

# Ag Outlook Forum –The Future of Agriculture – Beyond 2000

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# **Let's Look At The Following Questions:**

- Why Doesn't Agriculture Self-Correct?**
- Inventories Not as Large as 1980s; So Why Are Prices So Low?**
- How Has Our 'Export-At-All-Cost' Approach Since 1985 Worked Out?**
- What Are Possible Components of a New Policy**

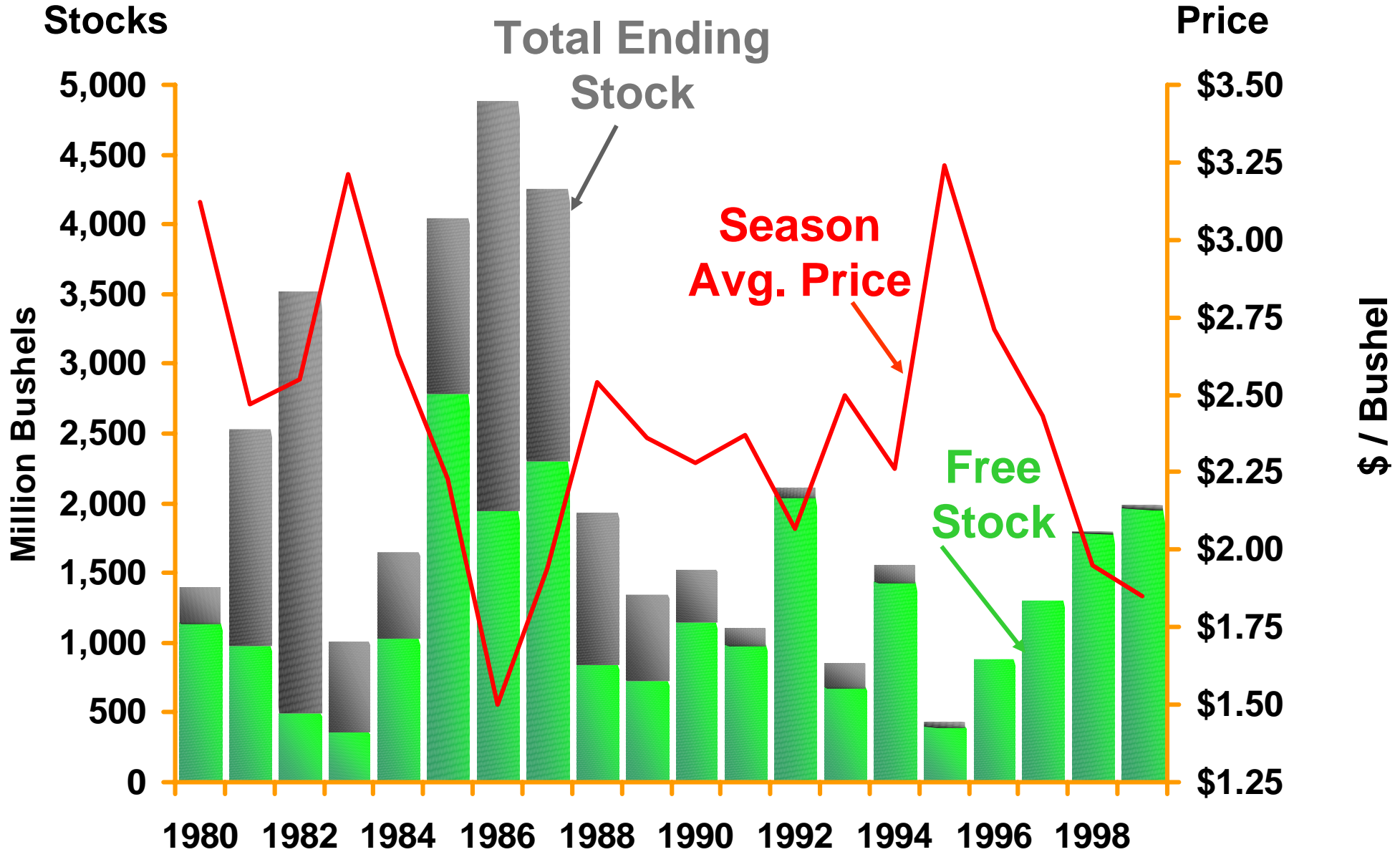
# Grain Markets Do Not Self-Correct Like In Other Sectors

