

*An Examination of Potential
Production, Price and Income
Trends Under Current Policies*

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**Symposium on: Food and Agricultural Policies of the United States:
Alternatives and Prospective Directions**

AAEA Summer Meetings

Chicago, Illinois

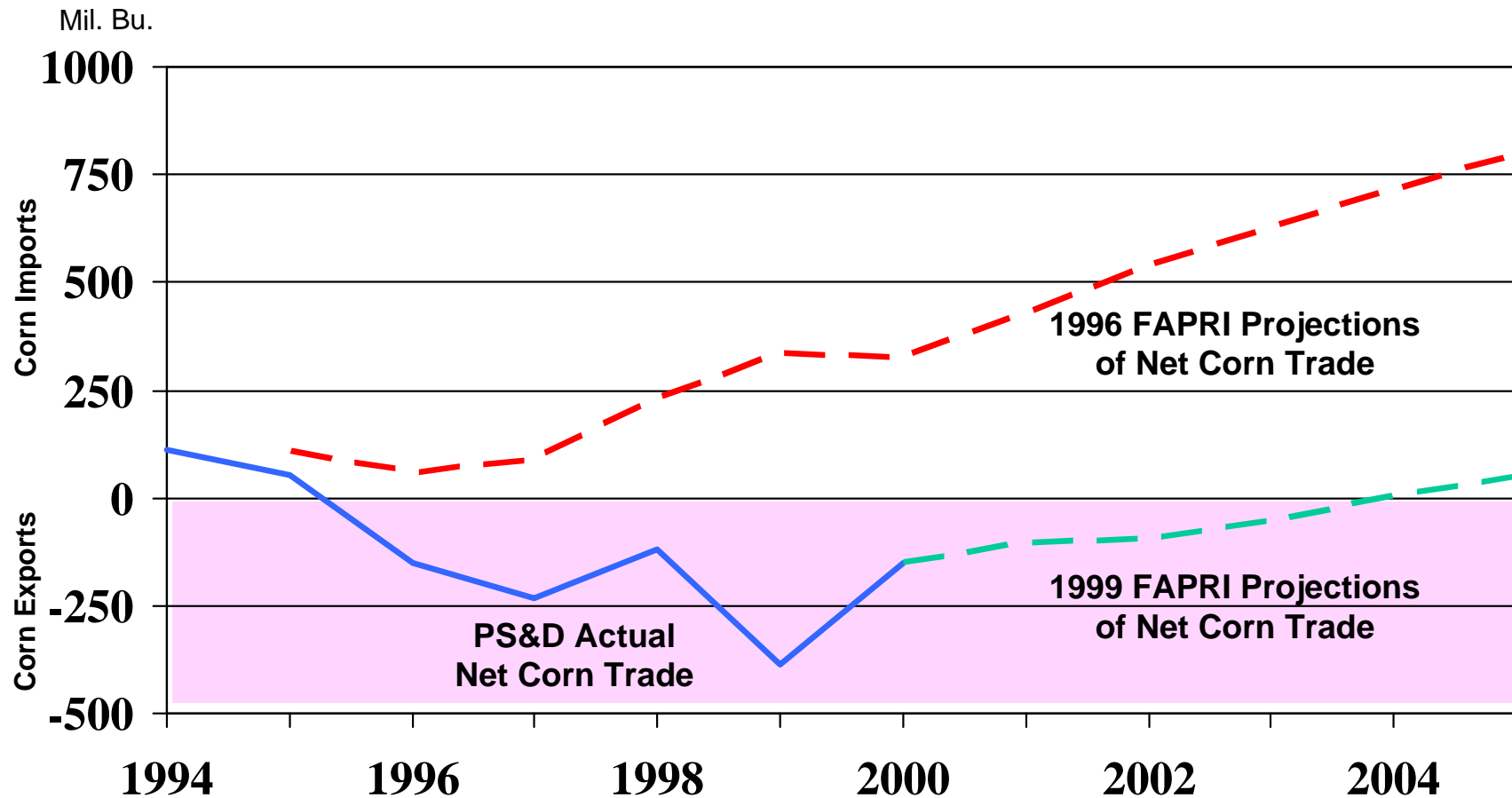
August 7, 2001

Agricultural Policy Analysis Center - Institute of Agriculture
The University of Tennessee

Expectations

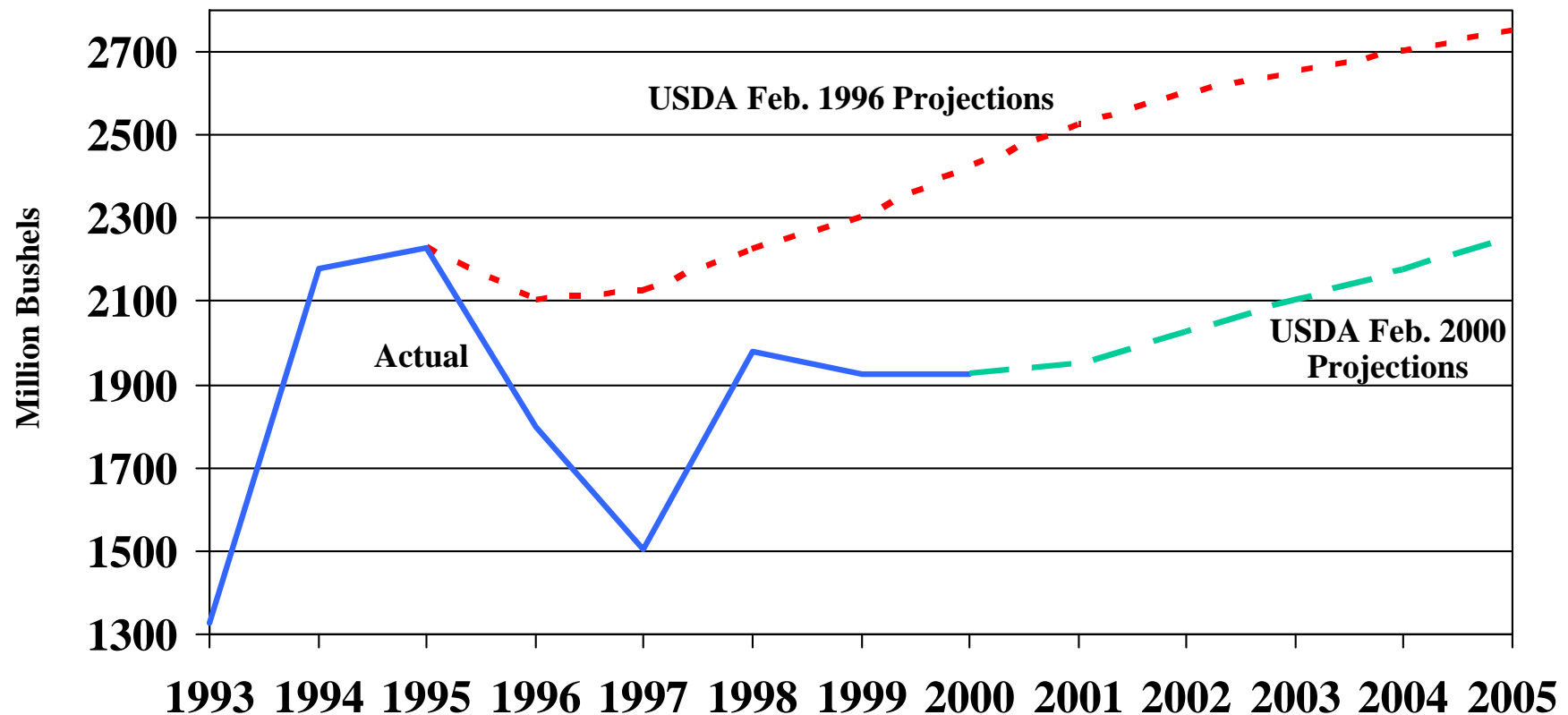
- **“High” Prices and Incomes of 1995/1996**
- **Because:**
 - **Rapid Per Capita Income Growth in China/Asia**
 - **With Planting Flexibility & Decoupled Payments Farmers Would Plant for the Market – Reduce Production When Needed**
 - **With No Brake on Prices, Importers Will Import More From the U.S. When Prices Decline – Increase Consumption & Reduce Production When Needed**
 - **With Marketing Loans, Competitors Would Not Be Under U.S. Price Support Umbrella –Reduce Production When Needed**

