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DECOUPLING FARM PROGRAMS¹

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Decoupling is a concept that has long been promoted by economists as a means of providing income support to farmers without distorting the behavior of commodity markets. In general, the term refers to the concept of providing support to farmers in ways that do not distort prices, production, consumption, resource allocation or trade. The term decoupling was introduced to the U.S. policy debate by the Boschwitz-Boren proposal during the farm bill debate of 1985. More recently it has become the cornerstone of the U.S. negotiating position in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations.

Over the next two years the United States will be engaged in two major negotiations over agricultural and trade policy--one external, the other internal. These two major negotiations--one which is already under way as the Uruguay Round of multilateral trade negotiations on agriculture in the GATT; the other, the debate which is already beginning on the 1990 farm bill--are not tied together in a formal sense but are certainly related. The outcome of either of these negotiations will have a profound effect on the resolution of the other. And in the end, Congress will have to deal with both.

The point of intersection between these two negotiations is over the level and methods by which the United States and other governments will support their agricultural sectors. The debate in both negotiations will include over the reduction or elimination of the subsidies provided to farmers through direct government intervention in agricultural markets. Thus, the issue of decoupling will be a central theme in both debates.

Decoupling is a general concept and does not have the same meaning to everyone. Out of the discussion of decoupling, there have arisen broad and narrow definitions. We will adhere to the definition of decoupling outlined by the United States in the GATT negotiations. An important distinction, however, must be stressed. Decoupling, by eliminating the difference between world and domestic prices, eliminates both trade distortion and the misallocation of resources. Not all policies that eliminate trade distortions, however, necessarily eliminate resource misallocations. Supply control is a good example of a program that reduces trade distortion effects by maintaining domestic resource misallocation.

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The U.S. position on decoupling:

- ♦ Decoupling would "eliminate trade distorting subsidies and import barriers, allowing market signals to reach consumers and producers alike." This includes all agricultural subsidies which "directly or indirectly affect trade."
- ♦ Policies would be permitted that are "production and trade neutral or have such a small effect as to be inconsequential." These include two types: "(1) direct income or other payments decoupled from production and marketing, including those that provide a safety net against natural disaster or other extraordinary circumstances; and (2) bonafide foreign and domestic aid programs."
- ♦ A decoupled payment must be "independent of the current and future level of a farmer's production and marketing, input use, or commodity prices." It is recognized that complete neutrality of decoupled payments is unlikely, but that a payment scheme should come as close as possible to this ideal.

If all countries adopted decoupled programs, the commodity markets would essentially operate in a free trade environment with farm income support programs being implemented so as to have no significant impact on resource allocation or on commodity production, consumption, trade, and prices.

But why should we be concerned with agricultural policy reform both at home and abroad? After all, the U.S. agricultural situation seems to be improving since its slide between 1981 and 1986. Farm financial stress is receding, exports have turned up in both volume and value, and even the budget cost of farm programs is down from the \$26 billion high in 1986.

The agricultural economics literature is rich with evidence of impacts on producers, consumers, and international trade of government intervention in agricultural markets. A recent estimate puts the consumer and taxpayer cost of agricultural support programs in the industrialized countries at nearly \$150 billion annually. By this estimate, \$50 billion of that \$150 billion does not reach the farmers who are being supported and is a deadweight loss to the OECD economies. Table 1, developed by Fred Sanderson of the National Center for Food and Agricultural Policy, shows estimated costs of agricultural protection borne by consumers and taxpayers in Organization for Economic Cooperation and Development (OECD) countries in 1986.

While economic distortions caused by U.S. farm programs are far less than in some industrial countries, they are significant. By supporting producer prices above market clearing levels, farm programs induce producers to commit excess resources to production of supported commodities, thus increasing output and creating surpluses at existing market prices. The Commodity Credit Corporation is obliged to take on stocks or subsidize exports, and world market prices are depressed. These excess resources are attracted from nonprogram crops and the rest of the

Table 1. Estimated Cost of Agricultural Protection to Consumers and Taxpayers in the OECD Countries, 1986 (in billions of dollars)

	EC-10 ^a	U.S. ^a	Japan ^a	Other Western Europe ^b	Canada, Australia ^b	Total OECD
Consumer cost	36	5	29	14	3	87
Taxpayer cost ^c	27	25	5	2	1	60
Total	63	30	34	16	4	147
Per capita (\$)	230	126	286	210	93	187

^aBased on F. H. Sanderson, *Agricultural Protectionism, Japan, United States, and the European Community*, (Washington, D.C., Japan Economic Institute, 1983). Updated from 1978-80 to 1986.