- **John Deere Can Gauge Supply; Farmers Can't**
  - Farmers Have Every Incentive To Produce Full Out
  - If a Farmer Goes Bankrupt, the Land Stays in Agriculture
- **For Food Demand, Price and Income Changes Matter Little – Not true for non-ag**
  - Here Again Little Help in Reducing Stocks in Ag

# It Takes Less Stock to Trounce Prices

- **We are not in Kansas Anymore, Toto.**
- **With the Marketing Loan, There is no Price Floor**
  - **It Takes Much Less Stock to Drive Price Down**
- **With no Gov't/FOR Stocks or ARPs, There is no Moderation of Prices, Period!**

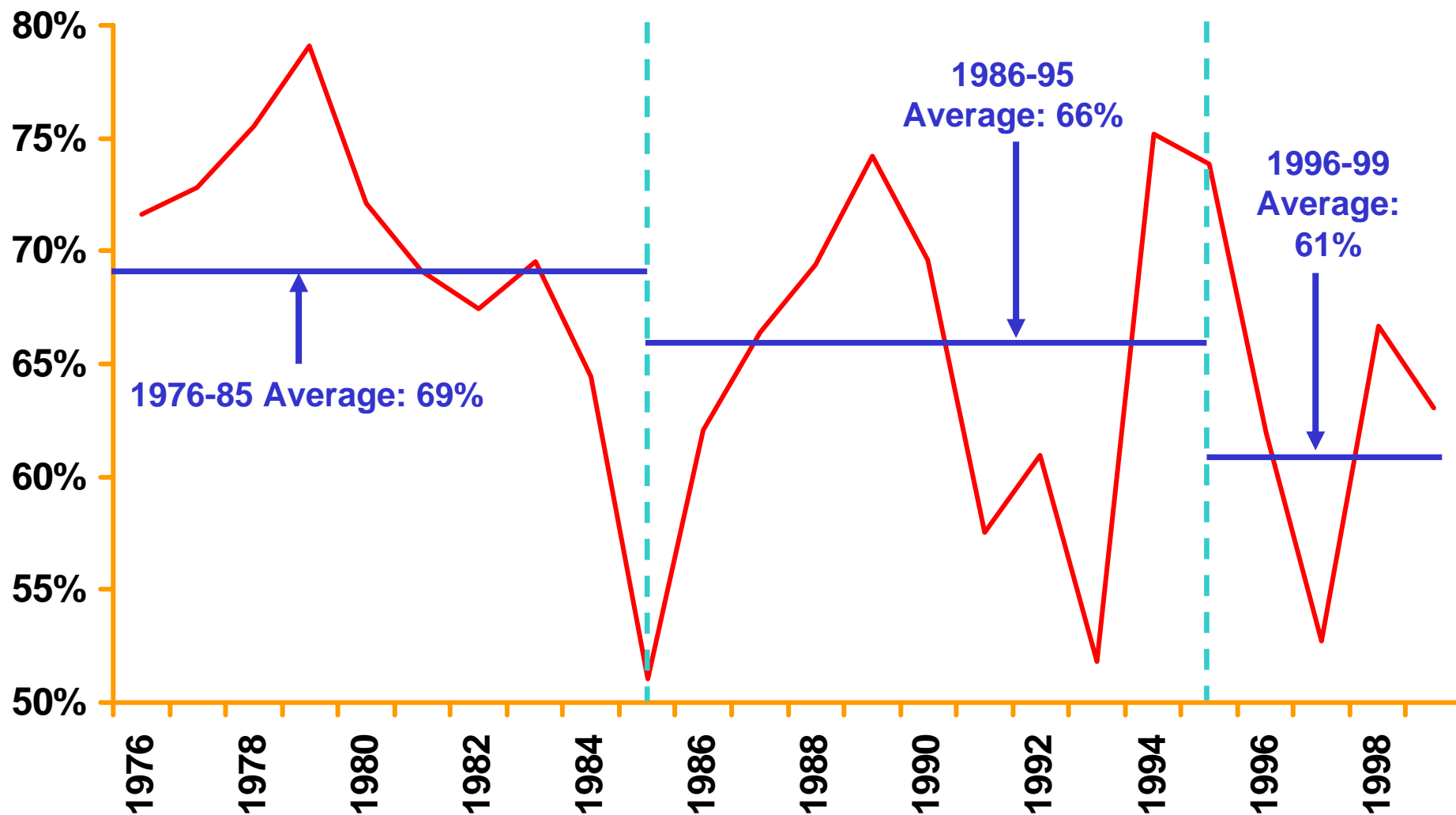
# Stock And Price



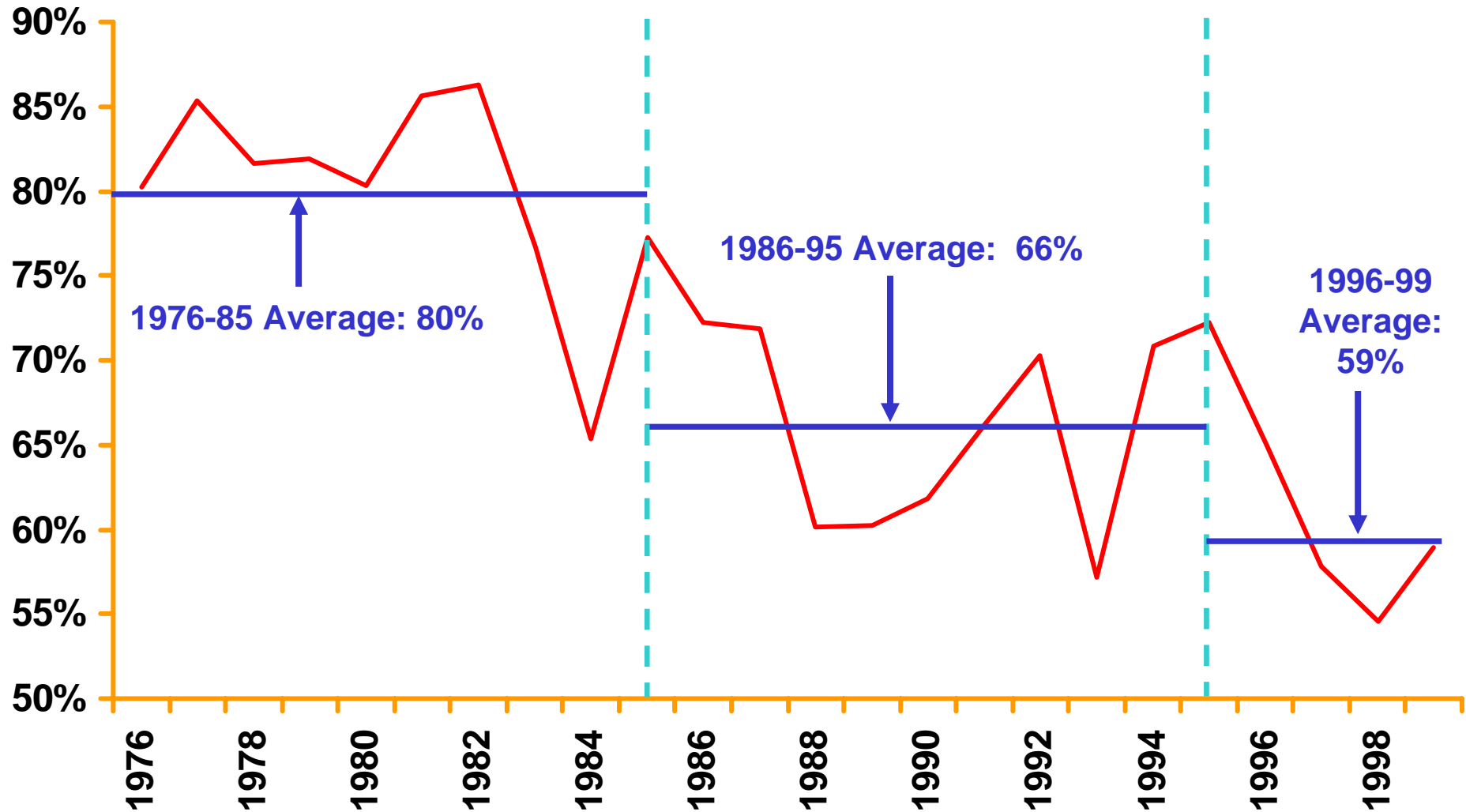
# How Did the 'Export-At-All-Costs' Approach to Policy Work Since 1985?

