HOW THE GREENBACKS GROW: AN ANALYSIS OF THE AGRICULTURAL POLICY IN THE UNITED STATES

Spencer Reeves

Abstract

This study looks at the recent history of U.S. agricultural subsidies and specifically at the Agriculture Reform, Food, and Jobs Act of 2014 (known as the 2014 farm bill), which reformed the way that the U.S. handled support for farmers by replacing the direct payment plan with a form of crop insurance. This study will seek to understand the Agriculture Act of 2014 by looking at the history of American agriculture subsidies dating back to the Agricultural Adjustment Act of 1933 and at shifts in agricultural policy in the 70 years since. The study will also examine the conflict created in the policy formulation process by budgetary issues raised by cost cuts to the Title I commodity subsidy programs and the Title IV Supplemental Nutrition Assistance Program, also known as "SNAP" or foods stamps. Policy formulation will be analyzed using the "three streams" model proposed by political scientist John Kingdon, the incremental model, and the group equilibrium model. Finally, this study will analyze the Agriculture Risk Coverage and Price Loss Coverage programs created by the 2014 farm bill in light of the original Congressional Budget Office (CBO) projections and later CBO projections.

Introduction

"I wanted to have a positive impact, and that just felt very distant in my other jobs out of college. In farming, on the other hand, you make a difference. Your impact is immediate" (Dewey, 2017, para. 16). These are the words of Liz Whitehurst, a 32-year-old liberal arts graduate who abandoned city-life to become a farmer. She is one of many new farmers looking to escape the hustle and bustle of city life for a more traditional agrarian existence (Dewey, 2017). Apart from farmers like Liz and agricultural policy experts, the way the United States shapes its agricultural policy is unknown to the general public. However, the way agricultural policy and subsidies programs are formulated and function has a bearing on the lives of almost all Americans, whether they are farmers, supplemental nutrition recipients, or everyday consumers.

The Agriculture Reform, Food, and Jobs Act of 2013, colloquially known as the "2014 farm bill," passed by Congress and signed into law in 2014, reforms aspects of the current agricultural subsidy system by eliminating the direct payments program instituted in 1996 and continued in 2008 and replacing it with the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs (Bakst, 2015). The new Agricultural Risk Coverage Program and the Price Loss Coverage programs both provide a variety of financial safety nets to farmers in the event that prices fall on a given crop (United States Department of Agriculture 2017). However, the narrative leading to the enactment of the 2014 farm bill is more complicated than simply a shift from one kind of agricultural subsidy program to another.

This study will look at the competing factors that led to the enactment of the 2014 farm bill, including the Great Recession, the incremental development of subsidy policy, and the competing interests of various agricultural groups. Finally, this study will examine whether or not the Price Loss Coverage and Agricultural Risk Coverage programs were successful in addressing the problems which led to their enactment.

Literature Review

In his study looking at ideology and electoral incentives in the enactment of the 2014 farm bill, Russell (2018) concluded that political ideology of legislators has minimal impact on their stance on the farm bill beyond the observation that more politically extreme legislators are somewhat less likely to support farm bills, particularly those legislators on the far right. The only significant ideological issue that Russell (2018) pointed to as affecting agricultural policy is the budget, referencing the debate that dominated discussion of the 2014 farm bill. Instead of ideology, Russell (2018) found rural constituencies to be the most important factor

in whether a legislator favored agricultural support policies. As a result of this trend, Russell (2018) predicted a decline in support for agricultural support policies as the U.S. rural population continues to decline.

Orden and Zulauf (2015) discussed the issue of the enactment of the Agricultural Act of 2014. They contended that the safety net provisions of the act (PLC & ARC) would not have been enacted had an agreement been reached regarding the Doha Round World Trade Organization negotiating documents. Because the act was passed, an agreement regarding those documents is even more unlikely (Orden and Zulauf, 2015). However, other literature either did not corroborate this claim or mentioned the WTO agreements only in passing. As such, the trade aspect of the 2014 farm bill seems to be minor compared to the need for debt reduction and the conflict over SNAP.

A long-time critic of the new commodity programs instituted by the new farm bill, Bakst (2015) reported that an amendment was overwhelmingly passed in the House that would have capped the costs on the Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) programs, but it was removed during conference in the Senate. In concurrence with Smith (2016), Bakst (2015) found that actual costs for the programs would far exceed expectations by roughly $4 billion. As a result, Bakst (2015) recommended elimination of the ARC and PLC programs. He argued that they are "unnecessary and costly, and they provide subsidies that effectively eliminate most risk" (Bakst, 2015, para. 12). Bakst seemed to believe that eliminating risk is not a legitimate objective for U.S. agricultural policy makers. The programs, he claimed, lead to an open-ended financial obligation to taxpayers that Congress needs to resolve. He recommended that Congress amend the ARC and PLC programs to include a spending cap akin to the one included in the original House version of the farm bill, which would have capped spending at $17 billion (Bakst, 2015). At the very least, Bakst (2015) concluded, Congress must take steps to ensure that the ARC and PLC do not exceed the cost of the former direct payments program.

