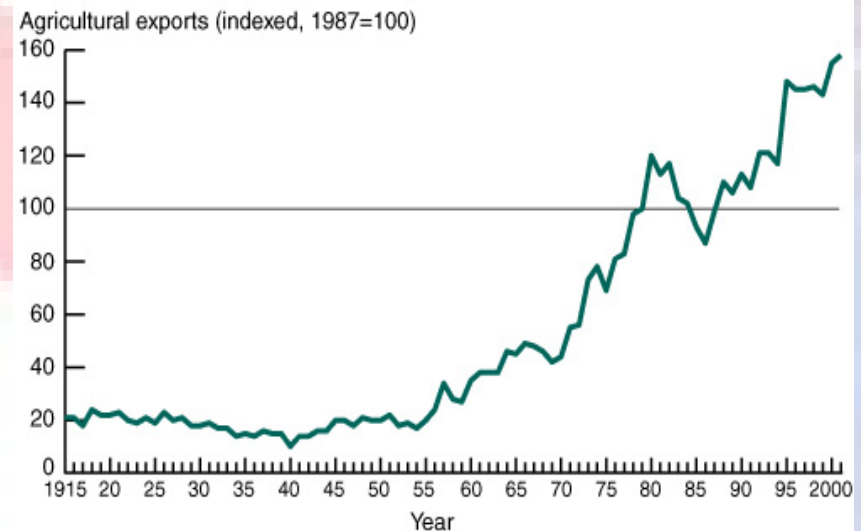
Source: Dimitri, Effland, and Conklin, *The 20<sup>th</sup> Century Transformation of U.S. Agriculture and Farm Policy*, ERS Economic Information Bulletin 3, June 2005



# Responding to globalization: 1970s

- Agriculture Act of 1970—
  - Introduces payment limitations
- Agriculture and Consumer Protection Act of 1973—
  - Introduces target prices
  - Introduces loan rates below market prices
- Food and Agriculture Act of 1977—
  - Introduces Farmer-Owned Reserve
  - Ends historical allotments as basis for payments and set asides

Figure 6  
**U.S. exports grew dramatically in the last half of the century**



Note: Standard techniques were used to combine four series of data for quantity of goods exported.  
Source: Compiled by Economic Research Service, USDA, using data from *Agricultural Statistics*.

