The debate in Congress over the provisions of the Food Security Act of 1985 (P.L. 99-198) may seem remote at this point—three years have passed. Furthermore, the political and legislative processes that led to passage of the bill are mysterious to most citizens. This article describes those processes and the economic conditions that drove them, and offers some insights into the likely policies of the 1990s that might result from continuation of current trends.

This topic is timely because a review of what has worked and what has not is the first necessary step to achieving a sensible policy for the future. Moreover, the Food Security Act of 1985 is not perfect and has not solved all the problems faced by American agriculture—but it has assisted in economic improvement for many segments of agriculture, including the dairy industry.

GETTING READY FOR 1985

The 1985 Act ranks as one of the most “prepared for” measures presented to Congress in recent memory. Part of the frenzy of preparation was driven by the uncertainty that faced agricultural industries—producers, processors, and suppliers alike. This uncertainty was fueled by mounting surplus that escalated agricultural program costs, trade considerations, and, almost perversely, productivity increases that set in motion a vicious treadmill for farmers.

For the dairy industry, the uncertainty centered on the possible measures that might have been adopted to slow the rate of output. More specifically, milk production was increasing at an unprecedented rate and showed no signs of decreasing through a reversal of market driven economic signals. That increase in production was translated directly into an increase in Commodity Credit Corporation purchases (12). The dairy market conditions have much improved today—in part, because of the provisions of the act that quickly realigned supply and demand. However, in 1985, milk producers and processors could only speculate about Congressional action that might result from continuation of the purchase program.

The high level of production would not have been a problem if government outlays were not, or if consumer demand had kept pace with the volume supplied. But high farm program costs are unacceptable to many members of Congress, and political pressures from the dairy and tobacco constituencies. Continued high program costs were one of the act’s major failings. In fiscal year 1987, combined costs totaled more than $22 billion, exceeding the best estimates of both the administration and Congress (23). While the program costs may decline in coming years, the decline will not be enough to compensate for the very high initial costs that led to the first years under the bill, and may be insufficient to attract attention from federal budget cutters.

The market was not absorbing increases in milk production, because consumer demand for dairy products was stagnant for a number of years. It was too early for advertising and promotion activities of the newly formed National Dairy Promotion Board to surmount consumption that later took place when the national economy had been sluggish in much of the early 1980s, retarding consumer spending in general, and, in particular, spending for income-sensitive products (such as some dairy products). This link between agricultural markets and national economic conditions is recognized by the dairy industry in 1983, and in the Dairy and Tobacco Program Adjourned in 1983.

Productivity increases have been a two-edged sword for the dairy industry. Increased efficiency and decreasing production costs and given a competitive advantage to the most productive producers. The industry generally has the ability to compete with nondairy producers. Advances in productivity, both in production and in processing, have the potential to increase economic improvement for many segments of agriculture, including the dairy industry.