AGEC 429 Lecture #3

THE AGRICULTURAL POLICY PROCESS

The policy process begins with groups and individuals with policy goals pressuring the government to intervene. The process includes two phases: (1) policy ________________ and (2) policy ________________:

**GROUP GOALS**

**INDIVIDUAL GOALS**

The underlying reason or incentive

The philosophical or desired intention (the “_____”)  

The specific target of policy to achieve the goal (the “_____”) 

The specific means selected to achieve the objective (the “_____”) 

The actions required to meet the objectives using the policy instruments selected
THE POLICY FORMULATION PROCESS EXAMPLES

<table>
<thead>
<tr>
<th></th>
<th>FARMERS</th>
<th>ENVIRONMENTALISTS</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>PEOPLE DON'T LIKE THINGS THE WAY THEY ARE</td>
<td>LOW INCOME</td>
</tr>
<tr>
<td>2.</td>
<td>PRESSURE FOR PUBLIC ACTION ARISES WHEN PEOPLE CANNOT BRING ABOUT CHANGE THEMSELVES</td>
<td>MANY PRODUCERS</td>
</tr>
<tr>
<td>3.</td>
<td>*GOALS OF POLICY ARE BASED ON THESE PRESSURES</td>
<td>“RAISE FARM INCOME: SAVE FAMILY FARM”</td>
</tr>
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<td>4.</td>
<td>*PROGRAM OBJECTIVES DERIVE FROM THE POLICY GOALS</td>
<td>RAISE FARM PRICES</td>
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<td>5.</td>
<td>*PROGRAM MEANS ARE CHOSEN TO ACHIEVE OBJECTIVES</td>
<td>ACREAGE REDUCTION</td>
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* COUNTERVAILING PRESSURES FROM OTHER GROUPS CAN ARISE AND PREVENT OR ALTER POLICY AND PROGRAM ACTION.
Some Typical Goals of Farmers

• Improved ________________

• Ownership of ______

• Progress, efficiency, and _______________
  in agricultural production

• Education and ____________

ARE THERE OTHERS YOU FEEL ARE IMPORTANT?
Some General Agricultural Intervention Goals of Farm Groups

• Growth and development of the __________________

• _________ and income distribution

• Reasonable _________ for farm output

• ____________ (of prices, income, supply, consumption)

• Economic ____________

• Non-farm ____________________
Some Non-Farm Goals of Agricultural Policy

- Ample supply of food at ________________
- Elimination of _________ and _____________
- Maintain public health and reduce __________________
- Preservation of land and water for __________________

Do you see any potential conflicts between the farm and non-farm goals of agricultural policy?
FARM PROGRAM OBJECTIVES HAVE EVOLVED OVER TIME

<table>
<thead>
<tr>
<th>Old Objectives</th>
<th>New Objectives</th>
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<tbody>
<tr>
<td>Save the Family Farm</td>
<td>Help Farmers Manage Price and Income Risk</td>
</tr>
<tr>
<td>Raise Farm Income and Prices</td>
<td>Expand Demand, Remain Competitive, Achieve Open Markets</td>
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<tr>
<td>Adjust Farm Production to Meet Market Needs</td>
<td>Sustainable Production in the Use of Ag Resources</td>
</tr>
<tr>
<td>Soil Conservation</td>
<td>Enhance Food Security, Food Safety, and Homeland Security</td>
</tr>
<tr>
<td>Maintain Adequate Food Reserves</td>
<td>Improve Nutrition and Diet</td>
</tr>
<tr>
<td>Domestic Demand Expansion and Food Assistance</td>
<td>Expand Use of Agricultural Output for Energy Production</td>
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</tbody>
</table>
EXAMPLES OF INSTRUMENTS OF GOVERNMENT INTERVENTION IN AGRICULTURE

(We’ll learn more about these later!)

- Non-recourse loans
- Export subsidies
- Demand expansion programs
- Supply control
- Direct payments
- Marketing loans
- Counter-cyclical payments
- Crop Insurance

There are many others relating to protecting the environment, food safety and security, hunger and nutrition, world trade, etc.
WHY IS AGRICULTURE CONSIDERED A SPECIAL CASE FOR INTERVENTION?

THE TRADITIONAL ARGUMENTS

1. Farmers are considered the “__________________.”

2. Agriculture is subject to inherent ________________.

3. Many non-farmers are associated with the _____________.

4. Agriculture is a ________________ industry. There is a strong national security interest in protecting and promoting the agriculture sector.

5. Farm problems result from ________________ policies.
Farm income accounts for only 20% of farm household income
The Changing Nature of Agricultural Policies

- Policies change as world and market conditions change.

- Policy change is usually _______________ not _______________.

Constraints on Government Intervention in Agriculture

• The Desire for __________________________

*Why is this a “constraint” on government intervention?*

• Political __________________________

*Belief in small, non-invasive government*

• __________________________

*Costs*

• __________________________

*The process by which the benefits of government programs tend to be bid into the value of farm assets.*

• __________________________

*We cannot do everything that everybody wants. So there is an “Opportunity Cost” of making choices. That cost is the value of what must be given up. Any decision that involves a choice between two or more options has an “opportunity cost.”*
When we spend government revenue on agricultural programs, we give up what else we could have spent the money on like environmental programs, roads, medicaid, health care programs, etc.