Smith (2016), of the American Enterprise Institute, reported that the House and Senate agricultural committees claimed extensive savings over the direct payments model with the new PLC and ARC programs. However, research has not corroborated the optimistic claims of the agricultural committees. Smith (2016) found that since the committees were selective with the data when they had the projections done, the actual costs will be several billion dollars higher than the direct payment plans that the system had been intended to replace. Smith (2016) also pointed out that, under the current system, PLC and ARC benefits are not attached to the actual production of the crop in question at present, but rather historical production, and suggested that a cynic might look at the issue and conclude that

that farm lobby had simply been able to get Congress to give them another blanket subsidy. He concluded that "substantial amounts of government funds are being given to a relatively wealthy lobbying group for no obvious reason other than the convenient practice of crony capitalism" (Smith, 2016, pg. 10).

Data and Methods

This study will look at two aspects of the 2014 farm bill and will therefore take two separate approaches to data analysis.

First, in order to analyze the various political and policy factors that led to the passage of the farm bill in 2014 and contributed to the changes from previous farm bills, this study will look at the general history of U.S. agricultural policy and various secondary accounts of the debates and discussions leading up to the enactment of the bill. In order to analyze the various aspects of the agenda-setting processes and the steps leading up to enactment, this study will utilize three different models of policy analysis. First, this study will employ the lens of political scientist John Kingdon's "three streams" model of analysis as described in his book Agendas, Alternatives, and Public Policies (2011). The "three streams" model sees policy as the confluence of three streams, problems, policies, and politics. For Kingdon, only when problems are acute, policies are workable, and political culture is receptive will reform happen. Second, this study will compare the farm bill to the incremental model, which looks at policy as a series of incremental changes from one piece of legislation to the next. And finally, it will analyze the group equilibrium model, which looks at policy through the lens of competing interest groups, striving to reach equilibrium.

Second, this study will assess the success of the ARC and PLC programs which replaced the direct payment model laid out in the 2008 farm bill. The primary method used will be a comparison of the original CBO cost estimates used to justify the shift to the ARC and PLC programs in the wake of the Great Recession to post-implementation cost assessments. The program may be assessed to have succeeded if current projected cost is less than estimated by the CBO or at least less than the cost of the direct payments program it replaced. It may be assessed as a failure if costs exceed both CBO estimates and the cost of the direct payments program. The success or failure of the program may be ambiguous if the ARC and PLC programs exceed the cost of the direct payments program but provide other, non-financial benefits that are difficult to assess via cost-benefit analysis.

History of the Farm Bill and Agriculture Subsidies

American agricultural policy to the early 2000s

American agricultural policy in its modern iteration dates back to the

1930s, the "Dust Bowl" of the Great Depression, and the earliest iterations of what today are called "farm bills"—the Agricultural Adjustment Acts of 1933 and 1938 (AAAs). These early programs contained the core of modern U.S. agricultural policy: price control and income support programs (Dimitri, Effland, & Conklin, 2005). The central problem of agricultural policy has changed very little from the Great Depression to the Great Recession: that is, the problem of controlling price-deflating surpluses to enable farmers to earn a livable income (Bosso, 2017). These problems continued in the wake of World War II with the revitalization of the U.S. economy and developments in agricultural chemicals, which led to the enactment of the Agriculture Act of 1949 under the Truman administration, the first so-called "permanent law" for American agriculture (Bosso, 2017). This law reacted to the resurgence of the economy of the postwar years and remains the legislation to which the U.S. agricultural system would revert if Congress failed to pass a farm bill before the previous bill expired (Dimitri et al., 2005).

Since 1973, U.S. farm policy has been largely counter-cyclical (Zulauf & Orden, 2016). As opposed to the direct payments program instituted under the 1996 farm bill, counter-cyclical payment programs respond to changes in price and revenue, with payments dropping as revenue increases and vice versa. See Figure 1 for a history of U.S. farm commodity payments dating back to the 1970s. As visible in Figure 1, commodity outlays fluctuate wildly in response to market conditions from almost no outlays in the late 1970s to almost $24 billion in outlays in the mid-1980s and late-1990s to early 2000s (Zulauf & Orden, 2016). Commodity payments have been historically provided by the Commodity Credit Corporation (CCC) (Zulauf & Orden, 2016).

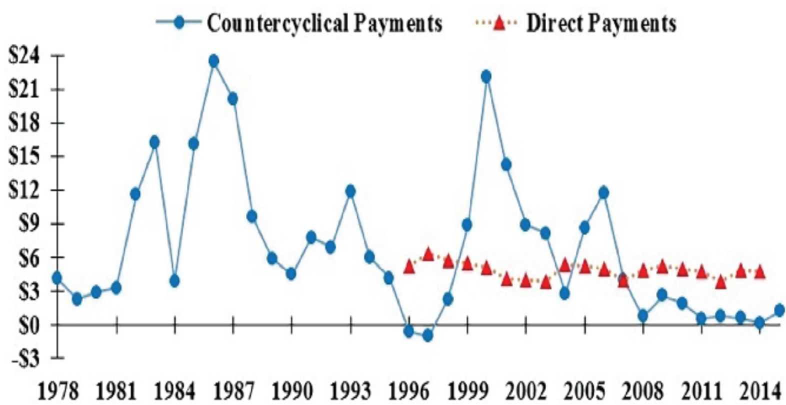

Figure 1. Graph of change in commodity outlays by program 1978-2014 (Zulauf & Orden, 2016).

