Agricultural and Food Policy

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Preface

This book is designed and written primarily as an undergraduate textbook in agricultural and food policy. It recognizes that policy involves a blending of economics and politics. It also recognizes that the government policies and programs that are uniquely important to agriculture today are more than the traditional domestic farm programs. In fact, as one looks back on the past decade, the policy decisions having the greatest impact on agriculture may arguably have been in the international, consumer, and general economic policy arenas.

Understanding contemporary domestic farm policy decisions requires prior knowledge of the process of policy formulation, the international agricultural economic and policy environment, and the fundamental economic relationships and principles that affect today's agriculture. These topics are, therefore, treated before discussions of more traditional policy instruments such as target prices, loan rates, grain reserves, and production controls. Subsequent chapters describe and analyze contemporary issues such as the structure of agriculture, price controls, nutrition policy, food safety, farm labor, and the use of finite resources.

The issues are treated in a current context that will capture the interest of students. The book does not prescribe solutions to problems. Instead, it emphasizes developing an understanding of the problems, policy alternatives, and their consequences. Recognition exists that agriculture and food problems are moving targets. Surpluses and low prices are interrupted by deficits and high prices. Changes in agricultural and food policy goals shift as priorities change. New realistic policy alternatives are continuously added. Policy goals, alternatives, and their consequences are, therefore, treated in a present and future context. History is used sparingly to provide insight into lessons from the policies of the past. Economic principles are

introduced throughout the book where they are particularly relevant to analyzing a particular problem, policy, or consequence. This is done to develop understanding of how the tools of analysis can be used to provide insight into the economic impact of particular policies. Ultimately our goal is to provide students with a framework and the tools to evaluate policies on which they, as the leaders of the future, will have to make decisions.

Many individuals at Purdue University, the University of Minnesota, Pennsylvania State University, Texas A&M University, and in the U.S. Department of Agriculture had a unique influence on the content of this book through their contributions to the education of the authors. Primary among these were Don Paarlberg, G. Edward Schuh, Howard W. Hjort, George Brandow, J. C. Bottom, Willard W. Cochrane, and Charles L. Schultze. The book itself benefitted from the detailed comments of B. L. Flinchbaugh, Randall A. Kramer, William H. Meyer, G. Edward Schuh, and James W. Shatava. Dr. Flinchbaugh deserves special credit for his tenacious admonitions to remove personal prejudices, biases, and value judgments from the book. Sharron Knutson assisted in editing and proofreading several drafts of the manuscript. Jim O. Jones, Jerrold Summerlin, and Kuen-Mu Lee also provided assistance in preparing the book for final publication. The good humored advice, encouragement, and support of Dudley Kay was much appreciated.

R.D.K.
J.B.P.
W.T.B.

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Part I

Process

Chapter 1

The Policy Setting

The translation of values into public policy is what politics is about.

Willard Graylin

The Constitution of the United States stipulates that government exists to ensure domestic tranquility, to provide for the common defense, to establish justice, to protect individual liberties, and to promote the general welfare. Historically, one of the major policy issues has been the expanding size and role of government, particularly as it relates to the function of promoting the general welfare. A wide philosophical gap separates public opinions regarding the extent to which the powers of government should be utilized in solving economic and social problems. This is particularly true of agriculture, where the extent of government involvement continues to be a major item of controversy.

What should government do to treat a problem of low farm prices and low farm incomes? Some suggest that government should not get involved. The free market will solve the problem. Low farm prices, they suggest, are a consequence of excess supplies. Low farm prices will, if allowed to exist, provide the incentive for reduced production and expanded consumption. Less production will bring higher prices and higher farm incomes. The problem is therefore self-correcting if the market is allowed to operate.

Others suggest that such a market remedy is too harsh, that food production is too important for a laissez faire approach, and that without assistance, only the largest and most efficient farms will survive. Government, they suggest, should provide a level of assistance that allows all farmers an opportunity to survive, compete, and earn an income comparable to their nonfarm counterparts.

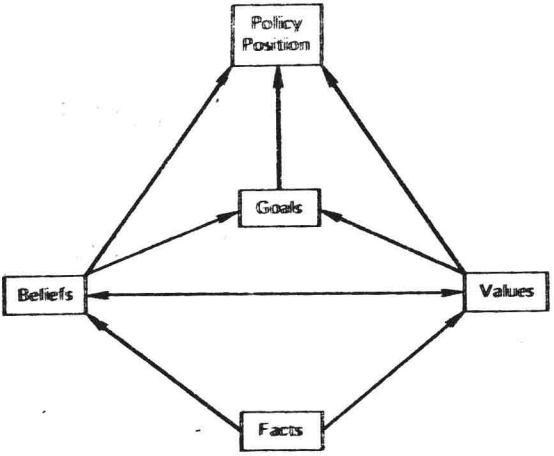

Figure 1.1 Factors influencing one's policy position.