^bBased on Tyers and Anderson, *Distortions in World Food Markets* (January 1986)

^cNet of tariff and levy receipts.

Source: Fred H. Sanderson, *Agriculture and International Trade*, Council on U.S. International Trade Policy, February 1988

economy where, without government intervention, they could be more productively employed. Acreage reduction programs also create further distortions in resource use because acres planted are farmed more intensely while those that cannot be planted lie idle.

Program benefits are tied to production. Thus the distribution of these benefits is based on size rather than on need. The values of the income streams from farm programs are capitalized into asset values, mainly land, and as a consequence land prices are higher than they would be otherwise. In the longer term, the beneficiaries of farm programs are consumers who enjoy lower food prices and those landowners who have seen the value of their land rise from this capitalization of farm program benefits. New entrants to agriculture pay up front for the stream of program benefits, mainly through the higher land prices.

The 1990 farm bill domestically and the GATT negotiations internationally provide an opportunity to reassess U.S. farm programs. One of the choices is to move toward a market-oriented agricultural system, nationally and globally. Undertaking such policy reform on a global scale would be beneficial for several important U.S. commodities and would make the decision less difficult for the United States. Still, such a shift will not be easy. As with any policy decision, there will be both gainers and losers. The impacts of replacing direct government intervention in

agricultural markets with decoupled support programs are discussed below. Who gains, who loses, and how can decoupled programs be designed to combine the benefits of more efficient markets with fair compensation for those who are disadvantaged?

APPROACHES TO DECOUPLING AND POLICY REFORM

Policy reform in the United States may be undertaken unilaterally or as part of a negotiated agreement with one or more countries. In any case, the starting point is the set of programs that currently exist. Although U.S. programs generally involve a lesser degree of market distortion than exists, for example, in the EC, there is a wide disparity among these programs in the degree to which they affect production, consumption, trade, prices, and resource allocation. Examples of these differences are summarized in this section, and alternative approaches to reducing market distortions are presented.

Extent of Market Intervention in Current Programs

The major agricultural programs employed in the United States are listed in Table 2 with indications of their likely impacts on production, consumption, and resource allocation. There are programs to assist farmers or facilitate marketing which are usually considered as fully or almost fully decoupled. These include the Farm Credit System, Federal Crop Insurance program, and bilateral trade agreements that do not include subsidized prices. Research, extension, education, and grading and inspection services are generally considered to be in this category as well.

Under the Food Security Act of 1985 (FSA85), some changes in commodity programs were made to reduce their market impacts. Commodity loan levels for grains and cotton were substantially reduced, which also significantly reduced their influence on commodity markets. In this mode of operation, their major effect is to provide credit at slightly below commercial rates and reduce the cost of carrying commodities through the low price months after harvest.

In theory, acreage control and deficiency payment programs can be operated so that the idled acreage exactly offsets the increased production stimulus afforded by the payment. The grain programs appear to have operated closer to this "ideal" during the first two years of the FSA85 than under previous legislation. However, if unbalanced, these programs have the potential to stimulate production and reduce market prices. Even in ideal circumstances, resource allocation is affected because producers are required to plant particular crops to reap program benefits.

The conservation reserve is another program with impacts that are not clearcut. The current program will remove 40-45 million acres from crop production. By reducing plantings, the program has a net effect of reducing production, consumption, and trade while increasing domestic and world prices. However, production might be even lower if the full costs of off-site environmental impacts were taken into account in production decisions.

Export subsidy programs include the Export Enhancement Program (EEP), export credit, PL480, and Targeted Export Assistance Program (TEA). All stimulate domestic production and exports and raise domestic prices while

Table 2. Effects of Some Current U.S. Programs on Production, Consumption, Trade and Prices

Programs	Effect on ¹				World Price	Resource Allocation
	Production	Consumption	Trade	Domestic Price		
Bilateral trade agreement ²	no	no	no	no	no	no
Farm Credit System	no	no	no	no	no	small
Crop insurance	no	no	no	no	no	small
Low commodity loans ³	no	no	no	no	no	small
Acreage control and deficiency payment ⁴	small(+)	small(+)	small(+)	small(-)	small(-)	yes
Export subsidies	yes(+)	yes(-)	yes(+)	small(+)	small(-)	yes
Conservation reserve	yes(-)	yes(-)	yes(-)	yes(+)	yes(+)	yes
Sugar loan and import quota	yes(+)	yes(-)	yes(-)	yes(+)	yes(-)	yes
Dairy supports and quotas	yes(+)	yes(-)	yes(-)	yes(+)	yes(-)	yes

¹ (+) or (-) indicates the probable direction of influence.

