

Agriculture

Consequences of the Long Run Farm Problem

1. Farm population declined from 15% of the U.S. population to 2%.
2. Small farms were consolidated into larger farms.
3. Huge corporations called agribusiness developed in beef and poultry processing.
4. Out-migration from agriculture has caused net income per farm household to be similar to non-farm household income.

Freedom to Farm Act (1996)

1. Ended price supports and acreage restrictions for grain and cotton.
2. Farmers can plant the crops that they want in the quantities they want.
3. Phase out of payments to farmers ending in 2002. Payments are not tied to production.
4. Market determined prices.

Expected Results of Freedom to Farm

1. Increased U.S. agricultural production.
2. Greater variability of farm income.
3. Farmers may try to reduce risk by diversifying crops and selling crop for a set price before harvest.
4. Consolidation into larger farms.
5. Declines in farm prices and incomes.
6. Declines in federal government employees administering agriculture programs