- **What Data & Experience Show:**
  - **It Ain't Worked No How!**
  - **It's not the a 10 or 50 Cent Increase in the Loan Rate That is the Problem – It's the \$4 to \$5 Price Increase When Supplies Are Tight**
  - **Prices Can Vary Within a Band Without Changing International Agricultural Production Significantly**

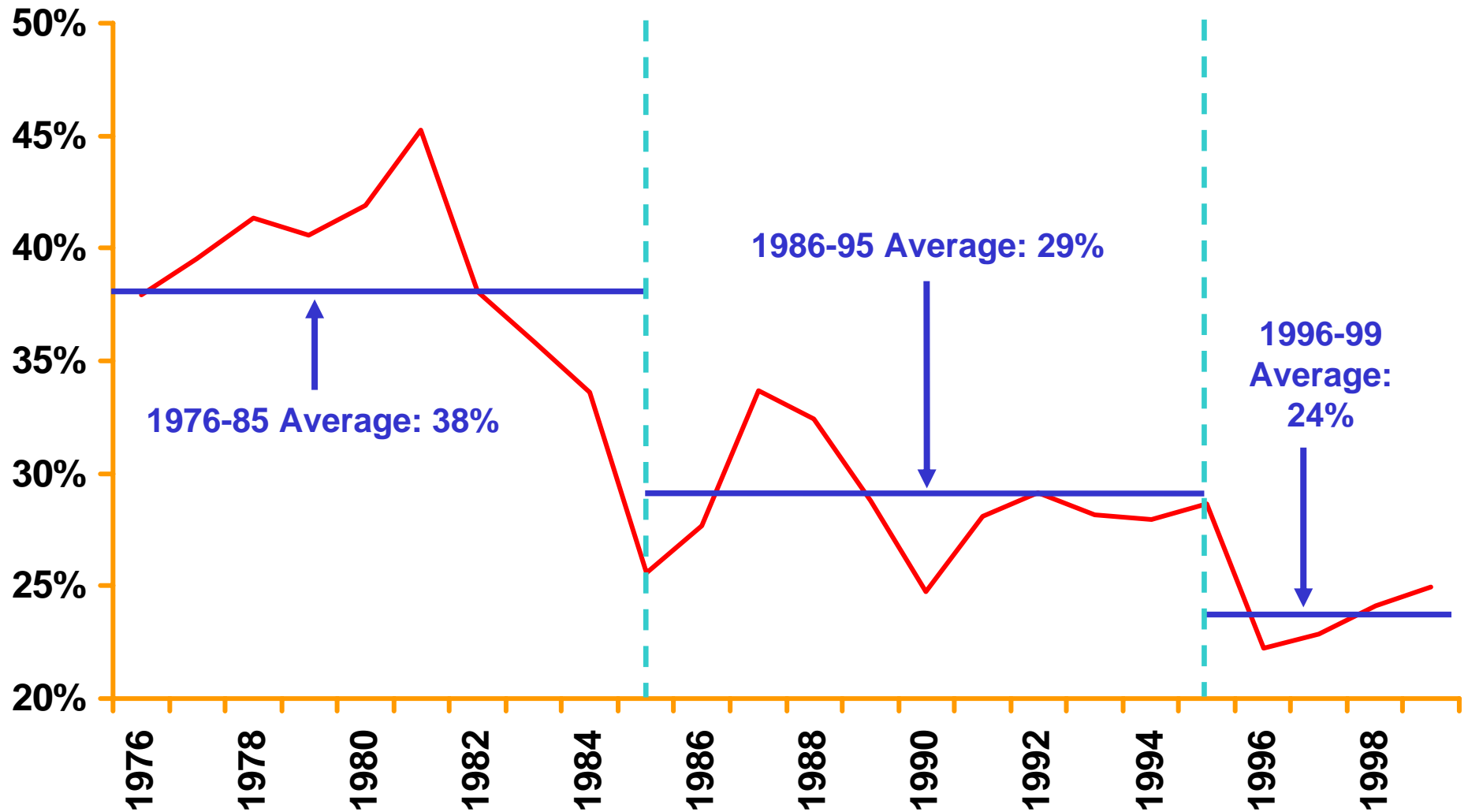
# U.S. Share of World Exports



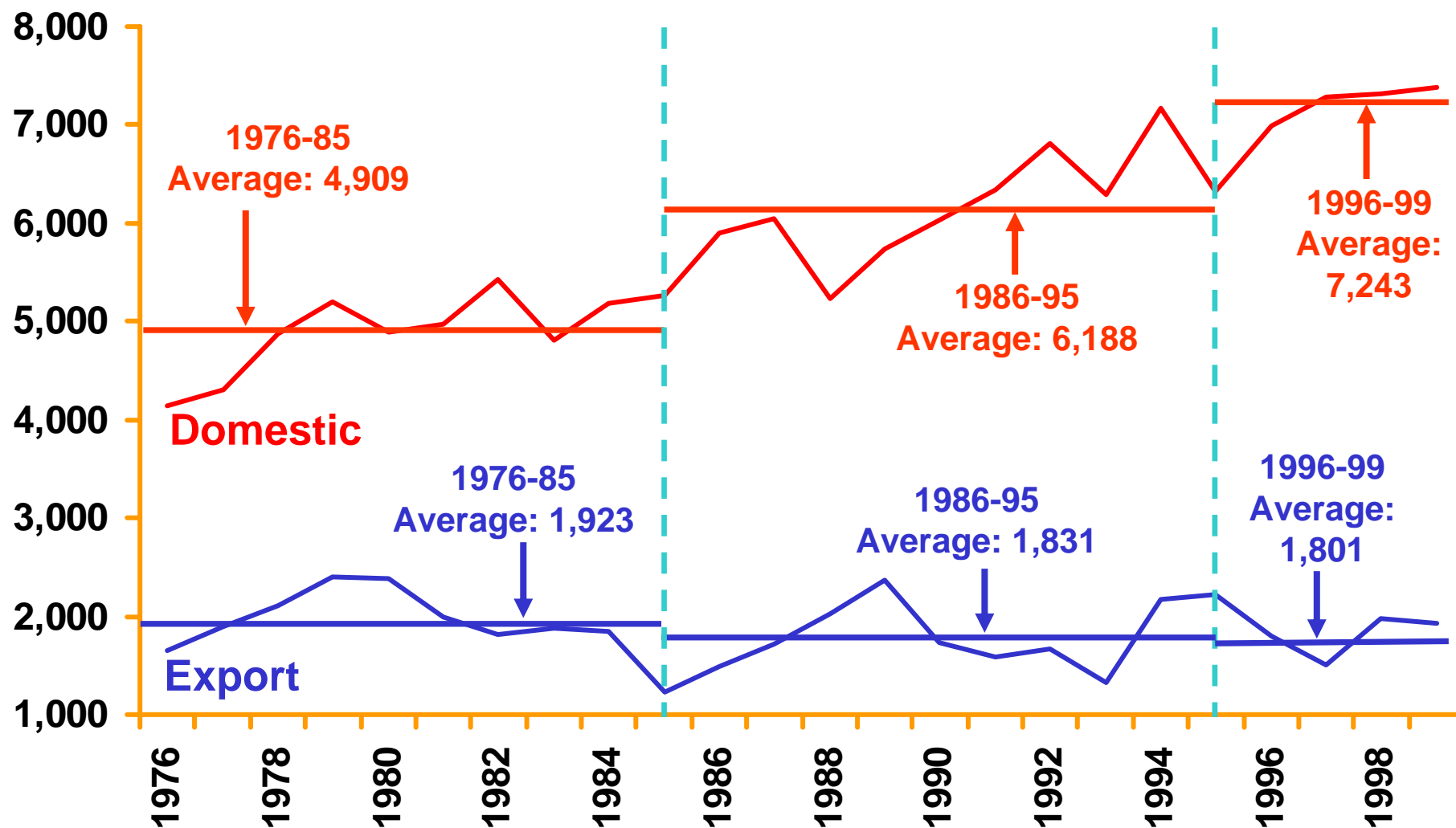
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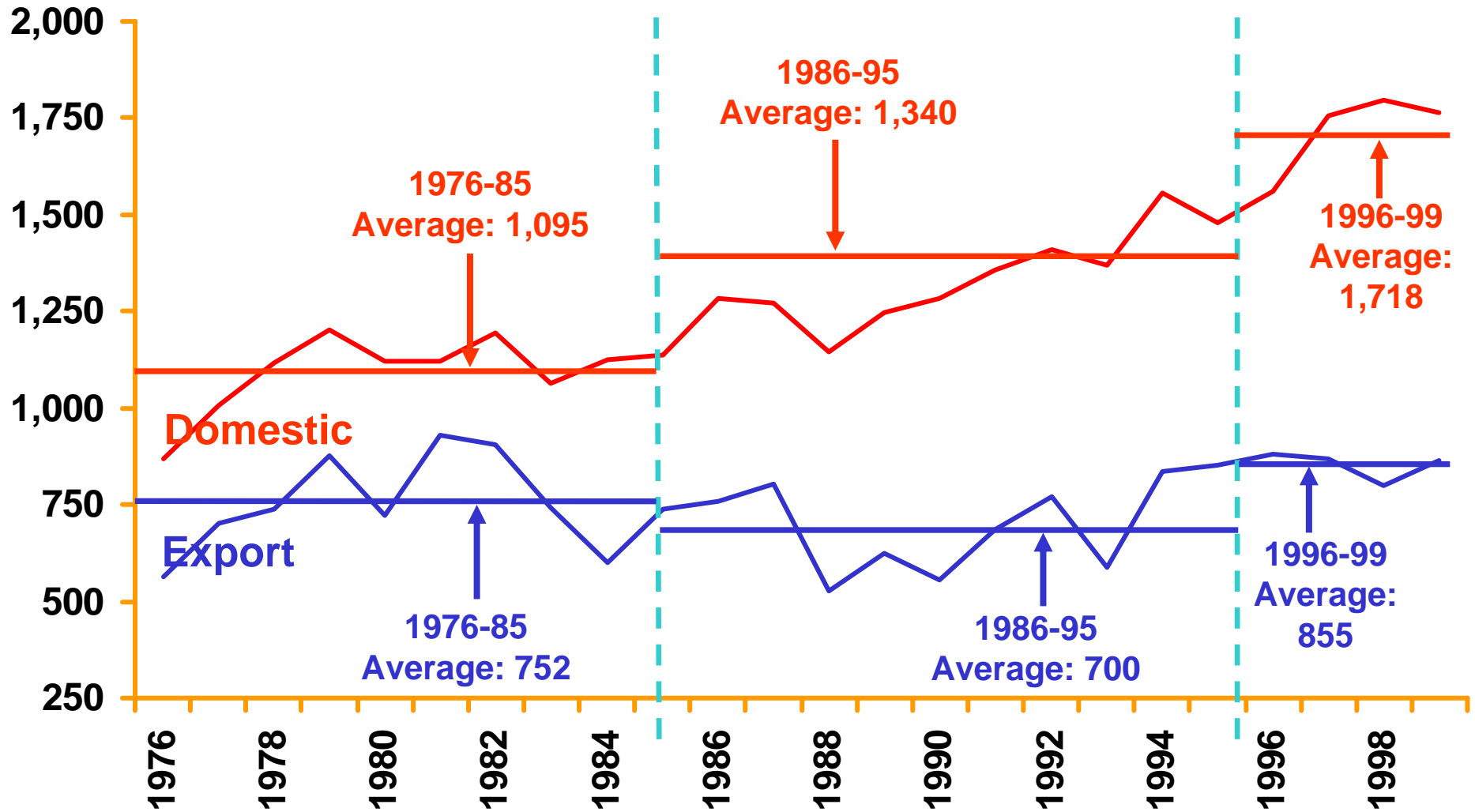
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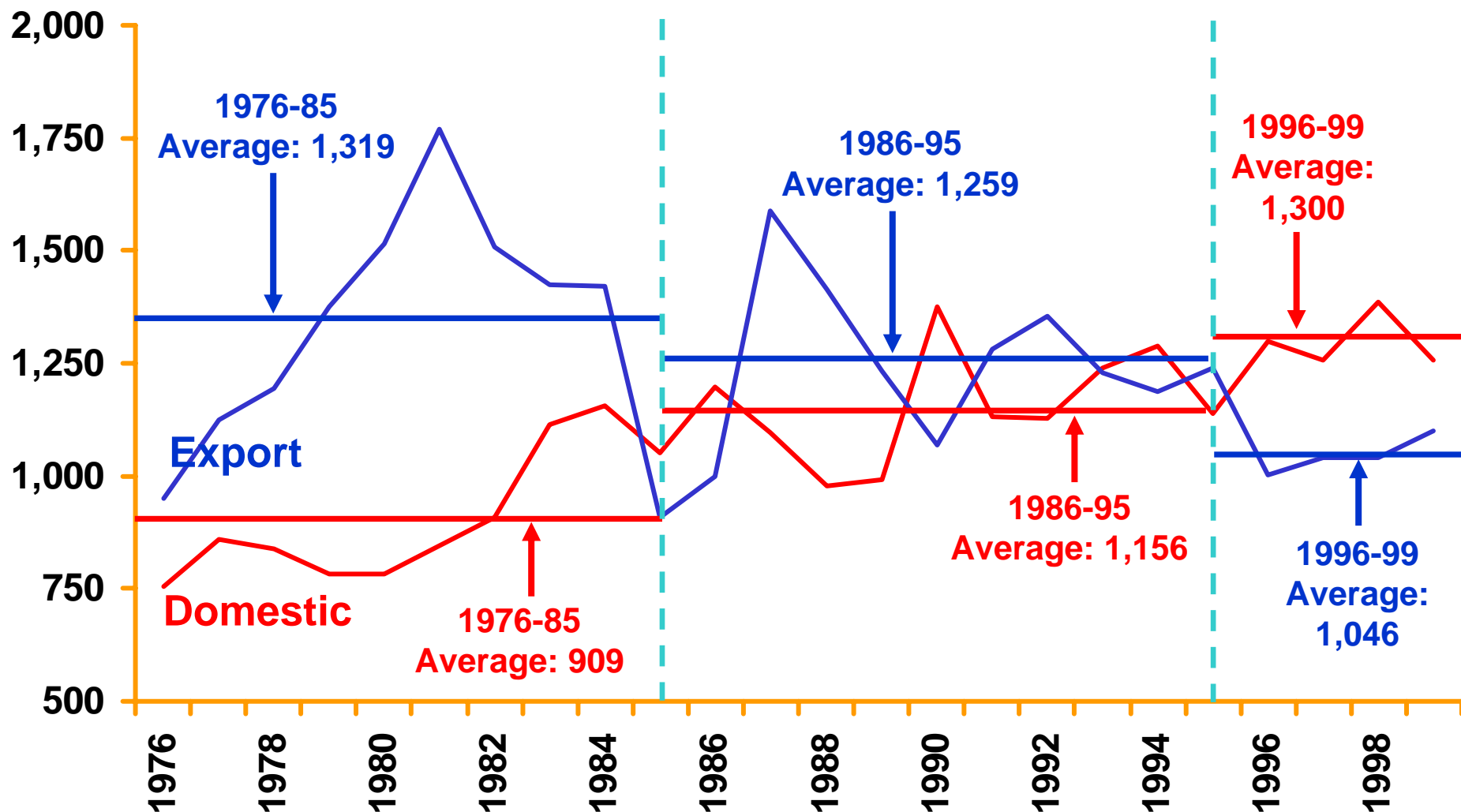
# U.S. Domestic & Export Demand



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# What Have We Learned?

- **During Times of General Oversupplies, the Grain Sector Does Not Self-Correct**
- **It Takes Less Inventory For Prices To Decline Sharply**
- **Privately Held Stocks Have Not Replaced Buffer Stocks' Price Stabilization Role**
- **International Trade Has Not Performed A Price-Stabilizing Role**
- **On Average, Grain And Cotton Exports Have Increased Little Since The 1980s**

# Policy Components

- **FOR/Nonrecourse Loans**
- **Cropland (not crop by crop) Set Aside**
- **Counter Cyclical Income Payments**
- **Replace Crop Insurance With a Disaster Payment Program(?)**