Net Corn Trade for China: Actual and Projections, 1994-2005



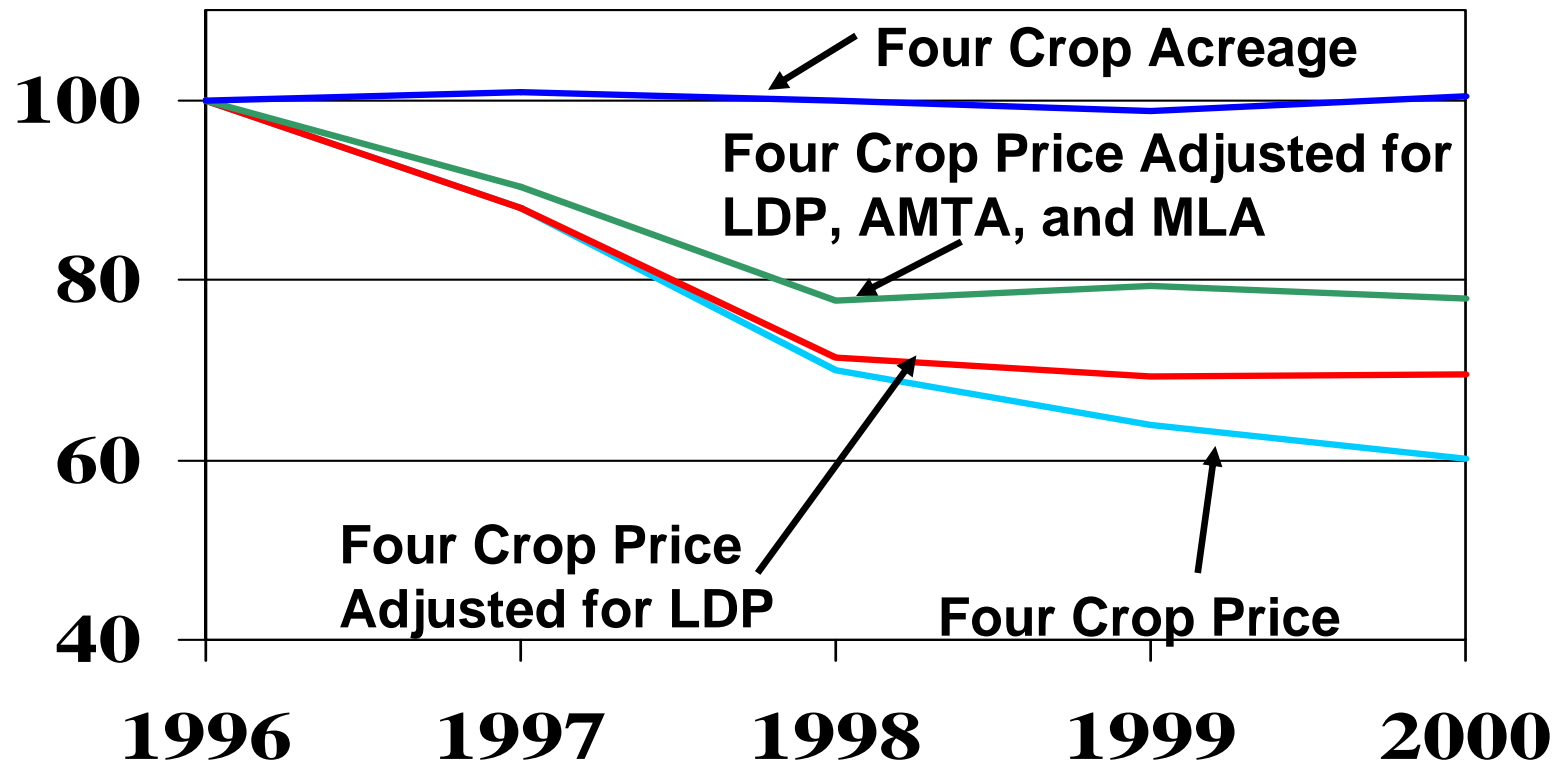
- **Expected Rapid Growth in Exports Not Sustained**