While the focus of this study is primarily on the crop commodity programs that the farm bill has been centered on since its inception, it is functionally impossible to discuss any farm bill without discussing nutrition assistance programs. Before their earlier iteration as "food stamps" or their current form as the "Supplemental Nutrition Assistance Program" (SNAP), nutrition programs were part of the rural relief projects of the 1930s and the New Deal (Dimitri et al., 2005). While it came into its own in the 1964 Food Stamp Act, nutrition assistance was rolled into the farm bill in the 1977 Food and Agriculture Act and has been a farm bill staple ever since (Dimitri et al., 2005).

The commodity programs that became a focus of debate under the 2014 farm bill came into being under the 1996 Federal Agriculture Improvement and Reform Act (FAIR). FAIR decoupled the pre-existent income support payments from productions choices, a system that would become known as the "direct payments" model (Dimitri et al., 2005). Dimitri, Effland, and Conklin (2005), writing before the passage of the 2014 farm bill removing the direct payment program, argued that:

> The evolution of farm policy from one based on supply controls and high price supports to one based primarily on direct Government payments has undoubtedly reduced the economic inefficiencies of resource misallocation and price distortions associated with farm programs. (p. 9)

The objectives of the direct payments program were threefold. First, they were supposed to reorient the agricultural commodity markets to set their prices based on supply and demand. Second, they were supposed to bolster farmers finances so that they could adjust to the market based on supply and demand conditions. Third, they were supposed to bring U.S. commodity policy into compliance with the World Trade Organization (Keeney, 2013). Originally, the direct payments program was meant to be a temporary measure (Keeney, 2013).

Since the end of the Second World War, U.S. agriculture has seen a progressive shift away from the more localized and traditionally agrarian enterprises in favor of more recognizably industrial agribusinesses (Effland, 2000). Due to this shift, many have questioned how exactly farm aid should be distributed. When Effland looked at the issue in 2000, the general consensus was in favor of continued direct assistance to farmers. However, this sentiment seems to have been shifting even during the wake of the 1996 farm bill.

In 2001, a majority of commentators supported the continuation of the counter-cyclical or the direct payment program models (Effland & Young, 2001). However, a growing minority presented the view to the House Agriculture Committee that the U.S. agricultural community was too complex to be supported by a "one size fits

all" commodity program and that U.S. farms needed a selection of market-oriented programs from which to choose that would fit their individual needs (Effland & Young, 2001). Even in their embryonic form, these policies, which would eventually come to be part of the programs passed by the 2014 farm bill, advocated for the elimination of the direct payments program and the diversion of those funds into loan programs, safety net provisions, and risk management programs (Effland & Young, 2001).

However, in 2002 the idea that direct payments were transitional was abandoned (Keeney, 2013). Farmers continued to receive their standard payment uninterrupted up through the 2008 farm bill. The middling agricultural incomes of the 2002-2008 period made the continued maintenance of the $5 billion subsidy program politically tenable. However, when the markets crashed in 2008 and the agricultural sector profited, the question of whether or not to dispense with the direct payments program became much more open (Keeney, 2013).

The 2008 farm bill provided a program which looks much like the ARC and PLC programs that would appear in the 2014 farm bill, called the Average Crop Revenue Election (ACRE) program, which was made optional for farmers (Keeney, 2013). Farmers were given the opportunity to forgo up to 20% of their direct payments in exchange for enrollment in the ACRE program. In exchange, ACRE would provide payments to farmers when farm revenue declined more than 10% from the average of the last five years; a steeper decline resulted in steeper payouts (Keeney, 2013). However, because farmers accurately expected revenues to increase over the next several years due to demand for food and fuel, they largely declined to enroll in the program (Keeney, 2013). This "test run" of the ACRE plan and the growing opposition to the direct payments model framed the debate over commodities moving into the legislative session that produced 2014 farm bill.

History of the 2014 farm bill

Debate on the farm bill

Debate in Congress over the 2014 farm bill can best be framed in terms of opposing forces: House versus Senate, Republican versus Democrat, and commodity programs versus SNAP (Green, 2013). There was a general consensus amongst policymakers that the direct payments program had to be cut (Cain, 2013). The question was: to what degree?

On one side of the debate was the farm lobby, which opposed the cuts to the direct payments program as such and instead wanted to see the SNAP program slashed (Smith, 2013). On the other side of the debate were those supporting continued SNAP spending, like Senate Agriculture Committee Chairman Debbie

Stabenow (D-MI), who wrote in an op-ed for The Hill in September 2014 that:

> House Republican leaders are waging a relentless assault targeting the nation's hungry. This week, they are bringing a bill to the floor that would cut food assistance by a whopping $40 billion and kick nearly 4 million people off the program in the next year, including children, seniors, veterans and disabled Americans. (Stabenow, 2013, para. 1)

Stabenow's article was emotionally charged, but it framed the debate well. On the other side of the debate was Republican House Agriculture Committee Chairman Frank Lucas (R-OK), who pushed for less cuts to the subsidy program and greater cuts to SNAP.

The House and the Senate advanced two different farm bills, one spearheaded by Sen. Stabenow and the other by Rep. Lucas, which had to be reconciled in conference (Tomson & Parti, 2014). The House bill included the first form of the of the Price Loss Coverage program, a new crop insurance program (which had no cap), and a subsidy program for dairy farmers (Smith, 2013). The House bill also had a $40 billion cut to SNAP (Tomson & Parti, 2014). The senate bill had similar programs, except instead of the PLC program the Senate proposed the Agricultural Risk Coverage program (Smith, 2013).