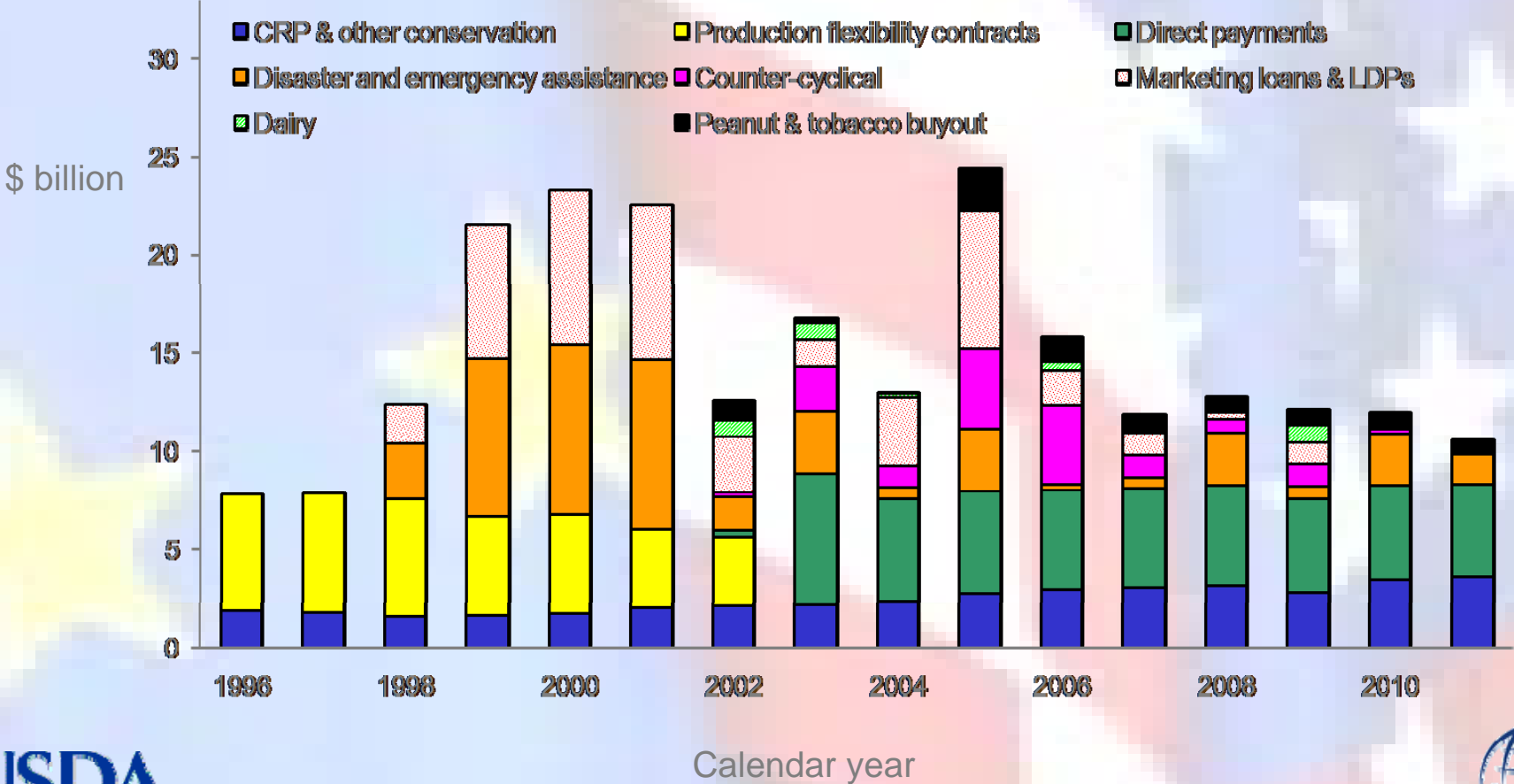


## New directions in farm policy: 1980s and beyond

- 1985 and 1990 Farm Acts begin move toward more market oriented policies
- 1996 Federal Agriculture Improvement and Reform Act (FAIR)
  - Replaced target price/supply control system with decoupled payments
- 2002 Farm Security and Rural Investment Act
  - Introduced Counter-Cyclical Payments
- 2008 Food Conservation and Energy Act
  - Introduced ACRE program



# Direct government payments vary over time



Source: USDA, Economic Research Service, Farm Income Data, November 2011.  
2011 = forecast data