U.S. Corn Exports: Actual and Projections, 1993-2005

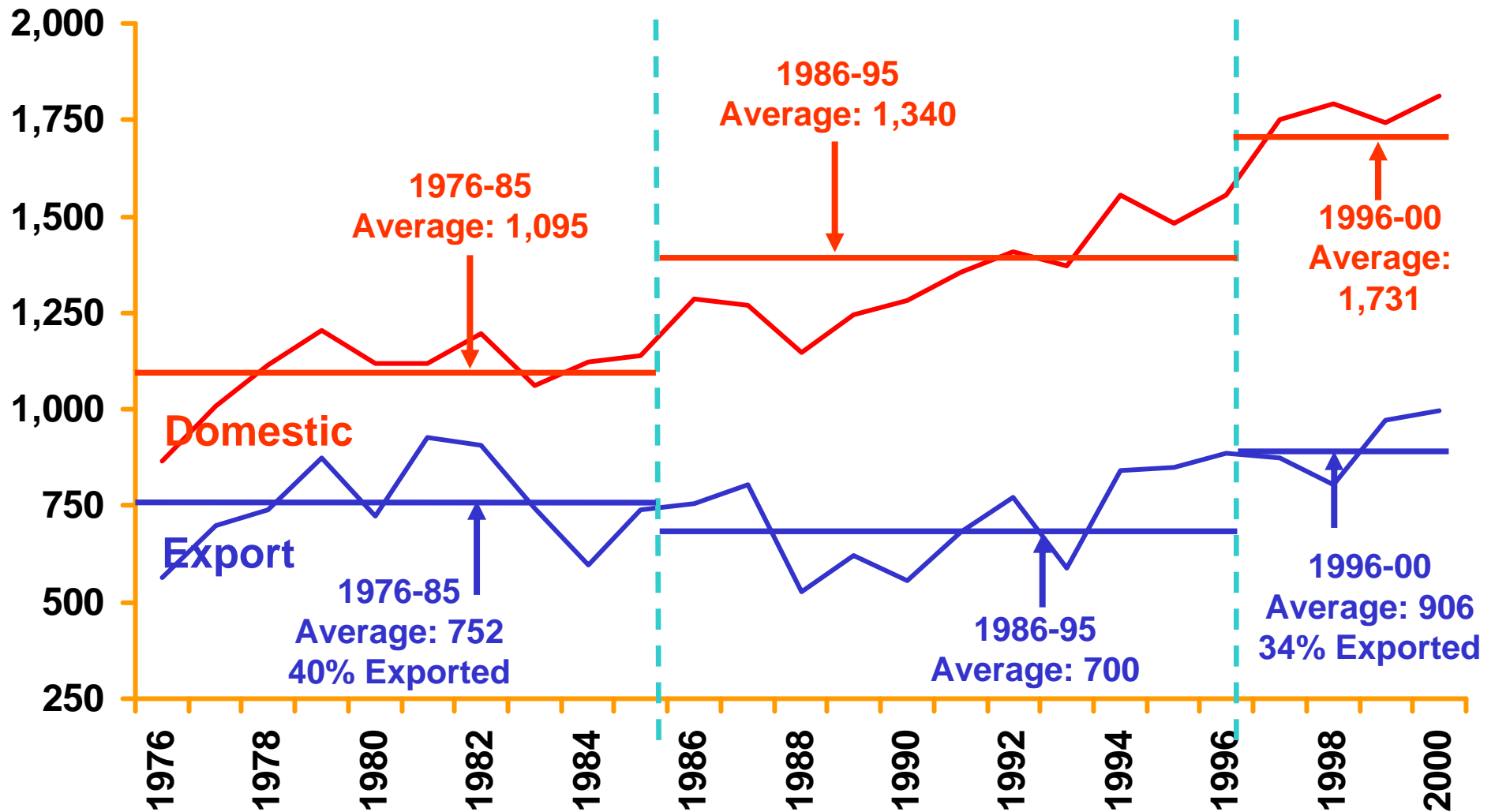


- **Expected Rapid Growth in Exports Not Sustained**

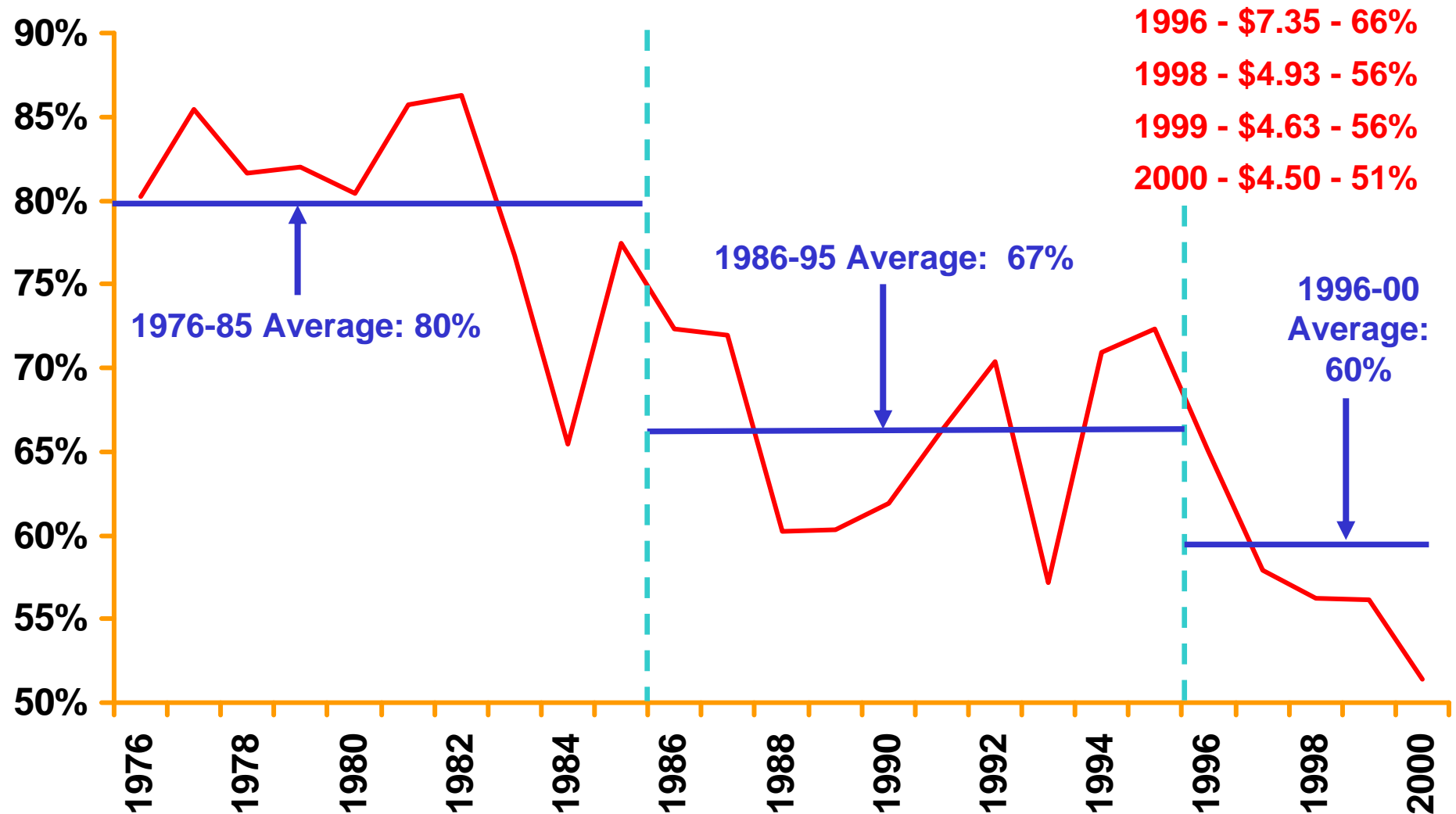
Indexed Four Crop Acreage, Price and Price Adjusted for LDP and Contract Payments