The result was a compromise bill that repealed the direct payments program in an effort to reduce the budget deficit and also included cuts to SNAP, although not as deep as Republicans might have liked. The final cut to the SNAP program was $9 billion, $31 billion less than the House version of the farm bill had originally proposed, and also lacked the attack on state waivers for employment requirements that had been proposed with the house bill (Tomson & Parti, 2014).

The ARC and PLC provisions

The 2014 farm bill provides two sets of crop commodity programs for farmers to make use of: Agricultural Risk Coverage (ARC) (a modification of the old ACRE program) and Price Loss Coverage (PLC). There are also two versions of the ARC: ARC-CO (which applies to counties) and ARC-IC (which applies to individuals) (Orden & Zulauf, 2015). Farmers are allowed to choose which of the commodity programs they would like to be enrolled in during the 2014-2018 crop years but are unable to change once they have made their decision (Orden & Zulauf, 2015). The ARC-CO program works by providing payments to farmers on a commodity-by-commodity basis when the county's crop revenue drops below 86% of the county's benchmark revenue (5-year Olympic average country yield times 5-year Olympic average national price or times the reference price, whichever is higher in a given

year) (United States Department of Agriculture, 2018). The ARC-CO payment will be the difference between the above per-acre guarantee and the actual revenue; however, payments are not greater than 10% of benchmark revenue (United States Department of Agriculture, 2018).

In the case of the ARC-IC program, payments are issued on all individual crop revenues combined, rather than on a commodity-by-commodity basis, when the combined crop revenues, calculated as the sum of all applicable commodities, falls bellows 86% of the benchmark, defined as the sum of all applicable commodities at the ARC guarantee price (the 5-year Olympic average of national price or the reference price, whichever is higher) multiplied by the 5-year Olympic average individual yield (United States Department of Agriculture, 2018). Like the ARC-CO plan, payments are capped at 10% of the farm's benchmark revenue (United States Department of Agriculture, 2018).

The PLC program provides payments on a commodity-by-commodity basis when the market prices drop below reference prices. Payments are made based off the difference between the reference price, and the national average market price. The payment amount is the aforementioned rate times 85% of the base acres for the commodity, times the payment yield (United States Department of Agriculture, 2018).

Model Analysis of the 2014 Farm Bill

Kingdon's "three streams" model of policy analysis

In his book Agendas, Alternatives, and Public Policies, political scientist John Kingdon outlines a model for the creation of public policy centering around the process by which three "streams" come together (Kingdon, 2011). The first stream is the "problem" stream, which includes the given issues a policy needs to address, and the important concept of a "focusing event" – an occurrence that brings a problem into the public eye and enables it to be recognized as a problem to be placed on the agenda. The second stream is the "policy" stream, which includes all the possible alternatives that may be considered to solve a given problem (Kingdon, 2011). This stream comes into alignment when the policy community resolves on a course of action. Finally, there exists the "political" stream, which represents the political actors and climate that must be conducive to placing the item on the agenda. Once all of these streams come into alignment, a "policy window" opens, which is a brief opportunity for a piece of legislation to be passed (Kingdon, 2011). The following sections will analyze the 2014 farm bill in terms of problems, policies, and politics.

Problems

The primary problem at hand, at least in relation to the Title I commodity programs and the Title IV nutrition programs, was how to reduce spending with a minimal impact as possible (Smith, 2013). Kingdon discussed the special issue of budgets as a problem and made several points which are particularly applicable to the farm bill. First, Kingdon alleged that there are three different types of budget-related programs: 1) programs that attempt to control the rise in costs; 2) programs that are not directly regulatory, but policymakers think will save money; and 3) programs that are low-cost, even if they do not contribute to cost reduction. The 2014 farm bill's commodity programs are of the first variety, because they constitute an effort that will attempt to reduce spending to compensate for economic decline (Keeney, 2013).

Kingdon (2011) also raised the point that budgetary problems are generally tied to the broader state of the general economy. This proved to be very much the case with the 2014 farm bill. The Great Recession of 2008 generated a push to cut government expenditures in light of economic decline, and the fact that agriculture had largely escaped the damages of the Recession made their direct subsidies an obvious target (Keeney, 2013).

As with most recurring bills, a focusing event is unnecessary in order to put the farm bill on the government agenda. However, as far as the specific crop commodity provision itself, the Great Recession could be understood as one great focusing event that finally crystallized the issue of replacing direct payments. While the ACRE program of the 2008 farm bill served as something of a test, it took the Great Recession to finally push the replacement of direct payments onto the agenda.

Related to this issue of agenda setting is the debate over repealing the 1938 and 1949 farm bills, which was a concern of the American Farm Bureau Federation, the largest U.S. farm lobby (Tomson, 2013). Bob Stallman, president of the Farm Bureau, expressed his concern that:

> Repealing those acts and making the 2013 farm bill commodity title permanent law could make it difficult in the future to generate sufficient political pressure to adjust the commodity safety net provisions should conditions in the production change. (Tomson, 2013, para. 5)

Stallman's concern seems to support the notion that the primary motivator for putting the issue on the agenda is not economic crisis, and is certainly not interest group pressure, but is rather Congress's need to avoid having agricultural policy revert back to its 1940s iteration.

