By Daryll E. Ray

New York Times joins the club

Farm policy according to the *New York Times*: "Twenty or 30 years ago, farm policy actually had something to do with feeding the country. It was designed to ensure food security by continuing the Depression-era program to pay big grain farmers to grow food. But today there is no need to ensure food security. The United States has been self-sufficient in food for decades." How's that for informed reporting?

The millions of people who read that story, which showed up August 25 on nytimes.com, now know less than nothing about depression-era farm policies. "Depression-era" programs were instituted and continued because U.S. farmers were producing too much. Never in my thirty-plus-year career has anyone but this *New York Times* reporter ever suggested that farm programs were put in place "to pay large farmers to produce more food." In fact, large farms were not even that large back then.

Yet, it is no wonder that this reporter and many others are confused about commodity policy. We have gone full circle. The Agricultural Marketing Act of 1929 established the Federal Farm Board, which was given $500 million to raise and stabilize market prices, but had no means to stimulate demand or to control supply. During this time in the late 1920s, the economic problems of agriculture were viewed as transitory rather than chronic and fundamentally caused the by the nature of agriculture and its markets.

Beginning with the triple A (Agricultural Adjustment Act of 1933), production curtailment was a central focus of commodity legislation. The idea was that while the ability to produce more than is needed is exactly what we want (and largely a benefit of publicly funded Land Grant Experiment Stations and Universities), it is important to gauge output to the quantity demanded at a profitable price. After all, that is what other industries do. And this process works automatically for most other industries because if output becomes large relative to demand, prices decline, consumers buy more, and producers produce less. It's the magic of free markets and it works great for most things. But for some things it does not.

Do you think that diabetics would increase the quantity of insulin they demand just because the price of insulin dropped 20 percent? I agree: not a chance. Which means, of course, an over supply of insulin can not be corrected from the demand side by user response to lower prices. Food is nearly as unresponsive to price changes as insulin, not quite, but close enough for government work.

To make matters worse, farmers do not significantly reduce acreage planted to crop production as price declines either. Existing farmers farm all their cropland until their equity runs out or until their bankers believe their equity has run out. If the existing farmer goes broke, does his plant, that is, his land, transfer to another industry as it would if a tire company shuts down a plant? No. Another, perhaps even more productive, farmer takes over the land. Hence, an over supply problem of all major crops cannot be corrected in a reasonable number of years from the production side either.

Given this pervasive understanding of the nature of crop agriculture and its markets, commodity programs, beginning in 1933, provided crop agriculture with mechanisms to control supply and expand demand. That is, commodity programs did for agriculture what it could not do for itself. It was understood that agriculture's inherent supply and demand characteristics would cause chronic price and income problems for major-crop agriculture as long as experiment stations and private companies pumped out yield-advancing technology at a faster rate than the combined growth of domestic and export demands.

Beginning with the 1996 legislation, the presumption was that the rate of export growth would overtake or at least equal the growth in crop productivity. Additionally, it was assumed-with virtually no evidence-that the production and utilization sides of agricultural markets would now respond to price declines just like other industries. Because of these beliefs, the mechanisms to control supply or expand demand in previous legislation were eliminated.

None of these presumptions and assumptions has proven to be true, but rather than admit that, we have gone back to the thinking of 1928: Let's spend government money to stabilize agriculture because depressed crop prices and incomes are transitory not chronic problems. The circle is complete. Now that I think of it, to have come to this point, we collectively cannot claim to be any more knowledgeable about how agriculture works and the purpose of commodity programs than that *New York Times* reporter.

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