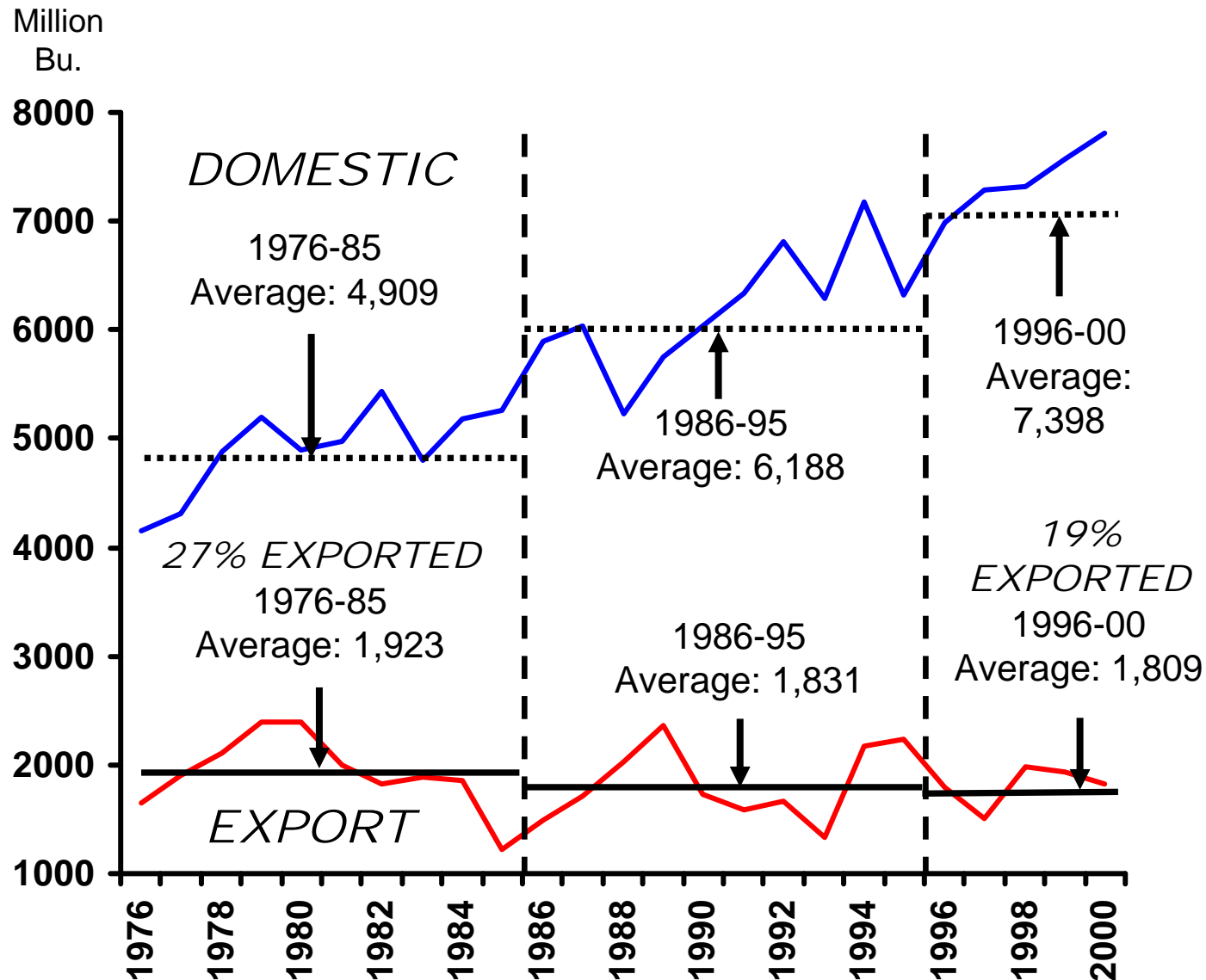
U.S. Domestic & Export Demand



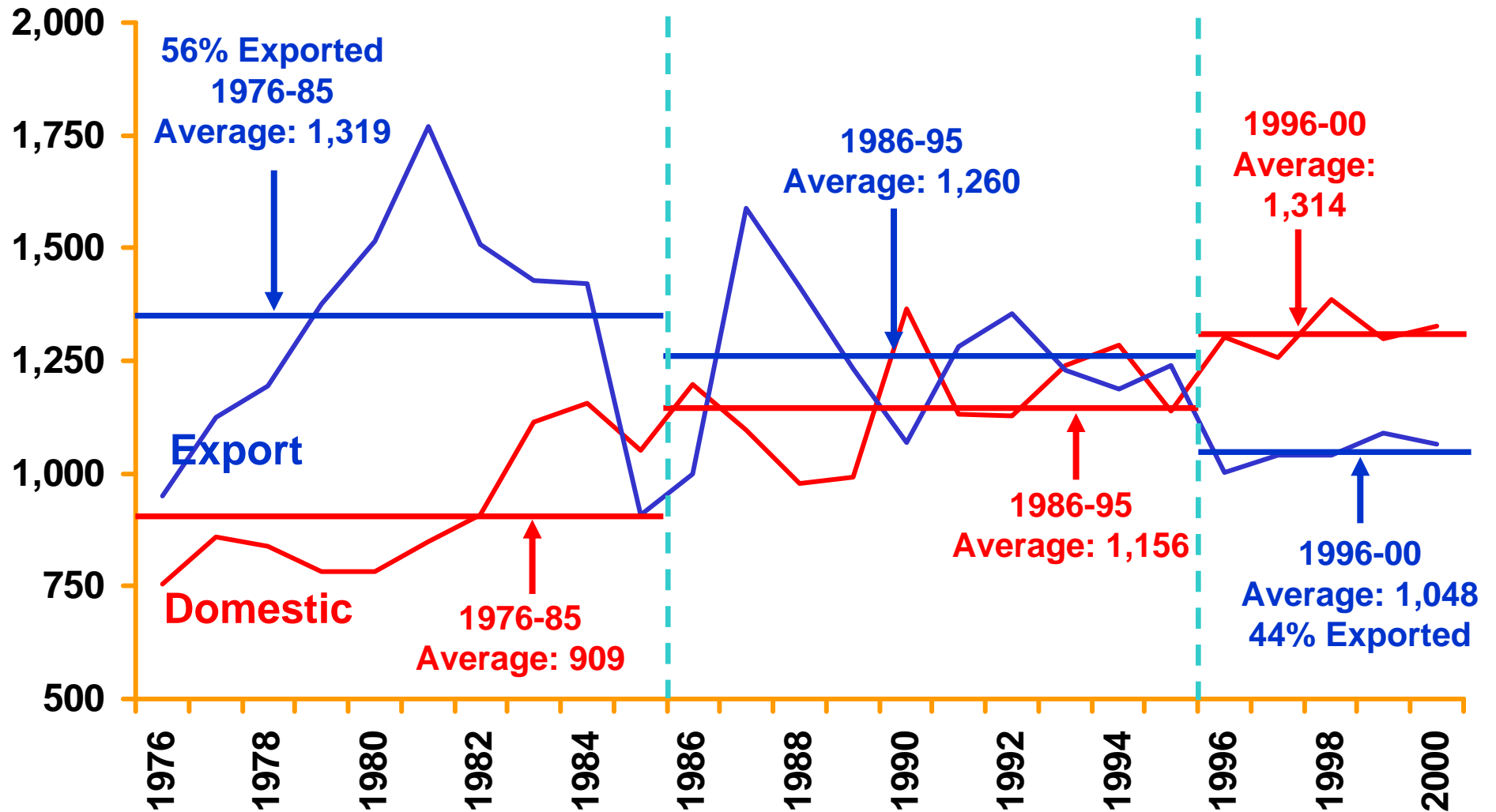
U.S. Share of World Exports



U.S. Domestic and Export Demand