Policies

The potential policy alternatives seem to be the direct payments program that was already in place, the counter-cyclical payments program that was already in place, and then the market-sensitive programs being proposed like ACRE, ARC, and PLC. Kingdon (2011) addressed the issue of "softening up" in his chapter on the policy stream. Softening up is the process by which the policy community grows comfortable with an idea and begins to accept it as a legitimate alternative that can be considered during the policy legitimation process.

The concept of a more market-sensitive, farmer-oriented program in the vein of what became the ARC and PLC had been floating around since the early 2000s, and such programs were discussed by the House Agriculture Committee (Effland & Young, 2001). The agricultural policy community was focusing on the issue of direct payments and their continuation in the 2002 farm bill at the time. However, it was necessary that discussion about alternative programs begin years before they were finally implemented, just as it was necessary for direct payments to be implemented in a provisional form in the 1996 farm bill before they were "permanently" implemented in the 2002 farm bill. The final step in the softening up process was the ACRE program, which served as a test run for the ARC and PLC programs (Keeney, 2013). By the time Congress was ready to take up the issue of replacing direct payments, the agricultural policy community had already been discussing the alternative for a decade.

Politics

Historically, farm bills have not been particularly partisan measures, and in the case of the 2014 farm bill, ideology was not one of the driving factors in political conflict during the formulation of the bill (Russell, 2018). Instead, the politics of the bill center around the divide between the SNAP program and the commodity program. Russell (2018) found that one of the primary motivating factors for supporting the farm bill was the size of a legislator's rural constituency. Republicans, who have greater rural constituencies, found themselves behind the more aggressive PLC program and in favor of cutting $40 billion from SNAP; thus, the more aggressively pro-farm lobby bill originated in the House, where Republican Rep. Lucas chaire the Agriculture Committee. Conversely, a more conservative commodity program and less aggressive cuts to SNAP came out of the Senate, where Democratic Sen. Stabenow chaired the Agriculture Committee. The political stream only came into alignment during the conference that allowed the House and Senate bills to be reconciled (Tomson, 2014).

Because the problems had already been identified and policymakers had already agreed upon the shift away from direct payments to the ARC/PLC style

programs, all that remained was the politics stream (Smith, 2013). With that stream in line after the conference, the policy window opened, and legislation was passed in early 2014.

Incremental model

The progress of U.S. agricultural policy can also be understood in terms of the incremental model. Dye (2017) defined the incremental model as "public policy as a continuation of past government activities with only incremental modifications" (p. 15). For the purposes of this study, analysis will only go back to the 1996 FAIR Act, where direct payments are first instituted (Young & Shields, 1996). The 1996 farm bill begins the process by instituting the direct payments program in addition to the counter-cyclical payments program which already existed (United States Department of Agriculture, 1996). The 2002 farm bill made slight modifications to both the direct payments and the counter-cyclical payment systems, as farm bills have historically done, to adjust for market changes (United States Department of Agriculture, 2002). Additionally, the direct payments program was made permanent. Again, in the 2008 bill, minor adjustments were made to the direct payments and counter-cyclical payment programs, while the new optional ACRE program was added (United States Department of Agriculture, 2008). Finally, in 2014, the farm bill repealed the direct payment, counter-cyclical payment, and ACRE programs, and replaced them with the ARC and PLC programs (Chite, 2014).

The process seems facially incremental from 1996 through 2008; while the complete replacement of direct and countercyclical payments seems not to fit with the incremental model, if the process is understood in terms of policy "ideas" and not programs as such, the incremental model fits. The core function of the bill—giving money to farmers—did not change, as in a complete institutional overhaul like the Affordable Care Act. Rather, the method for delivering money to farmers changed very gradually from the counter-cyclical system, to the introduction of the direct payment system, to the introduction of the provisional ACRE system, to the phasing out of the direct payment and countercyclical system in favor of a system similar to ACRE, the ARC and PLC programs. The shift is not revolutionary, but instead represents incremental change from one iteration of a policy to another.

Group equilibrium model

According to Dye (2017), "group theory begins with the proposition that interaction among groups is the central fact of politics" (p. 16). The group theory model hinges around a sort of struggle between different groups, both applying pressure to the political process, until the system arrives at some sort of equilibrium. Zulauf and Orden (2016) found a form of this model applicable to U.S. farm policy. They wrote:

The farm bill can be viewed as the outcome of the policy process mediating the interplay of two types of markets. One is the set of economic markets encompassing farm commodities, food, and environmental services. The second is the political market encompassing organized interests, institutions, and ideas. Moreover, since farming is now a small and concentrated sector, U.S. farm policy can be viewed as an equilibrium result of organized group lobbying. (Zulauf & Orden, 2016, para. 15)

As Kingdon (2011) pointed out, budgets provide an important constraint on the policy process. In the case of agricultural policy, a number of diverse interests are all competing for the finite amount of funds Congress can allocate to farm policy in a given year. In farm policy, the organized lobbying groups that Zulauf and Orden (2016) mentioned are often tied to a specific crop, like corn, or in the following example, upland cotton. These organizations put pressure on Congress when their share of the commodity program is unusually low or the share of another group is unusually high (Zulauf & Orden, 2016).

