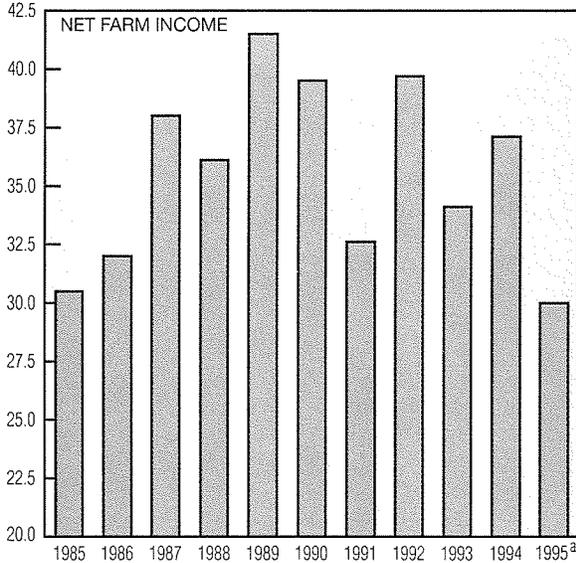
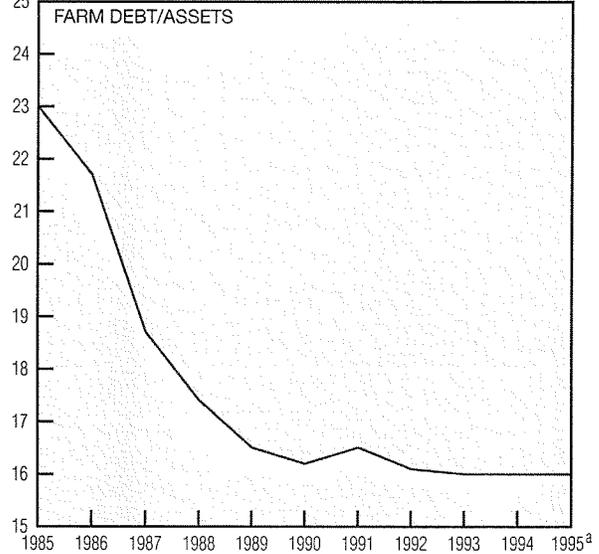


Agricultural Policy

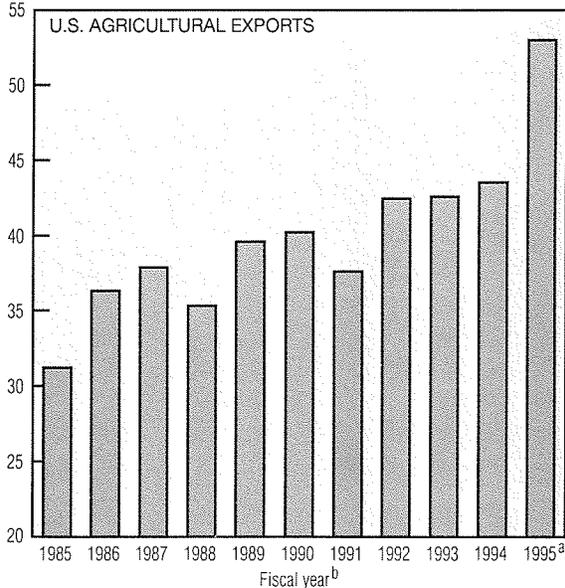
Billions of 1987 dollars



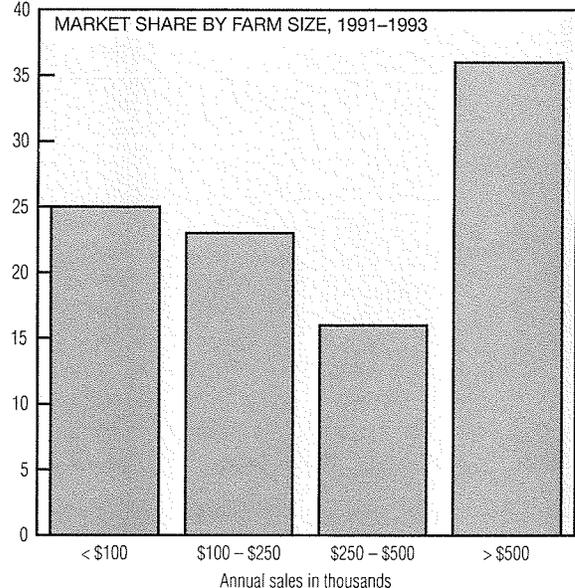
Ratio



Billions of dollars



Share of total farm sales



a. U.S. Department of Agriculture forecast (average if range is given).

b. Twelve months beginning in October of the preceding calendar year.

SOURCES: U.S. Department of Agriculture; and Mark Drabenstott and Alan Barkema, "A New Vision of Agriculture Policy," Federal Reserve Bank of Kansas City, *Economic Review*, vol. 80, no. 3 (Quarter 3 1995), pp. 63-77.

Since their inception in the 1930s, U.S. agricultural policies have been aimed at stabilizing the domestic food supply and farmers' incomes. Congress is currently scrutinizing these policies with an eye to deficit reduction, but broad economic trends offer more fundamental reasons for charting a new course.

Originally, rural welfare was an important objective of the nation's agricultural policies, but the eco-

nomie base of most rural communities has since broadened, and agriculture is no longer their leading industry. The composition of U.S. agriculture has also changed dramatically, with large farms now dominating the industry. Through vertical integration, capital-intensive methods, and product specialization, large farms achieve substantial efficiencies and are better poised to withstand market adversities than are small farms. Nevertheless, large

operations receive a substantial portion of U.S. farm-support payments.

Designed for a domestically focused industry, U.S. agricultural policies raise a number of issues regarding our international competitiveness. Price supports can exceed global levels, rigid crop patterns prevent quick adaptation to changing markets, and foreign producers seize the opportunity created by idled U.S. capacity.