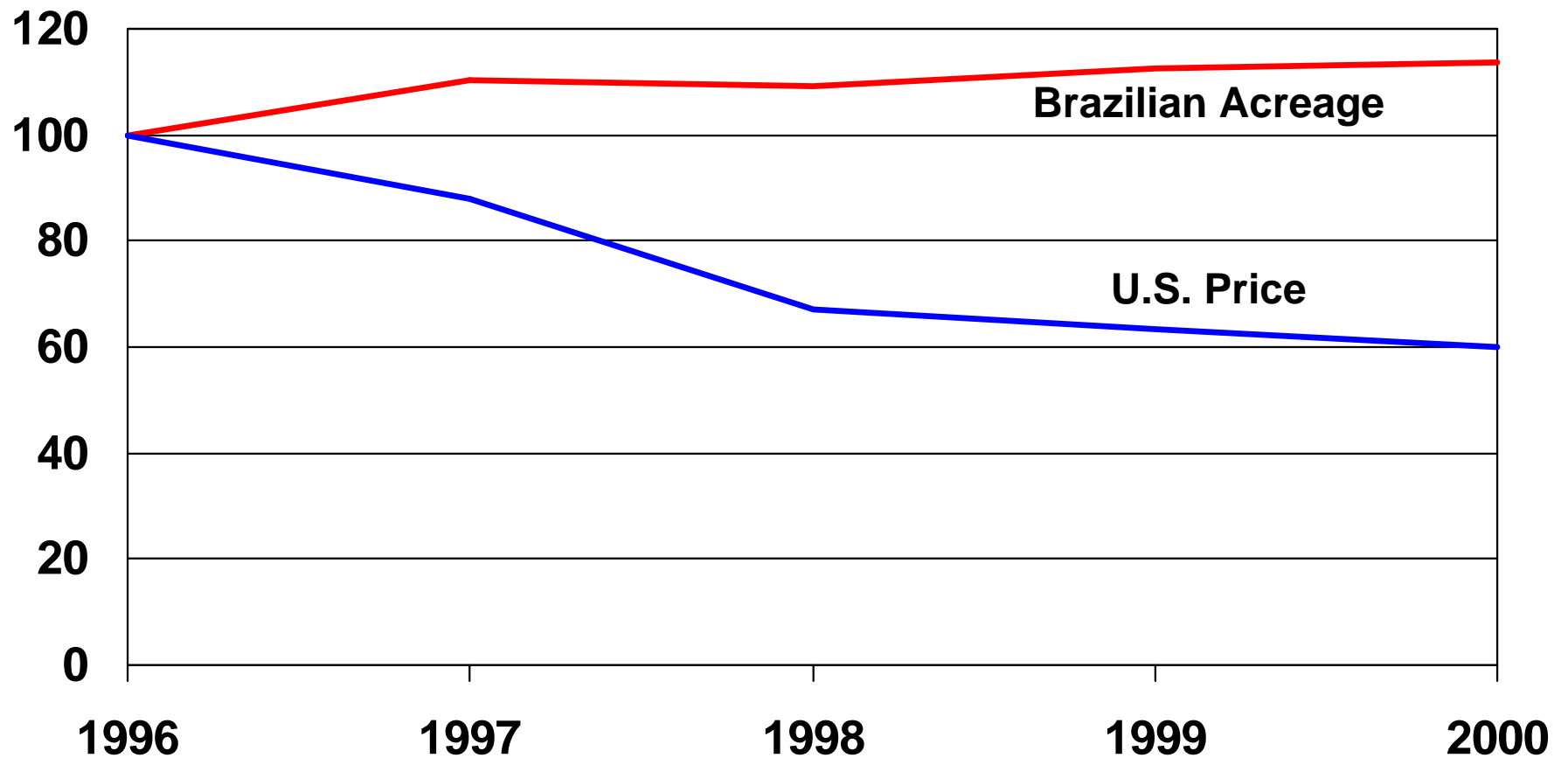


U.S. Domestic & Export Demand

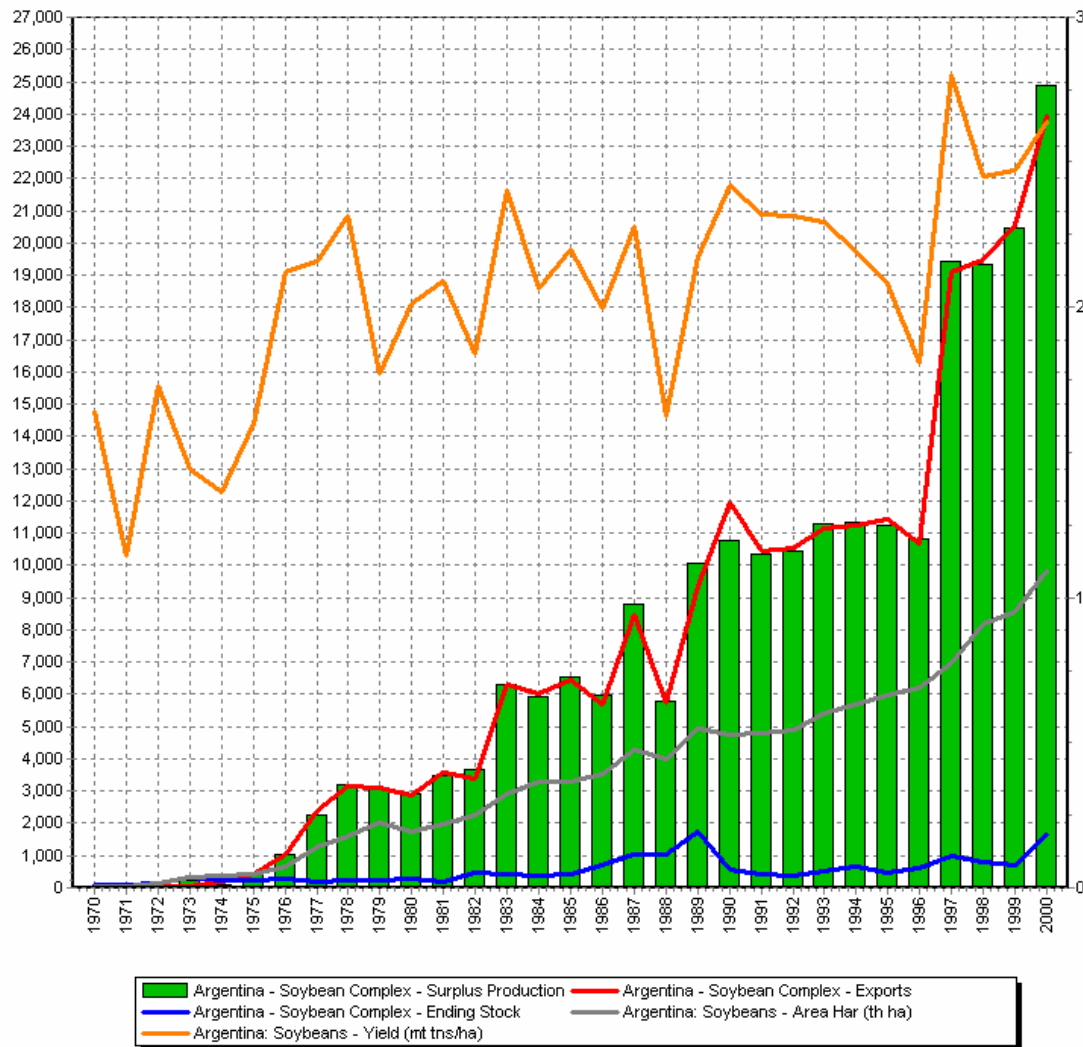


Brazilian Soybean Acreage and U.S. Price

(Indexed: 1996=100)