# Evolution of U.S. commodity programs

**1933 Agricultural Adjustment Act**  
price support/supply control

**1954 Agricultural Act**  
flexible price supports

1930

1950

**1965 Food and Agricultural Act**  
income support payments

1980

**1985 Food Security Act**  
marketing loan provisions,  
conservation reserve

**2002 FSRIA**  
countercyclical payments,  
conservation security program

2000

**1996 FAIR Act**  
end of supply control,  
begins planting flexibility

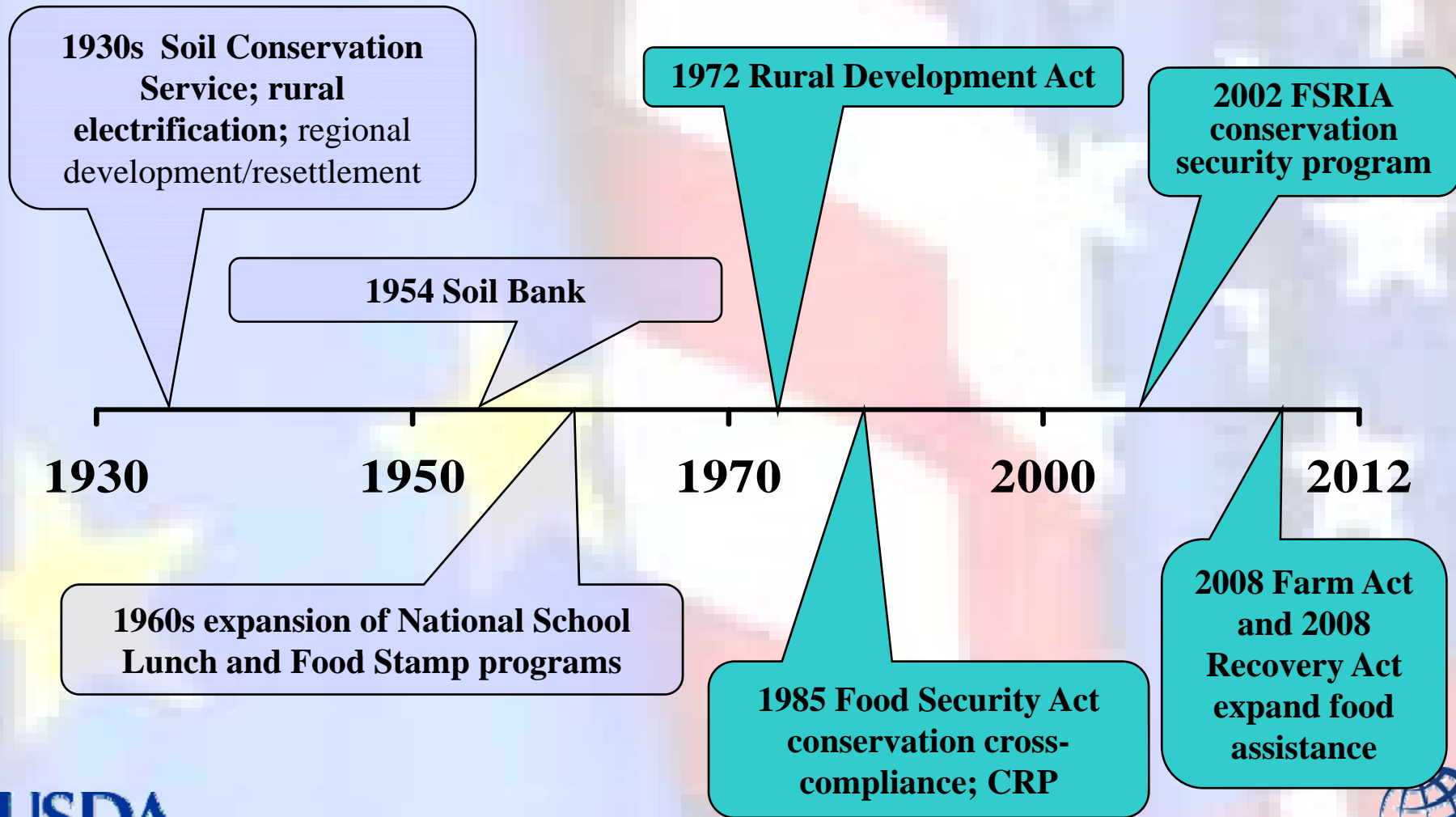
**2008 Farm Act**  
introduces  
ACRE program

2012





# Evolution of non-commodity areas of U.S. policy



# The Dust Bowl



# USDA Conservation Programs

## Land Retirement

- Conservation Reserve Program (CRP)
- Wetland Reserve Program (WRP)

## Working Lands

- Environmental Quality Incentives Program (EQIP)
- Conservation Stewardship Program (CSP)
- Wildlife Habitat Incentives Program (WHIP)

## Agricultural Land Preservation

- Farmland Protection Program (FPP)
- Grassland Reserve Program (GRP)



# Highly Erodible Lands/Sodbuster

- Part of Food Security Act of 1985 (Farm Bill)
- Requires producers to maintain practices to reduce soil erosion to tolerable levels on Highly Erodible Land (HEL)
- Violators risk losing eligibility for USDA farm programs