² Without subsidy.

³ Below market price (wheat, feed grains, soybeans, cotton).

⁴ Net effects depend on size of acreage reduction requirement relative to payment.

depressing world prices. In the context of the FSA85, the domestic effect reduces the cost of deficiency payments rather than stimulating increased production.

The sugar loan and import quota and the dairy price support and import quota are the most highly trade distorting of U.S. agricultural policies. High domestic sugar prices have led to increased substitution of corn sweeteners and continuing reductions of the import quota. The dairy program holds milk production and product prices well above the world market prices, but responds in some degree to market signals. Dairy price supports are required to drop \$.50 per hundredweight each year that government purchases exceed 5 billion pounds milk equivalent. Current indications are that this decrease will occur again in 1989, as it already has in 1988, after which removals will be below the trigger level. Even after these adjustments, domestic prices and production will be higher and consumption, trade, and world prices will be lower as a result of these price and import quota policies.

This discussion of the policies and programs subsidizing agriculture in the United States, though not exhaustive, covers the major policies and programs of representative design. The intent is to define qualitatively and broadly the extent of market intervention imbedded in existing programs.

Decoupling

As defined earlier, decoupling would involve the replacement of current programs with income support measures that do not influence production, consumption, trade, or prices. Supply management programs would be removed, but environmental measures like the Conservation Reserve would probably be continued. The form and level of payments to support farm income would be determined by Congress subject to the decoupling criterion.

Phased Elimination of Current Programs

FSA85 set in motion a process of gradually reducing target prices of major crop commodities that, if continued, could eventually lead to elimination of income support measures. The Administration's own proposal in 1985, which was unsuccessful, would have specifically set a time period for the elimination of these income support programs. This process, if it were implemented, would also lead to the decoupled world envisioned in the U.S. GATT position. After the phasing out of current target prices and acreage control programs, decoupled income insurance programs or similar measures could be used to provide income stabilization without necessarily increasing the average level of farm income. This approach differs very little from the decoupling approach in its ultimate results, but would differ in terms of the path of adjustment from current programs to the decoupled world.

Removal of Trade Distortions

It is a reality that parties to the GATT negotiations have already begun to discuss narrower concepts of "decoupling" that focus on trade distortions. The argument is that as long as a given program does not affect trade or prices to other countries through external markets, other parties to the negotiation should not have concern. Canadian Professor, T.K. Warley, for example, has argued that programs operated under the Agricultural

Stabilization Act or the Western Grains Stabilization Act have "so small an effect on production and consumption as to be for all practical purposes trade neutral." Similarly, the former Assistant Secretary for Economics of the U.S. Department of Agriculture, Robert Thompson, has argued that the freezing of the program yield and constraints on program base have the effect of decoupling U.S. crop production from the support payments currently provided. It is not yet clear how successful this has been in reducing production incentives.

In the European Community it is sometimes argued that the addition of supply management programs would reduce trade distortions from what currently exists. This would be a move in the direction of current U.S. programs, where supply management to a great degree offsets the supply inducing effects of the target price system.

The problem with many of these schemes is that they may increase internal resource allocation distortions while attempting to reduce external trade distortions. It also would appear that policy changes of this type would, at least in the short run, move further away from the longer term goal of reduced government intervention in agricultural commodity markets and resource allocation. And in the longer term, it is likely that the economic costs of these resource allocation distorting policies will become politically unacceptable.

Exceptions to the Decoupling Rule

It is inevitable that there will be discussion in the GATT negotiations about where to draw the line in terms of decoupling. For example, should the U.S. Agricultural Extension Service be considered a program that stimulates production and therefore not be permitted under decoupling? For developing countries, what about infrastructure development so necessary for improving agriculture? What about U.S. domestic food assistance programs which have the effect of increasing consumption of food products? In the end, such programs are likely to be excluded from the negotiations.