Argentine Soybean Complex



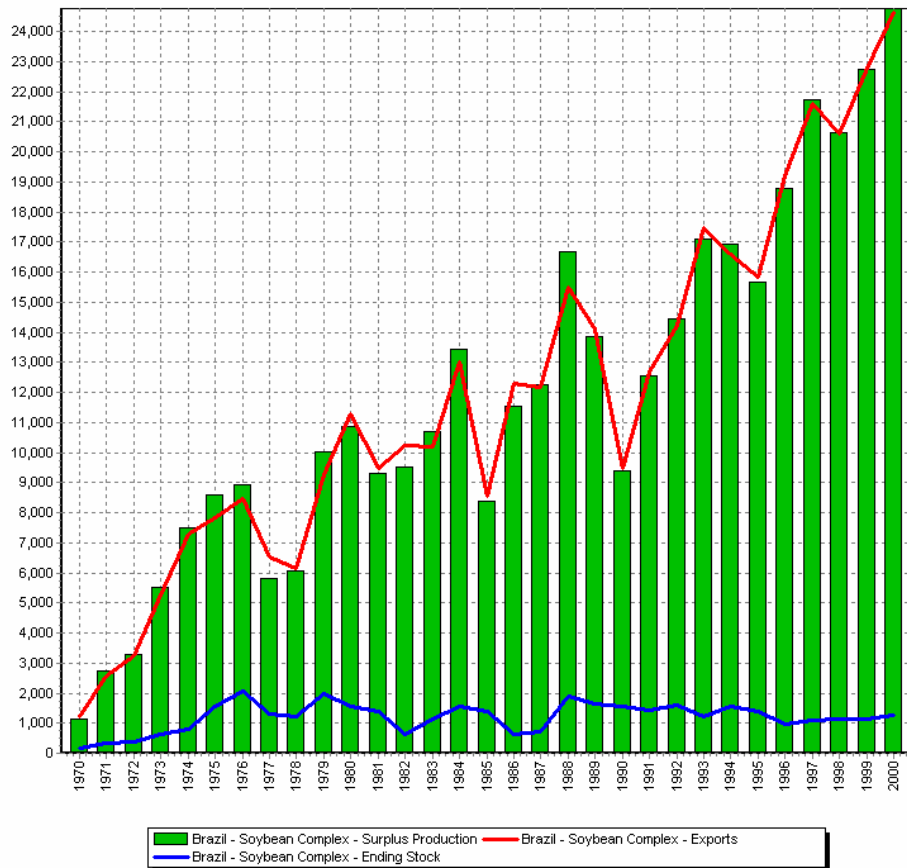
A comparison of Argentine surplus soybean complex production, exports, ending stocks, harvested area and yield.

Argentine soybean harvested area has been increasing steadily over the years.

The production spurt in 1997 was directly related to yields.

- Surplus production is defined as production plus imports less domestic demand.
- Soybean Complex includes soybeans, soybean meal and soybean oil

Brazilian Soybean Complex



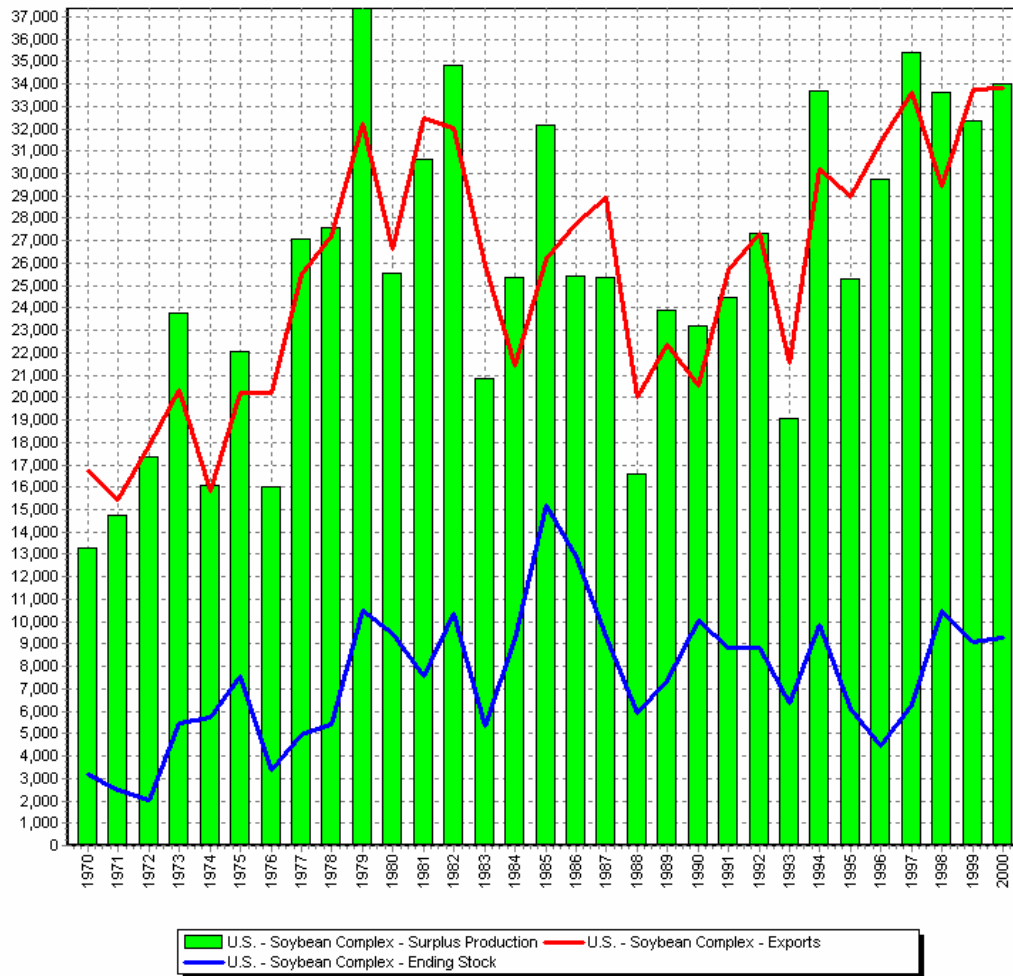
Year after year the Brazilians have exported virtually all of their surplus soybean complex production in the year it was produced.

- Surplus production is defined as production plus imports less domestic demand.

