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PolicyPennings by Dr. Daryll E. Ray

Next Farm Bill: States in charge of commodity policy?

Recently we came across an interesting report titled, "A Consideration of the Devolution of Federal Agricultural Policy." If that title strikes you like it did us, you are shaking your head wondering what the publication is all about. It turns out that devolution involves the turning over of federal programs and some or all of the money related to those programs to the states. The states, in turn, are expected to develop relevant programs that meet the needs of their residents.

It turns out that the idea has been around for nearly 50 years. In 1957, President Eisenhower proposed turning over some of the responsibilities and revenue of the federal government to the individual states. As often happens with new ideas, it was turned down, but the idea did not die with Ike's proposal. A little over a decade later, President Nixon revived the idea and in 1972 Congress approved the State and Local Fiscal Assistance Act of 1972 establishing what was called General Revenue Sharing. The idea was to use the revenue raising ability of the federal government to assist state and local governmental units. The number of federal programs touched by devolution increased during the1980s and 1990s.

In the past devolution has been implemented in economic and community development programs, welfare, food stamps, and surface transportation. Now, it seems, it is time to look at whether or not devolution is appropriate for agriculture. Thus, we have the USDA report, "A Consideration of the Devolution of Federal Agricultural Policy," which was released in early November, 2004. A copy of the report can be obtained on the internet at http://www.ers.usda.gov/publications/AER836/.

The report begins by laying out the issue as follows: "Current agricultural policy is concentrated at the Federal level, rather than at more decentralized levels. In light of agricultural diversity among States and the possible advantages to more local control of government programs, it is time to consider whether this concentration of power may impede the ability of agricultural policy to effectively address the new face of agriculture in the United States."

Recognizing that some issues are better addressed at the national level, the report's authors first seek to identify the goals of agricultural policy and then indicate which issues, in their analysis, are best turned over to the individual states. Among the goals of agricultural policy that are noted in the report are ". . . equalizing the distribution of income by measures related to landholdings; stabilizing farm incomes; achieving rural development; saving family farming; . . . [and] increasing price supports, deficiency payments, or other transfers to make current farmers more wealthy. . ."

In the end, the report concludes that the "majority of the potentially devolvable funding is found in the domestic commodity and natural resource programs." This is basically the $22 billion currently targeted toward farm programs including direct payments, loan deficiency payments, and counter-cyclical payments. The idea would be to turn this money into block grants that are given to the states instead of individual producers, allowing the states to decide how best to use the funds to achieve goals the authors have identified as underlying US agricultural policy.

The current state level funding is then compared to two funding mechanisms. Looking at several states it becomes clear that there would be some winners and some losers. Among the gainers would be Tennessee which currently receives about $238 million and would receive either $667 million or $992 million depending on the formula used. On the other hand, Illinois stands to be a big loser with today's $1,955 million becoming either $750 million or $624 million, again depending on the scenario. The exact funding mechanism adopted could produce results far different than either of the scenarios included in the report.

At present, we know of no specific proposals calling for the devolution of agricultural programs from the federal to the state level. However, now that the issue has been raised, it seems to us that it is in the best interest of farmers to learn more about this concept and its potential impact on their operation.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of the UT's Agricultural Policy Analysis Center. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://agpolicy.org. *Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.*