

## How did the 1996 Farm Bill come to be: Short-term influences

The process of replacing expiring farm legislation is often arduous and fraught with surprises. The 1996 FAIR Act was anything but the exception. In fact, its policies could not have been passed two or three decades ago.

How do I know that? Because, the farm bill's most popular feature—decoupling production decisions from payments—was encompassed in the Boschwitz-Boren decoupling proposal introduced in the U.S. Senate in the early 1980s. It was described/demonized by many, including a significant number of the individuals and organizations currently active in agricultural policy, as welfare payments for farmers and was soundly defeated. So why did a twist on the Boschwitz-Boren decoupled farm program proposal pass in 1996?

Passage of the 1996 Farm Bill occurred because of gradual changes in the perceptions about how the agricultural economy works and the objectives of farm programs, which we wrote about earlier, plus the coming together of a number of events during the bill's debate. It's those events of the two or so years prior to the enactment of the 1996 Farm Bill that we will focus on in this column.

### ***Election of a Republican majority to Congress***

The 1994 election of Republican majorities in the Senate and the House of Representatives was the first key event. Republicans generally have been less enthusiastic about farm programs than Democrats. Republicans have long been especially critical of price supports and annual set-asides that intervene in the market determination of prices.

But it was more than that. Incumbent and newly elected Republicans, including the 73 freshmen Republican Representatives and Senators, had signed the "Contract With America." The sense was that the American people had embraced the "contract" and had given Congressional Republicans a mandate to enact legislation to achieve the contract's goals.

The Contract With America did not specifically mention agriculture or farming, but clearly agricultural programs could not escape significant budget cuts if total government outlays were to be reduced as promised in the contract.

It only took three to four months into the new Congress to ascertain the approach the Republican leadership intended to use to accomplish the budget reductions. The House and Senate Budget Committees were instructed to determine the budget savings that were needed from each area of government expenditures. The authorization and appropriation committees in the House and Senate, including those for agriculture, were charged with writing legislation that would generate the savings.

### ***Opposition to land withholding programs***

While Republican control of both the Senate and the House, was a necessary condition for moving to the policies of the 1996 Farm Bill, it was not a sufficient condition. Just as there had been gradual changes that we have written about in the perception of the need and justification for farm programs over recent decades, several things happened during 1994 and 1995 that influenced people's thinking and paved the way for the new legislation.

One was a study entitled "Large Scale Land Idling Has Retarded Growth of U.S. Agriculture" that was financed by the National Grain and Feed Association's foundation. It was released in May 1994. Over 185 companies, most of whose profits are proportional to volume of commodities handled or processed, helped support the study prepared by Abel, Daft, & Earley, a consulting firm in the Washington, D.C. area.

Although its findings essentially assumed a price elastic demand and has since been discredited, its clever presentation, and the proclivity of many "to want to believe" that agriculture would be more profitable if permitted to fully produce, allowed lobbyists to affect the perceptions of land withdrawal farm programs among politicians and agriculture stakeholders alike.

### ***Desire on the part of some to eliminate or at least reduce the scope of farm programs***

Later, shortly after the 1994 elections, Senator Richard G. Lugar, R-Ind, who became the new chairman of the Senate Agriculture Committee, circulated a set of questions designed to generate discussion of the "purposes, effectiveness, and utility of farm programs."

It was clear from the questions that were asked and the way the questions were phrased that Senator Lugar had serious concerns about farm programs. Replacing the expiring farm legislation was not going to be business as usual this time around.

Two anonymous three-page papers, one in January 1995 the other in July 1995, were also part of the maze that led to the new farm legislation.

The first paper outlined the basics of a 1996-like farm program and was circulated only to a few Senate staffers and selected government officials and university economists. It outlined a decoupled direct payment program based on average deficiency payments received from 1992 to 1994. In 1996 the landowner and farm operator would divide a payment equal to 100 percent of their average payment for the three years, 90 percent

the second year, and declining to 10 percent the ninth year and zero for all future years.

The second paper essentially laid out the major provisions of the commodity portion of the 1996 Farm Bill and was circulated widely. The seed was planted. But through the middle of 1995, a 1996-like farm bill had far too little support to become legislation.

### ***Increase in farm commodity prices during farm bill discussion***

The final enabling event did not originate from halls of Congress, the Oval Office, or other institution or group, anonymous or otherwise. The 1996 Farm Bill owes its life to the abrupt and rapid increase in farm commodity prices.

Only when farm organizations, commodity groups, and Senators and Representatives figured out that the guaranteed payments of the proposed bill would provide payments even as commodity prices rose above the target prices of the previous legislation did support for the 1996 Farm Bill begin to mushroom. The run-up in prices provided the needed votes to pass the legislation. The President signed the Federal Agriculture Improvement and Reform Act of 1996 (FAIR Act) into law on April 4, 1996.

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