A program such as the current Conservation Reserve Program could be justified on economic efficiency grounds as an attempt to reduce soil erosion and water pollution by removing erosive land from production. While this program removes land from production, from an economic efficiency standpoint it is removing land that is in production only because the private decision makers may not take into account all of the environmental costs associated with using these resources.

Implications

In the Uruguay Round, the United States is proposing mutual reductions of agricultural market distortions by means of global decoupling. Countries with very high support levels are reluctant to accept full decoupling, but may agree to the more limited goal of removing trade distortions. The progress of these negotiations will strongly influence what type of policy reform is possible in the United States.

IMPACTS OF DECOUPLING

The impacts of decoupling depend on whether it is accomplished unilaterally, or multilaterally through a process such as the GATT; whether short- or long-run effects are examined; and whether decoupling is applied to all agricultural commodities or a subset such as wheat and feed grains. Because of the large number of interacting factors that would change simultaneously, the end result is sometimes uncertain. Additional research is definitely needed to improve our knowledge of these impacts.

This section examines qualitatively the efficiency and distributional effects of decoupling for two alternatives: unilateral and multilateral decoupling. Both alternatives are compared with current farm policies. It is assumed that decoupling is applied to all agricultural commodities and that all U.S. domestic barriers to trade are eliminated. Unless otherwise noted, the time horizon is the short run. These impacts are summarized in Table 3.

Effects of Unilateral Decoupling

- ♦ Removing price support and acreage reduction programs leads to improved efficiency, lower costs of production, and greater competitiveness in international markets.
- ♦ Removing supports for producing program crops will lead farmers to shift more resources into nonprogram crops such as livestock, dry beans, sunflowers, and fruits and vegetables. Increased supply will lower returns for most nonprogram crops, though increased production may allow processors of certain commodities such as sunflowers to reap economies of size.
- ♦ While gross revenues to producers of program crops will fall, the effect on the net income position of the producers is uncertain. Reductions in revenues will be offset partially by reduced costs of production. Transition payments may or may not make up the difference, and depend on the policies of Congress and the Administration.
- ♦ U.S. and world agricultural prices are likely to fall, as production increases.
- ♦ In the longer run, sugar, dairy, rice, and wool sectors will decline in size in the absence of government support.
- ♦ In the longer run, the feed grains sector will experience smaller adjustment problems because of its more favorable competitive position on world markets.
- ♦ The amount of land in cultivation will rise in the short run as the acreage reduction programs are eliminated. However, the acreage base (planted plus idled land) will decline as marginal cropland is shifted into forage production or idled. Over time, lower commodity prices will lead to a reduction of land in cultivation.

Table 3. Probable Short-term Effects of Decoupling on U.S. Agriculture¹

	Unilateral Decoupling	Multilateral Decoupling
General Economic Efficiency	+	+
Unit Costs of Production	-	-
Net Farm Income		
Program Crops	-,0	?
Nonprogram Crops	-	?
Consumer Prices	-	+
World Prices	-	+
Land in Cultivation	+	+
Acreage Base	-	?
Environmental Quality	+	+
Input Supply Industry	?	?
Processors and Marketing Industry		
Livestock and Feed Grains	+	+
Sugar, Dairy	-	?
Government Outlays	?	?
Farm Labor	?	?
Number of Farms	-	?
Land Prices	-	?
Rural Economies	-,0	?

1. Pluses and minuses indicate the direction of change, not whether the effect is good or bad. Zero indicates no significant change. Question marks indicate that we are not able currently to predict the direction of the effect and that more research is necessary to resolve these effects.

- ♦ Environmental quality should improve. Land in cultivation will be farmed less intensively (lower per acre application rates of fertilizers and pesticides) with marginal land being converted to grass, pasture, or forest. Elimination of support for program crops will lead to greater diversity of production and more use of crop rotations as the need to preserve a crop-specific base acreage is removed.
- ♦ The net position of the input supply industry will depend on whether lower fertilizer and pesticide application rates are offset by the increased acreage in cultivation.
- ♦ Processors and marketers of livestock and feed grains will gain from the increased volume of exports. Processors and marketers of commodities in the declining sectors will lose. The situation is more complex for sugar. Coastal sugar refiners may gain because of access to cheaper raw materials from abroad, while inland refiners lose.
- ♦ Rural communities in regions that produce sugar, dairy, rice, and wool, and regions with poor quality land, will be disadvantaged by the structural adjustment. Regions that produce livestock and feed grains and regions with high quality land will experience fewer structural adjustments.
- ♦ The number of farms may decline at a faster rate than at present as farmers consolidate their holdings to become more competitive. The effect on farm labor is uncertain, as increases in hired labor by expanding farms and livestock operations may offset the decline in the number of farm operators.
- ♦ Changes in government outlays and taxpayer costs will depend on the magnitude of new adjustment assistance and income support programs.