# Contour buffers



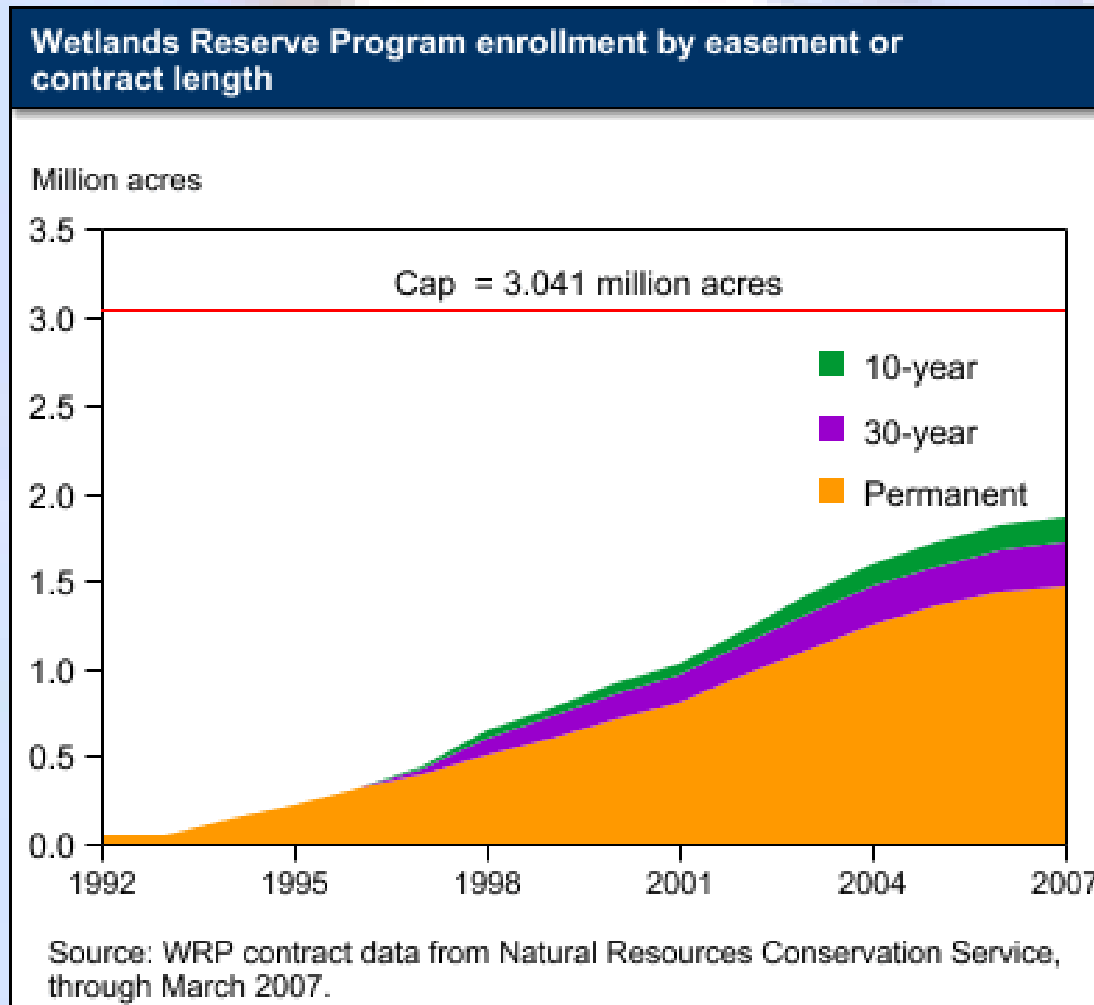
# Wetland Reserve Program (WRP)

- Provides cost sharing under 10-yr contracts and long-term (30-yr) or permanent easements for restoration of wetlands on agricultural land.
- Focus on farmed wetlands or wetland buffers that restore wildlife habitat.
- Acreage cap increased from 2.275 million to 3.041 million acres through 2012.