- Soybean Complex includes soybeans, soybean meal and soybean oil

A comparison of Brazilian surplus soybean complex production and exports

U.S. Soybean Complex

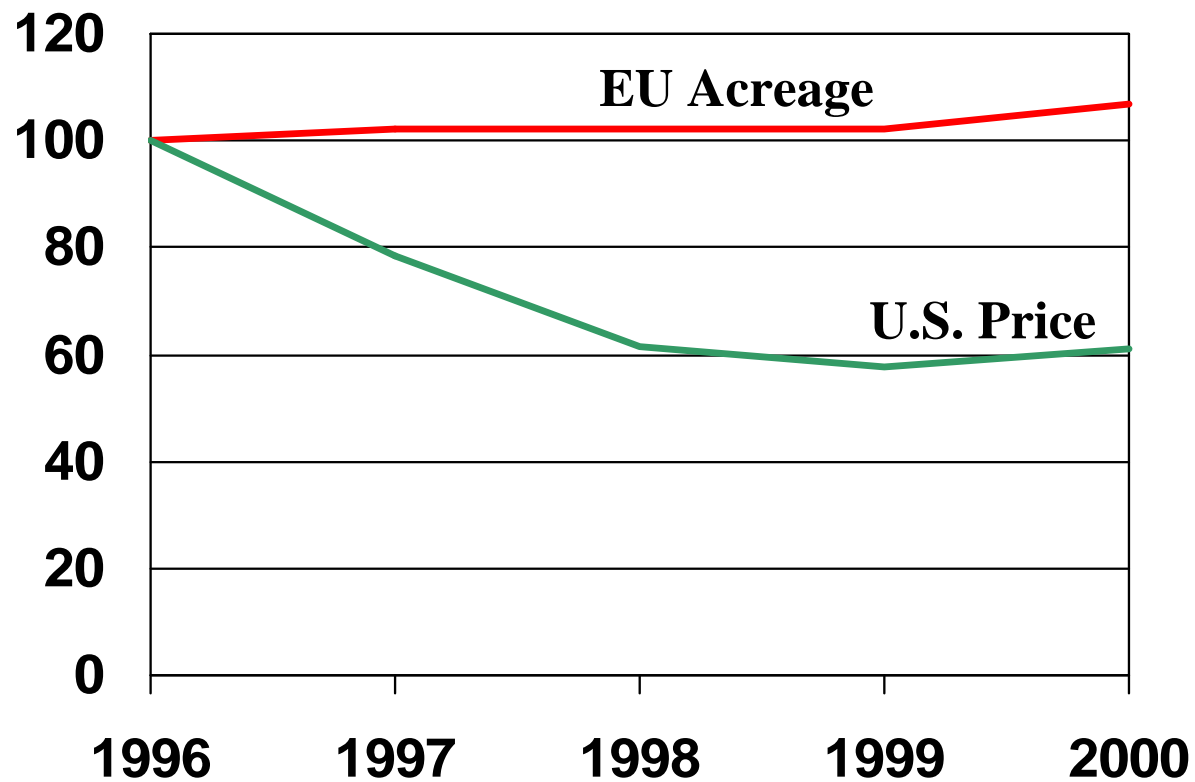


U.S. surplus soybean complex production and exports do not track closely giving rise to highly variable ending stock levels.

- Surplus production is defined as production plus imports less domestic demand.
- Soybean Complex includes soybeans, soybean meal and soybean oil

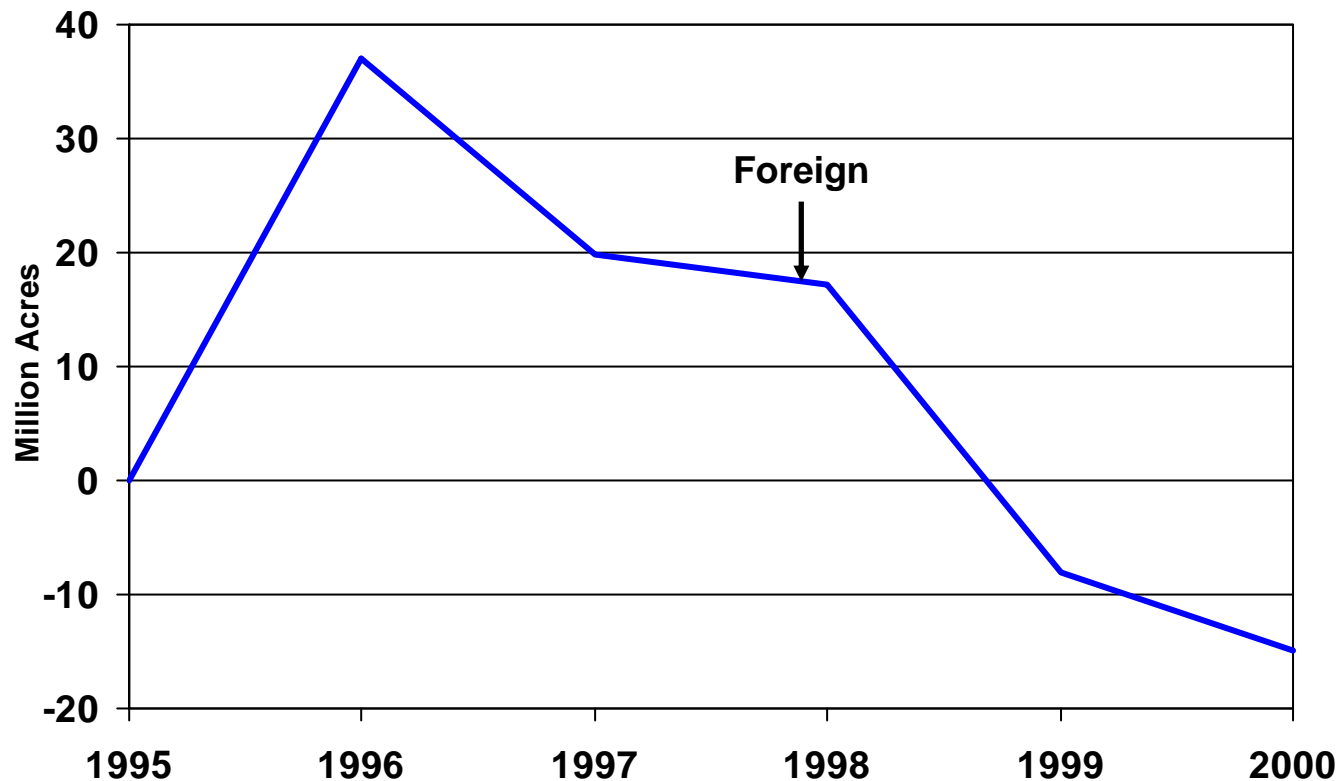
A comparison of U.S. surplus soybean complex production and exports (Thousand Metric Tons)

*Wheat Area European Union,
and U.S. Price*
(1996=100)



Crop Acreage

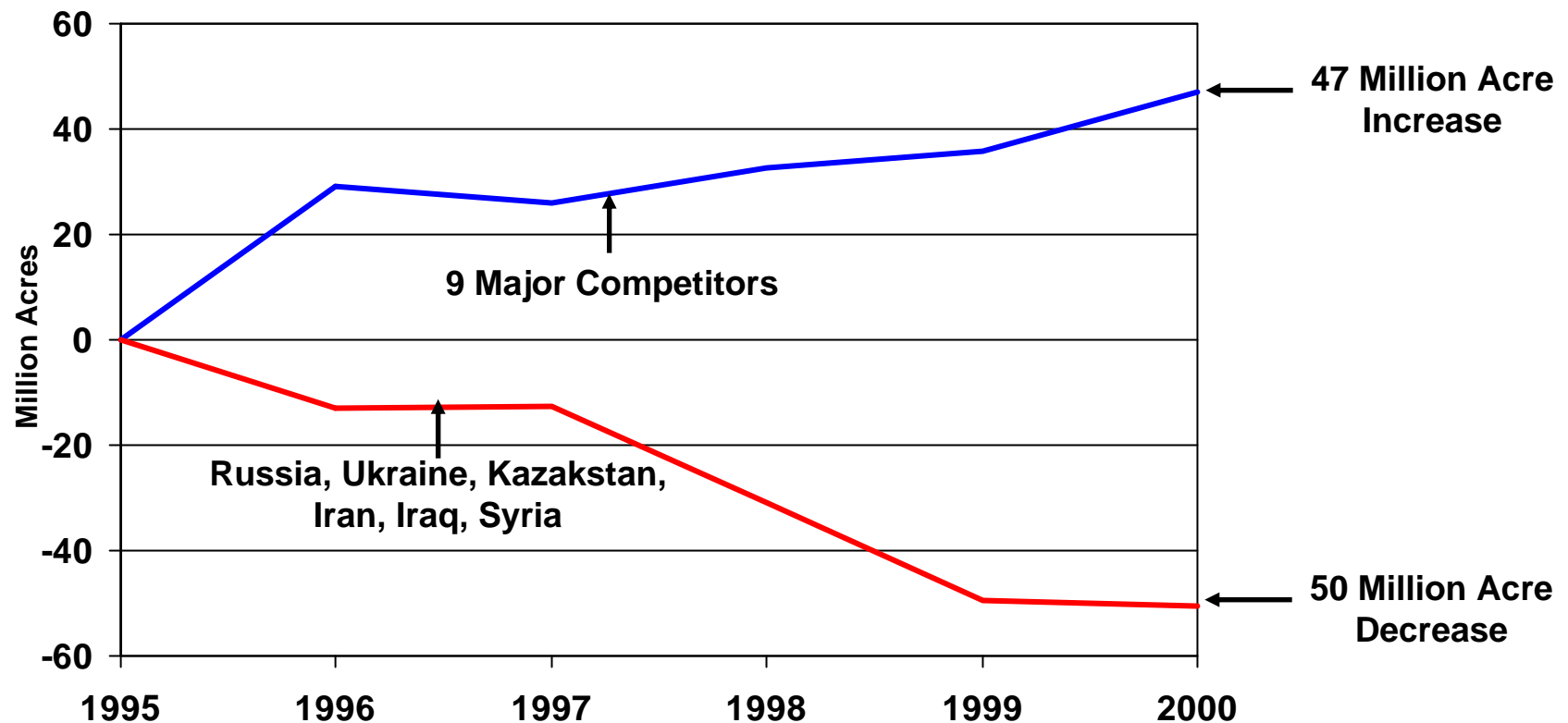
Some have cited the 1999 reduction in foreign harvested acreage as indicative of the benefits of eliminating set-asides