Effects of Multilateral Decoupling

- ♦ Increased domestic efficiency combined with elimination of foreign trade barriers should lead to greater U.S. exports of feed grains, livestock, tobacco, and other agricultural products that are competitive internationally.
- ♦ Reducing supports on program crops will lead farmers to shift more resources into nonprogram crops. Greater export demand for competitive nonprogram crops and livestock will at least partially offset increases in supply. The resulting net income position for the nonprogram crops is indeterminant.
- ♦ Increased export demand for competitive program crops will offset much or all of the reduction in current government support. Compared with the unilateral case, lower payments will be needed to fully offset reduced earnings from the market.

- ♦ U.S. and world agricultural market prices will be higher than current world prices.
- ♦ Certain industries that are disadvantaged by unilateral decoupling, such as the high fructose corn sweetener market, may again become competitive at the higher world market prices.
- ♦ Internationally competitive sectors such as livestock and feed grains may gain from the combination of reduced costs of production and increased demand for exports.
- ♦ Land in cultivation will rise. The acreage base (land in cultivation plus currently idled acreage) will decline less than in the unilateral case, and could rise over time.
- ♦ Environmental quality should improve due to the elimination of commodity program incentives to overapply pesticides and fertilizers. Relative to unilateral decoupling, some of the gains could be lost due to higher levels of production.
- ♦ The net position of the input supply industry will depend on whether lower fertilizer and pesticide application rates are offset by the increased acreage in cultivation. Relative to unilateral decoupling, the higher output prices and greater acreage in production may result in gains for the input sector.
- ♦ Processors and marketers of livestock and feed grains will gain from the increased volume of exports. Relative to unilateral decoupling, multilateral decoupling will enhance gains and reduce losses.
- ♦ Rural communities in regions that produce sugar, dairy, rice, and wool, and regions with poor quality land, will be disadvantaged by the structural adjustment, though fewer areas will be disadvantaged than with unilateral decoupling. Regions that produce feed grains and livestock may gain.
- ♦ Effects on the number of farms and on the demand for agricultural labor will depend on whether or not increased export demand offsets reductions in price supports.
- ♦ Government and taxpayer expenditures would be less than with unilateral decoupling because of higher world prices and higher farm earnings.
- ♦ Multilateral decoupling should lead to increased stability of world market prices as nations stop dumping their surplus production on the international markets and domestic prices become more responsive to world market signals.

PROPOSALS FOR DECOUPLED ASSISTANCE PROGRAMS

Undoubtedly the United States will continue some form of support to the farm sector if the decision is made to replace the current farm commodity programs. The challenge is to provide assistance in ways that do not distort the production, prices, consumption, and marketing of agricultural commodities.

Recent historical relationships between direct government payments to farm operators and the net cash income of the sector are shown in Table 4. This year (1988) farmers will receive on average about 11% of their gross cash income directly from the federal treasury. In addition to direct payments, farm operators indirectly receive the benefits of farm programs through higher market receipts for certain price supported commodities.

Table 4. Farm Income Statistics
(in billions of dollars)

	Calendar Years					
	1983	1984	1985	1986	1987 E	1988 F
Farm receipts	141.1	146.7	149.2	140.2	138	139-141
Direct government payments	9.3	8.4	7.7	11.8	17	13-15
Gross cash income	150.4	155.1	156.9	152.0	156	154-156
Cash expenses	113.3	116.3	109.6	100.1	99	99-101
Net cash income	37.1	38.8	47.3	52.0	57	50-55

E = estimate

F = forecast

Source: Agricultural Outlook, March 1988. ERS, USDA.

The net outlays for various federal commodity programs operated by the Commodity Credit Corporation (CCC) indicate the combined level of direct and indirect assistance being provided to producers of these commodities under current programs, and also suggest the funding that might become available after decoupling for new assistance programs for farmers (Table 5). Although total CCC outlays are projected at about \$17 billion per year for the remaining three years of the current farm bill, they will average about \$20 billion per year over the 1986-1990 period.