# Wetland Reserve Program (WRP)



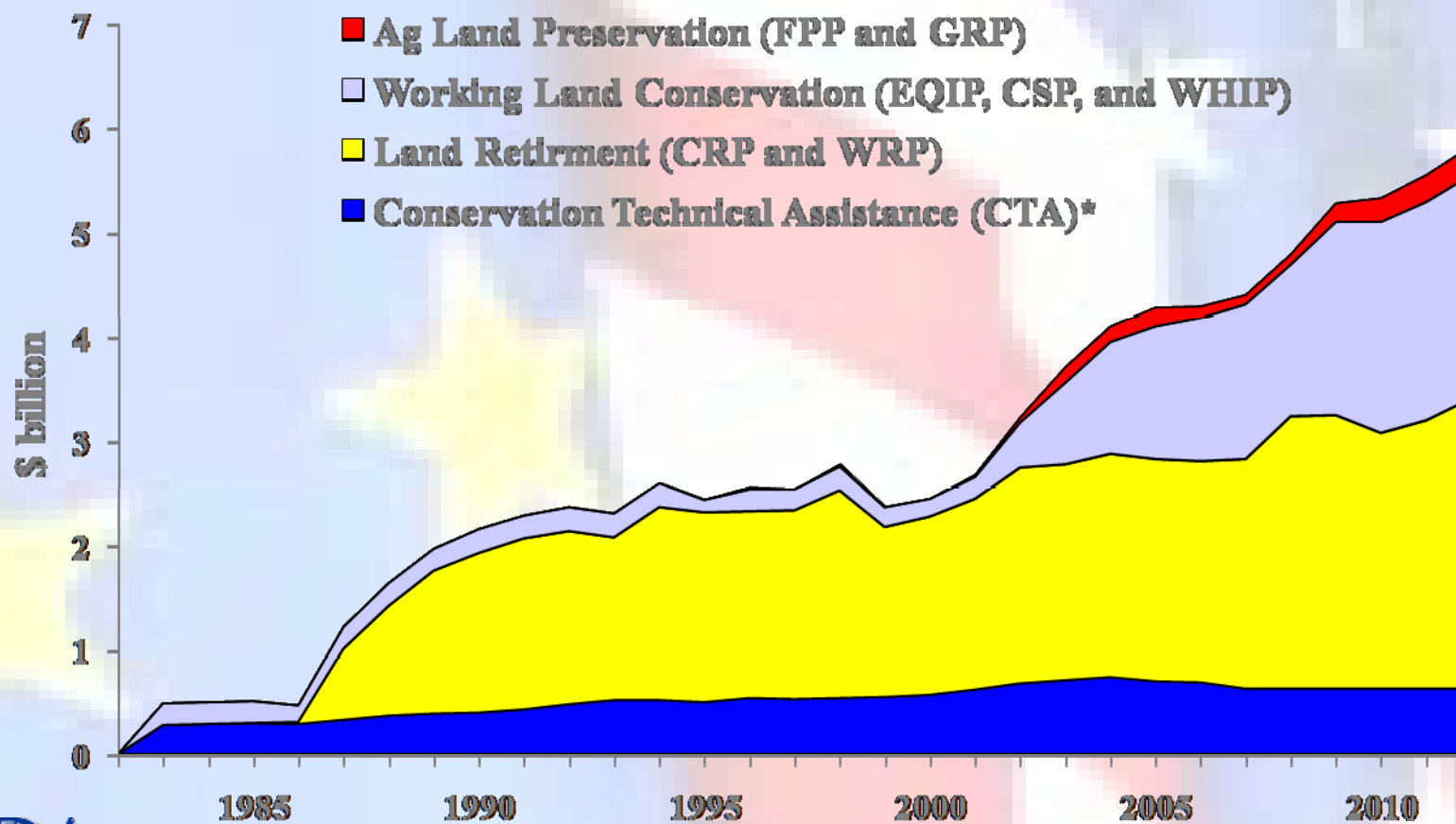


# Conservation Reserve Program (CRP)

- Idles environmentally sensitive cropland under long term (10 to 15 year) rental contracts.
- Eligible land includes highly erodible lands, cropped wetlands, marginal pastureland in riparian areas, and other sensitive areas.
- Cost share payments to establish resource-conserving cover (grass and trees).
- No more than 25% of county's cropland can be enrolled in CRP.
- Acreage cap declines from 39.2 million acres to 32 million acres beginning in 2010