As an example, average commodity spending on upland cotton was 25% of all commodity outlays during fiscal years 2005-2012, compared to an average of 15% from 1978-2014 cumulatively (Zulauf & Orden, 2016). See Figure 2 for a comparison of top commodity spending by percentage from 1978 through 2015. In response to this excess in typical spending, upland cotton's share of the commodity program was slashed by the 2014 farm bill to bring its spending back into line, appeasing the other elements of the farm lobby (Zulauf & Orden, 2016).

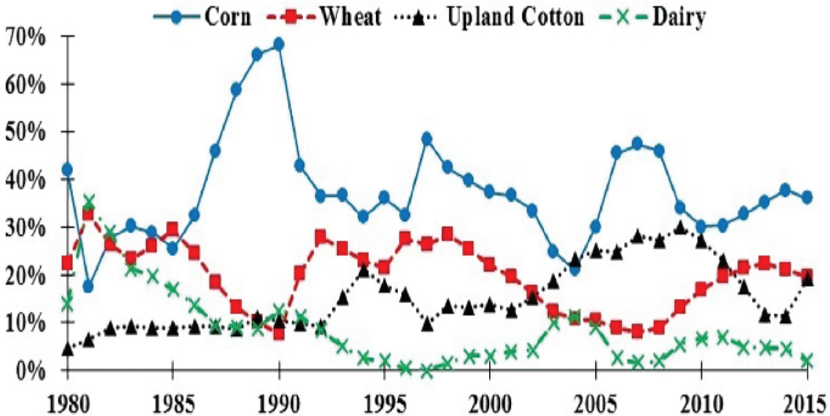

Figure 2. Graph of 3-year share of commodity program spending, 3 commodities with highest shares, U.S. fiscal years 1978-2015 (Zulauf & Orden, 2016).

Assessment of the Commodity Provisions of the 2014 Farm Bill

The standards laid out for the assessment of the ARC and PLC commodity programs in this study correspond with the expressed goals of the revisions to the program as found in the analysis of debate leading up to the program and the problems inquiry under Kingdon's model: the reduction of spending from the direct payments model (Smith, 2013).

In 2015, Daren Bakst of The Heritage Foundation looked at the issue of the objective of the PLC and ARC programs and found them both to be failures (Bakst, 2015). He attributed this failure to an assumption during the debates that prices would stay at the record highs they had reached during the debate, an assumption he had warned against at the time (Bakst, 2013; Bakst, 2015). Bakst (2015) reported that the CBO's cost projections for the bill before it was passed were $3.8 billion in the first year and a $3.6 billion five-year annual average. Updated CBO estimates in January 2015 reported first year cost projection at $4.4 billion and five-year annual average at $5.3 billion, a difference of $600 million and $1.7 billion respectively (Congressional Budget Office, 2015). To contrast these numbers, Bakst (2015) offered the projected annual cost of continuing the direct payments program, $4.5 billion annually. As demonstrated in Figure 1, the direct payments program was fairly stable, with payments in the $4-6 billion per year range, and there seems little reason to believe that costs would deviate.

In 2016, Vincent H. Smith (2016) of the American Enterprise Institute found similar trends in the CBO's 2016 baseline report when contrasted with the 2014 CBO cost projections. He found that on average the ARC and PLC increased farm-subsidy spending by 30%, or about $1.5 billion a year (Smith, 2016). His findings are presented in Figure 3.

Bakst's (2015) and Smith's (2016) analyses of the 2014 farm bill's ARC and PLC programs do not paint a rosy picture of the bill's commodity program success. However, this study will take a final look at the data presented in the most recent CBO reports before issuing a final verdict.

The data does not deviate significantly from Smith and Bakst's findings. The 2014 CBO estimates are radically below the estimates given by the CBO in 2018 (Figure 4). The average difference between the two over the four years this study contributed to the aggregate data is a whopping $3.82 billion per year. Relative to the cost of the direct payments program at $4.5 billion per year, the 2017-2020 ARC/PLC spending is projected to be on average $2.02 billion more expensive (Congressional Budget Office, 2018; Smith, 2015).

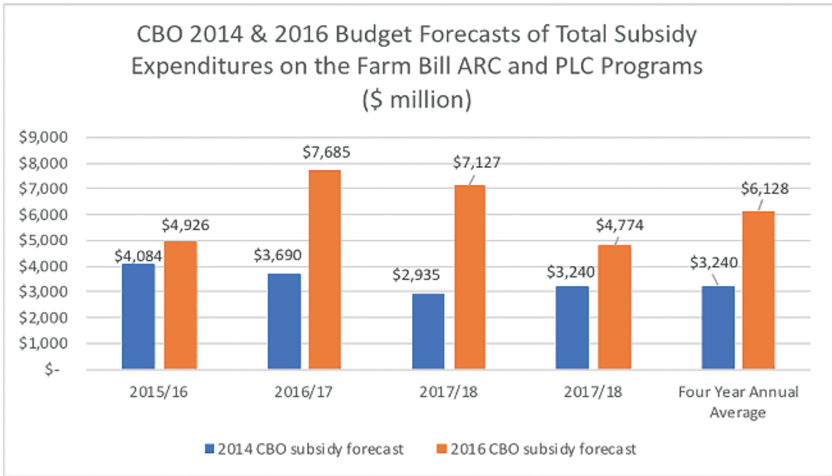

Figure 3. Bar graph of CBO 2014 & 2016 Budget Forecasts of Total Subsidy Expenditures on the Farm Bill ARC and PLC Programs (Smith, 2016).

