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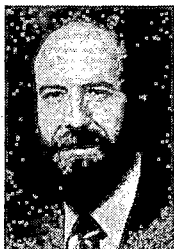


Economics Newsletter

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A New Policy Setting
for American Agriculture

by Philip Favero
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When next you drive across the farm and ranch lands of South Dakota, stop at coffee-time in any county seat where you are not known. Find the most popular local restaurant, order a cup of coffee, and observe the scene. You might see something like this. At the table next to you are some well-dressed young men discussing a variety of current issues, e.g., high interest rates, the rising price of farmland, a publication indicating that American diets would improve if we were to eat less fatty meat. Next to them is seated a group of young women. The women are discussing the forecast for snow. Bad driving conditions, they say, could affect their commuting to work tomorrow. Behind you, a customer teases a waitress, implying that he will take her on his airplane next year when he goes to the Super Bowl.

Who are these people, you wonder? Could the fellow complaining about escalating land prices be a young lawyer or a doctor interested in making a land purchase? It's possible, you think. Where do the women live? Must they commute over city streets, county roads, or township roads? It's quite likely, you realize, that some of them use all three types of roads. And the pilot: is he a farmer or a town businessman? It's difficult to know.

A scene much like this is played out in the Miller's, Woonsocket's, and Philip's of South Dakota every workday of the week. You begin to realize the importance of the scene when you think back to what you would have observed 20 and even 10 years ago. Your present difficulty in distinguishing farmer

from non-farmer reflects the increasing loss of agriculture's uniqueness. Farmers and ranchers in South Dakota as elsewhere are now looking and behaving more like everyone else. Farm and non-farm incomes are now about equal. Farmers and members of their families make frequent trips to town--to purchase provisions and to work. Some even have airplanes of their own. Conversely, many people employed in towns and cities are looking more like country-folk--as they seek out-of-town acreages on which to live, journey to the country for fruits and vegetables, and cultivate their own home gardens.

As agriculture loses its uniqueness, farmers and ranchers lose their traditional independent and individualized existence. Indeed, farmers now are as subject to outside forces as non-farmers. Who in the economy, for example, is unaffected by high interest rates, inflation, and changed tax policies? As farm exports continue to go up, farmers become increasingly involved with the international economy, and hence have a stake in such issues as East-West relations and the economic development of low-income countries.

Why has agriculture lost much of its uniqueness? In large part, the transition reflects the successful design of public programs by agricultural interests themselves. The Land Grant System, with agricultural research, Cooperative Extension, and a liberal education for farm youngsters has provided technological innovations and encouraged their adoption. Price support programs, foreign and domestic market promotion, investments in transportation infrastructure, and international food assistance programs have caused agriculture to become both more productive and more intertwined with the rest of the economy.

South Dakota is known as the "most agricultural state" because more of its people live on farms and ranches than in any other state. But the latest

census figures reveal a continued major decline in the populations of South Dakota's agricultural counties. Moreover, the portion of annual income in South Dakota going to agricultural proprietors has declined from about 30% in the early 1960s to about 20% in the late 1970s. These changes imply that agriculture is losing its political power-base.

New participants in the agricultural policy process have also emerged. Heightened concern with food quality and the environment have prompted non-traditional groups to become involved in food and farm policy. The popular bumper sticker "If You Eat, You're Involved in Agriculture" symbolizes the breadth and diversity of groups that now affect U.S. agricultural and food policies.

Because agriculture was traditionally a relatively large and unique sector of the economy, farmers received special treatment through price supports, the Land Grant System, agricultural service agencies, and unique social security, minimum wage, and military draft provisions. But the decline of agriculture's relative importance and uniqueness results in a new environment for policy-decisions, one in which agriculture can no longer expect to receive the same special treatment that it has in the past.

How can farmers, ranchers, and their interest groups cope with these changes in the policy environment? Anyone may venture an answer, of course,

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but the following strategies seem important to this observer:

1. Recognize that no longer do the interests of farmers and ranchers primarily determine the agricultural and food policy agenda. Other powerful and legitimate interests are now also heavily involved.

2. Seek to recognize and emphasize common interests with these new public-policy participants. Adequate farm and ranch income, the elimination of hunger and malnutrition, a safe natural environment, and viable rural and urban communities are broadly accepted policy goals.

3. Support public investments in primary, secondary, and higher education so that our children will prosper in the more complex and interdependent society of the future. Recognize the increasing importance of a strong liberal education, emphasizing the social and natural sciences, humanities, and the arts.

4. Encourage and support the transition of agricultural institutions such as agricultural research stations and the Cooperative Extension Service. These agencies are seeking to adapt to the loss of agriculture's uniqueness by providing services to non-farm clientele and to farmers and ranchers who are both more sophisticated yet more subject to outside forces.

The loss of agriculture's uniqueness creates both challenges and opportunities for South Dakota's farmers and ranchers.

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