# Responding to environmental concerns: 1980s and beyond



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



# Conservation programs account for just under 10 percent of the 2008 Farm Act budget

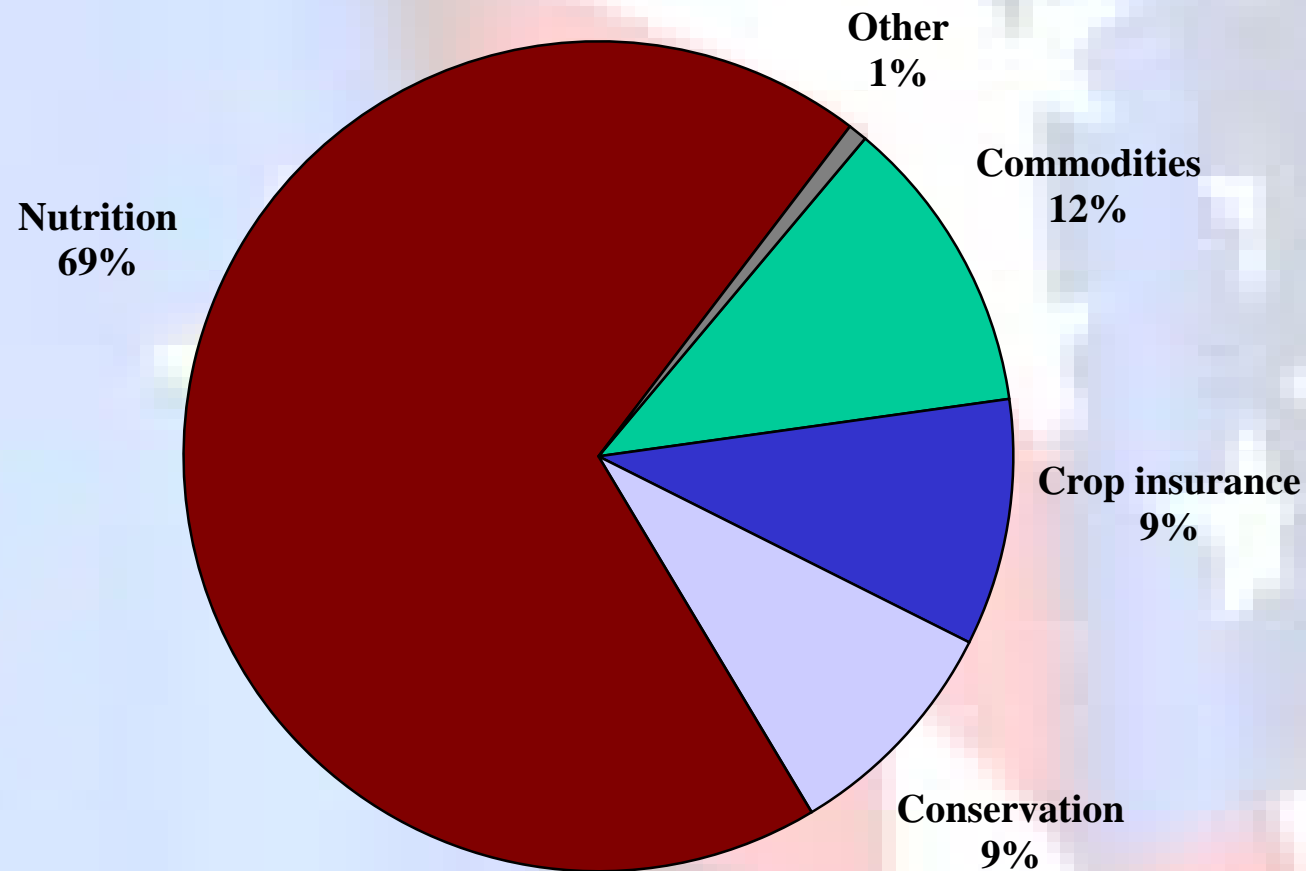
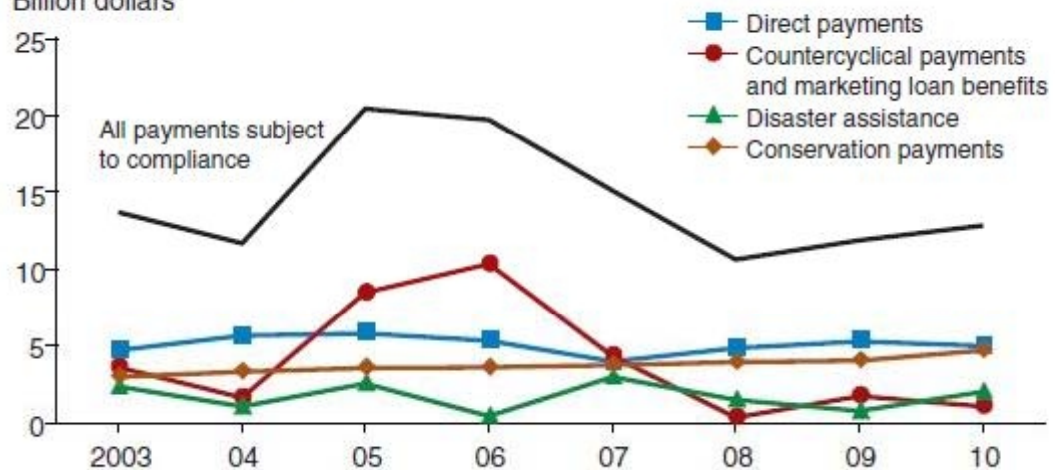


Figure 1

### Payments subject to environmental compliance, fiscal years 2003-10

Billion dollars



Note: Lines represent totals paid out from four categories of agricultural programs for which payments could be withheld based on environmental compliance regulations.

Source: USDA, Economic Research Service calculations based on USDA's Office of Budget and Policy Analysis (OBPA) data.

Thank You!