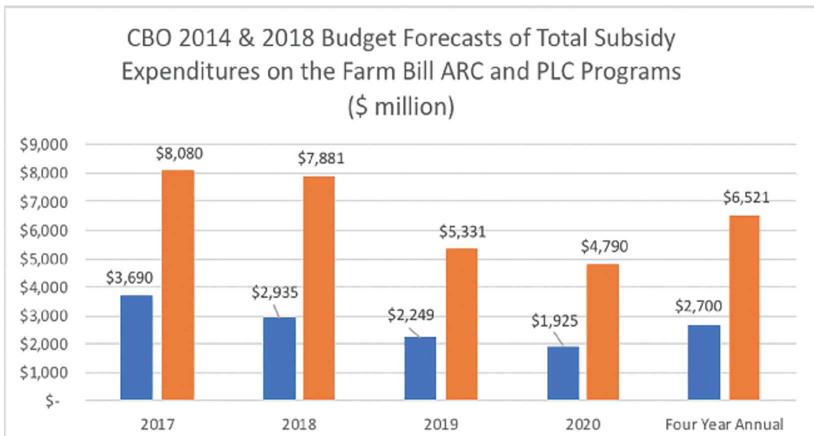

Figure 4. Bar graph comparison of the CBO 2014 & 2018 Budget Forecasts of Total Subsidy Expenditures on the Farm Bill ARC and PLC Programs (Congressional Budget Office, 2014; Congressional Budget Office, 2018).

Conclusion

This study finds that Kingdon's "three streams" model of policy analysis best describes the circumstances leading up to the enactment of the 2014 farm bill. His

model pinpoints the budget as the primary concern of the commodities title of the bill, describing the "softening up period" the ARC and PLC programs had to go through beginning earlier in the House Agriculture committee in 2002, and looks at the importance of the political process in reconciling rural and non-rural interests through the House and Senate versions of the bill. The incremental model was the second most effective and described the way in which subsidy models have gradually shifted from one farm bill to the next. Finally, the group theory model seems to be the weakest, since it only describes a more minor element of the farm bill process, rather than the item most actors and commentators focused on as the impetus for the legislation.

Given the understanding derived from the models section of this study (that the ARC and PLC programs are attempted cost-saving measures), the results of the inquires by Bakst (2015), Smith (2016), and this study all conclude that the ARC and PLC programs were failures. In accordance with Bakst, this study recommends that when considering the 2018 redrafting of the farm bill, Congress consider capping actual expenditures at 110% of the CBO estimates provided before the bill was passed, in order to avoid unexpected cost increases generated by a fluctuating market (Bakst, 2015). Otherwise, if budget reduction is still the goal, the Senate and House Agriculture Committees ought to go back to the drawing board and develop a new subsidy plan.

Reference List

Bakst, D. (2013). Proposed new farm programs: Costly and risky for taxpayers. *Heritage Foundation*. Retrieved from http://www.heritage.org/research/reports/2013/06/proposed-new-farm-programs-costly-and-risky-for-taxpayers

Bakst, D. (2015). Capping the costs of the two major new commodity programs. *Heritage Foundation*. Retrieved from https://www.heritage.org/agriculture/report/capping-the-costs-the-two-major-new-commodity-programs

Bosso, C. (2017). *Framing the farm bill: Interests, ideology, and Agricultural Act of 2014*. Lawrence, KS: University Press of Kansas.

Cain, D. (2013, October 10). *Lawmakers increase push to end to direct payments. AgriPulse*. Retrieved from https://www.agri-pulse.com/articles/3307-lawmakers-increase-push-to-end-to-direct-payment

Chite, R. M. (2014). The 2014 farm bill (P.L. 113-79): *Summary and side-by-sid*e (CRS Report No. R43076). Congressional Research Service. Retrieved from http://nationalaglawcenter.org/wp-content/uploads/assets/crs/R43076.pdf

Congressional Budget Office. (2014). *CBO's April 2014 baseline for farm programs* [Data set]. Retrieved from https://www.cbo.gov/sites/default/files/recurringdata/51317-2014-04-usda.pdf

Congressional Budget Office. (2015). *CBO's January 2015 baseline for farm programs* [Data set]. Retrieved from https://www.cbo.gov/sites/default/files/recurringdata/51317-2015-01-usda.pdf

Congressional Budget Office. (2018). *CBO's April 2018 baseline for farm programs* [Data set]. Retrieved from https://www.cbo.gov/sites/default/files/recurringdata/51317-2018-04-usda.pdf

Dewey, C. (2017, November 23). A growing number of young Americans are leaving desk jobs to far. *Washington Post*. Retrieved from https://www.washingtonpost.com/business/economy/a-growing-number-of-young-americans-are-leaving-desk-jobs-to-farm/2017/11/23/e3c018ae-c64e-11e7-afe9-4f60b5a6c4a0_story.html?utm_term=.b7cc943c2935

Dimitri, C., Effland, A., & Conklin, N. (2005). *The 20th century transformation of U.S. agriculture and farm policy*. United States Department of Agriculture/ Economic Research Service. Retrieved from https://www.ers.usda.gov/webdocs/publications/44197/13566_eib3_1_.pdf?v=41055

Dye, T. R. (2017). *Understanding public policy* (15th ed.). Boston, MA: Pearson Education, Inc.