FACTS, BELIEFS, VALUES, AND GOALS

The role of and interaction among facts, beliefs, values, and goals is important to understanding how individuals, firms, or organizations as well as government officials come to develop and hold specific policy positions. A policy position indicates a conclusion as to what the role of government ought to be with respect to a particular problem or a set of circumstances. Policy positions are derived from the interaction of the facts, beliefs, values, and goals that are held by individuals (Fig. 1.1). In a firm or organization differences among individuals in facts, beliefs, values, and goals must be discussed and rationalized before a policy position can be developed. This generally involves a process of education and compromise. It is important to recognize that all policy positions are legitimate—based on compromise among individuals with respect to their interpretation of the facts, beliefs, values, and goals.

Facts

A fact is something known with certainty. It can be objectively verified and rational people will tend to agree on a fact. Facts describe what is.

In physical or biological sciences, facts are more readily determined and agreed upon than in the social sciences. Facts are more nebulous in social sciences such as economics. Take how to define farm income, for example. When comparing the incomes of farmers and nonfarmers, should farm income include income earned from an off-farm job? Should it include changes in the value of owned farmland?

Causal relationships are also more definitive in the physical and biological sciences. A specific herbicide kills certain weeds. Causal relationships in social sciences are less precise, less measurable, less readily agreed upon, and almost always subject to qualification. For example, economists disagree over whether government support of farm prices and incomes aids the survival of the family farm or hastens its demise. They also disagree over whether the inheritance tax exemption helps to preserve the family farm from generation to generation, simply attracts outside investors, or both?

The inability to be definitive does not mean that economics is useless, that there are no observable facts, or that economic explanations are useless. It does mean that a need exists to identify, analyze, weigh, and evaluate economic facts and relationships. Different perspectives on facts need to be understood and evaluated in analyzing a policy issue. In addition, factual knowledge is important to objectivity in making policy decisions. As a result, a considerable amount of time is spent in this book on clarifying the facts and explaining them from different perspectives.

Beliefs

Beliefs describe what people think is reality. A belief involves mental conviction, acceptance, confidence, or faith that a proposition is true.

Beliefs are not dependent on the intrinsic, objective truth of the proposition. There are true beliefs, partially true beliefs, and false beliefs. Beliefs may, therefore, be based on fact, partially based on fact, or have no basis in fact. It is generally possible to sort out beliefs that have a factual basis from those that do not.

Many policy disagreements arise when beliefs are based only partially on facts. Such beliefs are not only a source of disagreement, but they can also be deceptive. Averages frequently fall in this category. For example, during the 1970s, the income of the farm population from all sources averaged 90.2 percent of nonfarmers' income. But in two of those years, farm income was higher than nonfarm income. In addition, farmers who gross over $100,000 in sales have consistently higher average incomes than the nonfarm population.

Policy disagreements sometimes have their roots in mythology or notions that are based more on tradition, values, or convenience than on fact. For example, many farmers ascribe to the myth that land is the source of all wealth. This myth has its roots in the eighteenth-century economic thought developed by the physiocrats. It fails to recognize that land is only one economic variable—the others generally being labor, capital, management, and water. The other variables are as important to productivity as the land. Extensions of this physiocratic doctrine lead to other myths, such as the notion that recessions or depressions in agriculture lead to recessions or depressions in the overall economy. Reality suggests that agriculture's impact on the economy is no greater than its share of overall economic activity.

Values

Values are conceptions of what should be. They provide an image of what is good and right and thus specify that some things are better than others. Values indicate what is desirable. They provide justification for proposed or actual behavior.

Values are influenced by beliefs and by facts. Values also influence beliefs. For example, farmers value individual initiative. This value arises in part from the belief that individuals are responsible for their own fate through their own initiative or lack thereof. Thus, farmers frequently believe that many people receiving public assistance could earn a living if they were willing to work.

Historically, many of the values attributed to farmers are associated with the concept of Jeffersonian agrarianism. The **agrarian ideology** has three basic tenets:

1. Agriculture is the basic occupation of humankind.
2. Rural life is morally superior to urban life.
3. A nation of small independent farmers is the proper basis for a democratic society.[1]

The agrarian ideology with its declaration of moral superiority and its blueprint for democracy was highly acceptable to the American people of the nineteenth and early twentieth centuries. Out of this idealogy grew a body of rhetoric, known as the agricultural creed, that has garnered widespread support for farm programs. The articles of the agricultural creed as explained by Paarlberg include:

- Farmers are good citizens, and a high percentage of the population should be on farms.
- Farming is not only a business but a way of life.
- Farming should be a family enterprise.
- The land should be owned by the person who tills it.
- It is good to make two blades of grass grow where one grew before.
- Anyone who wants to farm should be able to do so.
- A farmer should be his own boss.[2]

Even today, it would be a mistake to suggest that the agrarian ideology and its associated agricultural creed is dead. Its application can still be seen in campaign rhetoric extolling the family farm and lauding the farmer as the backbone of democracy and the tendency to view farmers as a homogeneous body having similar problems, justifying the need for a single national farm policy. Agrarianism thus continues to serve as one of the justifications for farm programs. Closely related,

[1]Edward W. Hassinger, *The Rural Component of American Society* (Danville, Ill.: Interstate Printers and Publishers, Inc., 1978), pp. 83–85.