Table 5. CCC Net Outlays by Commodity
(in millions of dollars)

Fiscal years	1984	1985	1986	1987	1988 F	1989 F
Commodity/Program						
Feed grains	-758	5,211	12,211	13,967	12,568	11,050
Wheat	2,536	4,691	3,440	2,836	1,083	1,524
Rice	333	990	947	906	189	320
Upland cotton	244	1,553	2,142	1,786	42	229
Tobacco	346	455	253	-346	-433	-323
Dairy	1,502	2,085	2,337	1,166	1,227	936
Soybeans	-585	711	1,597	-476	-1,069	-305
Peanuts	1	12	32	8	3	1
Sugar	10	184	214	-65	-14	--
Honey	90	81	89	73	70	56
Wool	132	109	123	152	125	127
Operating expense	362	346	457	535	568	583
Interest expenditure	1,064	1,435	1,411	1,219	836	1,196
Export programs	743	134	102	276	449	512
Other	1,295	-314	486	371	2,013	1,234
Total	7,315	17,683	25,841	22,408	17,657	17,140

Note: Minus (-) indicates a net receipt (excess of loan repayments or receipt over gross outlays of funds). F indicates the forecasted value for future time periods.

Source: Agricultural Outlook, March 1988. ERS, USDA.

Although decoupling would benefit society as a whole, along with some groups and individuals within the agricultural sector, other groups and individuals would suffer losses of income or asset values if current commodity programs were replaced. Even some individuals who ultimately benefit from decoupling might experience a difficult and costly adjustment period in the short run. Designing a fair and efficient system of compensation requires accurate estimates of who loses with decoupling and the size and duration of their loss.

One issue in the political debate over new assistance programs is the question of **who should receive compensation**. The list of potential candidates includes, but is not necessarily limited to:

- ♦ current program beneficiaries who resist any changes in programs that eliminate their current entitlements;
- ♦ owners of farm or agribusiness assets, such as land or buildings, who fear declining asset values after program changes;
- ♦ current operators of farms or agribusinesses who fear a loss of net income;
- ♦ participants in the food and agricultural system (directly or indirectly) who will be required to make difficult or costly resource adjustments, including changes in the size or type of farming operation or adjustment to nonfarm employment.

A second issue in the political debate over decoupled assistance programs is the form of the program itself. Several alternative programs consistent with decoupling have already been suggested.

In legislation introduced in the 99th Congress (S. 1041) by Senators Boschwitz and Boren and in the 100th Congress (S. 1725) by Senators Boschwitz, Boren, and Karnes, what has been termed "transition payments" would be made to farm operators who had a history of producing the decoupled commodity prior to the termination of the support program. This payment would:

- ♦ decline over a period of 5 or 6 years (but not reach 0).
- ♦ be subject to a fixed upper limit per person per year with higher payment rates to smaller farms.
- ♦ generally be made without regard to the farm operator's current production decisions.

The most recent decoupling proposal requires certain soil conservation standards of the recipient and limits shifts in production to nonprogram crops for a period of years.

Other variations of the transition payment proposal have included:

- ♦ the purchase of a producer's program entitlement with a single lump-sum payment that also could be converted to an annuity.
- ♦ annual payments to farm operators based upon a needs test (as, for example, in the form of a negative income tax).

Another proposal receiving serious discussion is a program to insure farmers' gross or net revenue. If such a program is to be nondistorting in terms of production, prices and marketing it must be available to all producers and must be actuarially sound.

Negative impacts on persons who leave the agricultural sector and on severely impacted rural areas could be addressed with assistance programs that improve nonfarm employment opportunities. These would include training and counseling for dislocated workers and assistance to rural areas to finance infrastructure and industrial development.

And finally, payments may be used to obtain certain socially desired services from the farm sector. These services include soil conservation practices that may have little benefit to the farm operator but have significant off-site value, and providing recreational or scenic ammenities to nonfarm persons.

FOOTNOTES

1. What follows is a discussion of the decoupling concept and its domestic and international implications. Individual bills are not analyzed, compared, or discussed, though some elements of proposed legislation are used to illustrate points. The Briefing Book is intended to clarify the meaning of the term "decoupling," compare it to current agricultural programs, and describe possible ways that public support could be provided to agriculture without distorting the production, pricing, and marketing of farm commodities. Since many of the impacts of decoupling are not well established, this should be viewed as material to focus discussion rather than to resolve all the issues.

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