Effland, A. B. W. (2000). *U.S. farm policy: The first 200 years*. United States Department of Agriculture/Economic Research Service. Retrieved from https://wayback.archive-it.org/5923/20110915024912/http://ers.usda.gov/publications/agoutlook/mar2000/ao269g.pdf

Effland, A. B. W., & Young, E. (2001). *U.S. farm policy for the 21st century: A diversity of visions for the future*. United States Department of Agriculture/ Economic Research Service. Retrieved from https://wayback.archive-it.org/5923/20111129025001/http://ers.usda.gov/publications/AgOutlook/may2001/AO281b.pdf

Green, E. (2013, November 13). How to pass the farm bill: Make it about anything but farm subsidies. *The Atlantic*. Retrieved from https://www.theatlantic.com/politics/archive/2013/11/how-to-pass-the-farm-bill-make-it-about-anything-but-farm-subsidies/281438/

Keeney, R. (2013). The end of the direct payment era in U.S. farm policy. *APEX*. Retrieved from https://www.extension.purdue.edu/extmedia/ec/ec-774-w.pdf

Kingdon, J. W. (2011). *Agendas, alternatives, and public policies* (2nd ed.). Glenview, IL: Pearson Education, Inc.

Orden, D. & Zulauf, C. (2015). Political economy of the 2014 farm bill. *American Journal of Agricultural Economics, 97*(5), 1298-1311. https://doi.org/10.1093/ajae/aav028

Russell, L. A. (2018). Ideology, electoral incentives, PAC contributions, and the Agricultural Act of 2014. *Mercatus Center*. Retrieved from https://www.mercatus.org/system/files/russell-agricultural-act-2014-mercatus-working-paper-v1.pdf

Smith, V. H. (2013, September 25). The House and Senate farm bills don't make the grade. *The Hill*. Retrieved from http://thehill.com/blogs/congress-blog/economy-a-budget/324275-the-house-and-senate-farm-bills-dont-make-the-grade

Smith, V. H. (2016). A midterm review of the 2014 farm bill. *American Enterprise Institute*. Retrieved from http://www.aei.org/wp-content/uploads/2016/02/Midterm-Review.format.pdf

Stabenow, D. (2013). GOP bill takes food from hungry children and struggling families. *The Hill*. Retrieved from http://thehill.com/opinion/op-ed/323217-gop-bill-takes-food-from-hungry-children-and-struggling-families#ixzz2fQSs6wIR

Tomson, B. (2013, October 16). Farm Bureau: Don't kill old bills. *Politico*. Retrieved from https://www.politico.com/story/2013/10/farm-bureau-dont-kill-old-farm-bills-while-passing-new-one-098370

Tomson, B., & Parti, T. (2014, January 28). Plenty of farm bill winners, losers. *Politico*. Retrieved from https://www.politico.com/story/2014/01/farm-bill-review-102726

Tomson, B. (2014, February 7). Farm bill signed; USDA on the clock. *Politico*. Retrieved from https://www.politico.com/story/2014/02/farm-bill-usda-103270

United States Department of Agriculture/Economic Research Service. (1996). 1996 FAIR Act frames farm policy for 7 years. *Agricultural Outlook Supplement*. Retrieved from https://www.ers.usda.gov/webdocs/publications/42096/32943_aosupp_002.pdf?v=0

United States Department of Agriculture/Economic Research Service. (2002). *The 2002 farm bill: Provisions and economic implications*. Retrieved from https://www.ers.usda.gov/webdocs/publications/42660/13766_ap022_2_.pdf?v=41879

United States Department of Agriculture/Economic Research Service. (2008). *2008 farm bill side-by-side.* Retrieved from https://wayback.archive-it.org/5923/20111128231159/http://ers.usda.gov/FarmBill/2008/Titles/TitleIcommodities.htm#direct

United States Department of Agriculture/Economic Research Service. (2018). *Agriculture Act of 2014: Highlights and implications*. Retrieved from https://www.ers.usda.gov/agricultural-act-of-2014-highlights-and-implications/

United States Department of Agriculture/Farm Service Agency. (2017). *2014 farm bill fact sheet: ARC and PRC enrollment.* Retrieved from https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2017/arcplc_enrollment_aug2017.pdf

Young, E. & Shields, D. A. (1996). *1996 FAIR act frames farm policy for 7 years.* United States Department of Agriculture/Economic Research Service. Retrieved from https://www.ers.usda.gov/webdocs/publications/42096/32943_aosupp_002.pdf?v=0

Zulauf, C. & Orden, D. (2014). The US Agricultural Act of 2014: Overview and analysis. I*nternational Food Policy Research Institute.* Retrieved from http://www.gii.ncr.vt.edu/docs/US%20Ag%20Act2014.pdf

Zulauf, C. & Orden, D. (2016). 80 Years of farm bills—Evolutionary reform. *Choices Magazine.* Retrieved from http://www.choicesmagazine.org/choices-magazine/theme-articles/looking-ahead-to-the-next-farm-bill/80-years-of-farm-billsevolutionary-reform