[2]Don Paarlberg, *American Farm Policy* (New York; John Wiley & Sons, Inc., 1964), p. 3.

agrarianism serves as the foundation for many of the values still held by farmers and their organizations.[3]

Despite such campaign rhetoric and organizational dogma, substantial disagreement exists over whether rural-urban differences in values any longer exist. One school of thought holds that they do. These proponents point to studies that identify rural-urban value differences. Such studies suggest that the following values are held in high esteem by farmers:

- Quality education is viewed as the means to occupational achievement and success. Technology, being a product of education and research, has traditionally been looked upon favorably by farmers and ranchers.
- Work and proficiency in one's job is a key to success. The work ethic is generally believed to be held in stronger esteem by farmers than by urban people.
- Puritan ethical standards are stronger in rural America. Farmers are, in general, more religious and express greater opposition to divorce, premarital sex, abortion, and alcoholic beverages
- Personal freedom, patriotism, and support of the democratic system are strongly held values that are consistent with the agrarian ideal.

The high value placed on personal freedom can be associated with the desires of farmers and ranchers to be their own bosses. However, studies also have shown a tendency for farmers to conform to typical patterns of behavior and commonly held beliefs and values in rural America.[4] Despite this trend toward conformity, no consensus exists among farmers on any value, related belief, or behavior. This lack of agreement on values could be a source of disagreement on policy remedies to problems.[5]

While farmers desire an equal status for themselves in society, studies have consistently shown a very conservative attitude toward movements giving equal rights to racial minorities and women. These attitudes are consistent with findings of farmers' willingness to lend a helping hand in time of need, tempered by considerably less support for food stamp programs, which ironically increase the demand for farm products. It appears that farmers attribute many of the problems of minorities and the poor to a lack of willingness to work.[6]

The opposing school of thought holds that rural and urban values have changed and blended over time so that they are now so similar that significant differences no longer exist. Copp, for example, notes that "rural society as we used to

[3]Hassinger, *Rural Component*, p. 95.

[4]Olaf F. Larson, "Values and Beliefs of Rural People," in *Rural U.S.A.: Persistence and Change*, T. R. Ford, ed. (Ames: Iowa State University Press, 1978), p. 93.

[5]Ibid., p. 111.

[6]Ibid., pp. 98–99.

know it is virtually nonexistent."[7] Even Larson, a proponent of the existence of value differences, admits that studies show a surprising uniform ranking of values between rural and urban people.[8] The major motivating forces facilitating this change have been increased mobility, school consolidation, television, improved education, and increased off-farm employment.

Whether significant differences in rural-urban values, in fact, exist has become a major source of controversy among sociologists. Pinhey charges that the existence of value differences is assumed, not real.[9] Bealer wants to believe such differences exist, but admits that the evidence supporting them suggests the need for considerable caution.[10] Their verification, Bealer argues, must await detailed study of values held by different sizes and types of farmers.

New York City or Lubbock: Which Is Which?

While there [New York City] I stumbled upon a 'country-western' bar where—to my sincere surprise—I witnessed students from CCNY doing a passable rendition of a country dance called the cotton-eyed Joe. They drank Pearl and Lone Star Beer and vigorously applauded star-spangled cowboy musicians who played the latest Willie Nelson hits. They wore cowboy hats, boots, and belts with buckles as big as bulls. Meanwhile, in Lubbock [Texas] the "city" fathers were bemoaning problems previously associated with urbanism—the local drug crisis and the finding of two bodies in the trunk of an abandoned car. And, to the astonishment of many, the once fogyish *Texas Tech University Daily* rather matter-of-factly reported that daughters of farmers from across the South Texas plains were posing nude for *Playboy* magazine. At the same time, the "kickers" at Coldwater—a local cowboy watering hole—did the same dances displayed in New York City; they also drink the same beer, listen to the same kinds of music, and ride the same mechanical bulls with the same gusto that might be seen at any tavern in any community of any size across the United States. Simply put, after a beer or three in either a Lubbock or New York bar, even the most sensitive anthropologist could become confused about his or her geographical whereabouts.

Thomas K. Pinhey, "Two Chickens: A Response to Bealer's Question," *The Rural Sociologist*, Vol. 1 (January 1981), p. 26.

[7]Paul McKay, "Modern America Brings Changes to Rural Life," *The Bryan-College Station Eagle*, (Bryan, Tex.: November 4, 1981,) p. 10D; and William P. Kuvlesky and James H. Copp, "Rural America: The Present Realities and Future Prospects," *Toward an American Rural Renaissance* (Unpublished manuscript, Texas A&M University, 1982), pp. 16, 25.

[8]Larson, "Values and Beliefs," p. 94.

[9]Thomas K. Pinhey, "Two Chickens: A Response to Bealer's Question," *The Rural Sociologist*, Vol. 1 (January 1981), pp. 26–30.

[10]Robert C. Bealer, "On Policy Matters and Rural-Urban Differences," *The Rural Sociologist* (January 1981), pp. 19–25.