Gain or loss in foreign harvested acres when compared to 1995

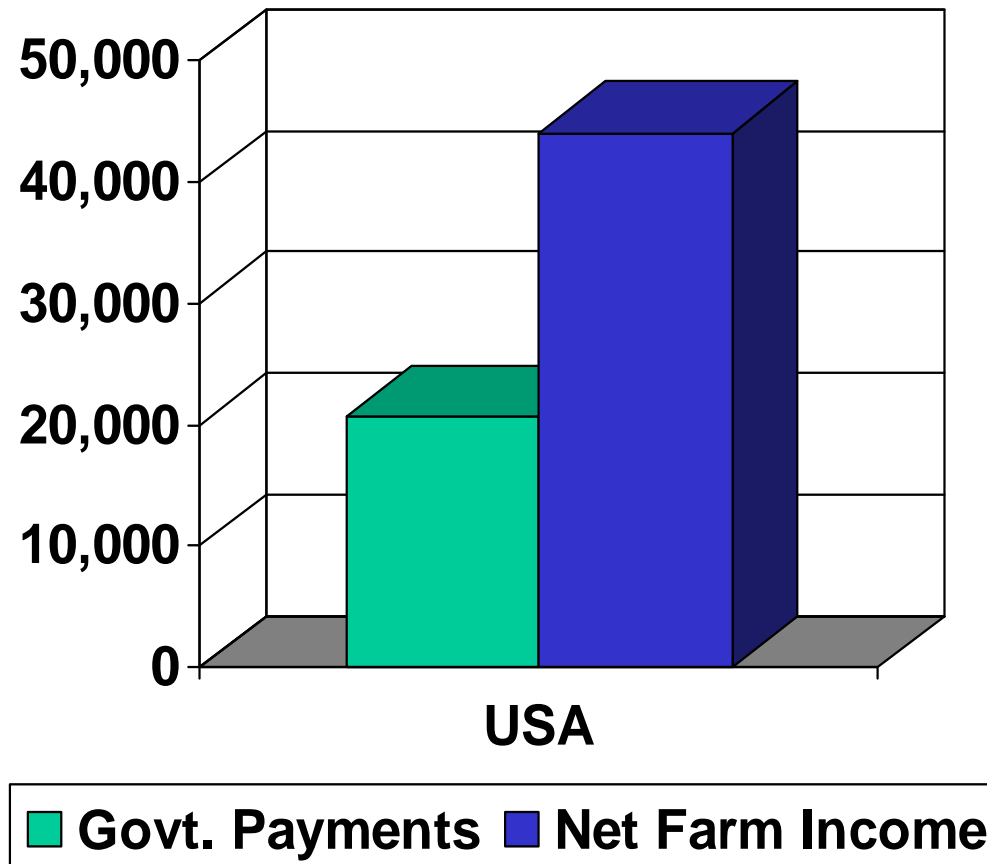
Crop Acreage

What countries did we hope would reduce their acreage when we eliminated set-asides?

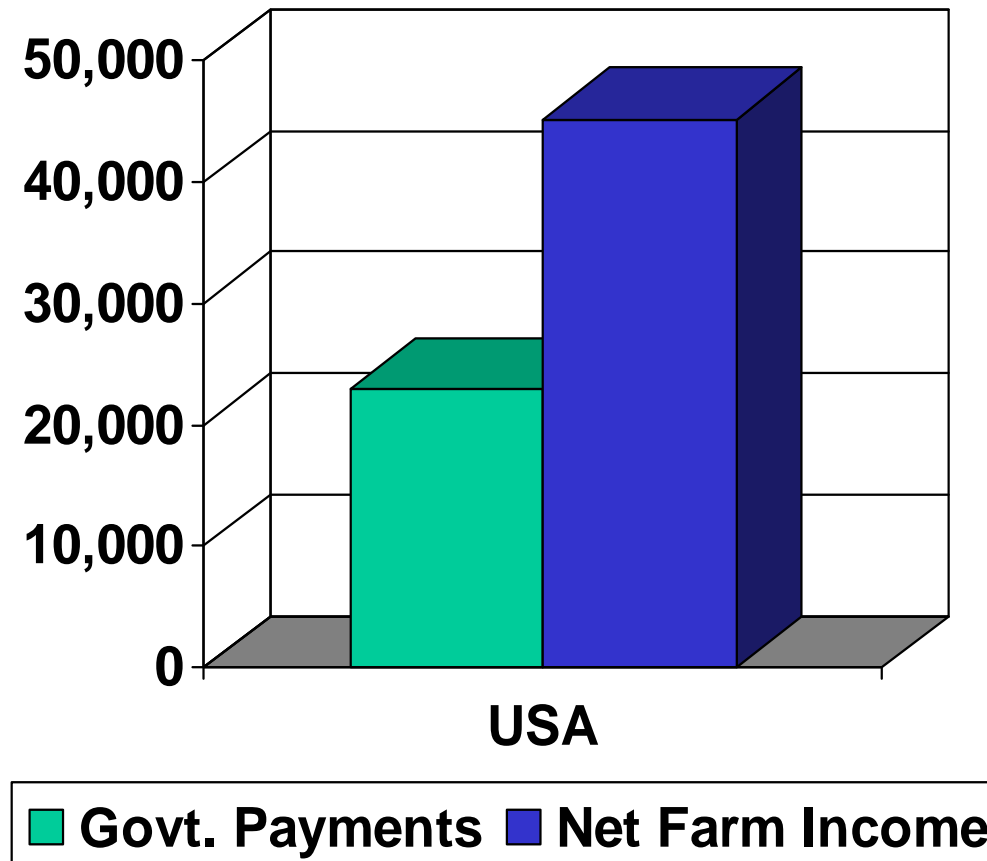


Gain or loss in 9 competitors' and a grouping of 3 former Soviet Union and 3 Middle Eastern countries' harvested acres when compared to 1995.

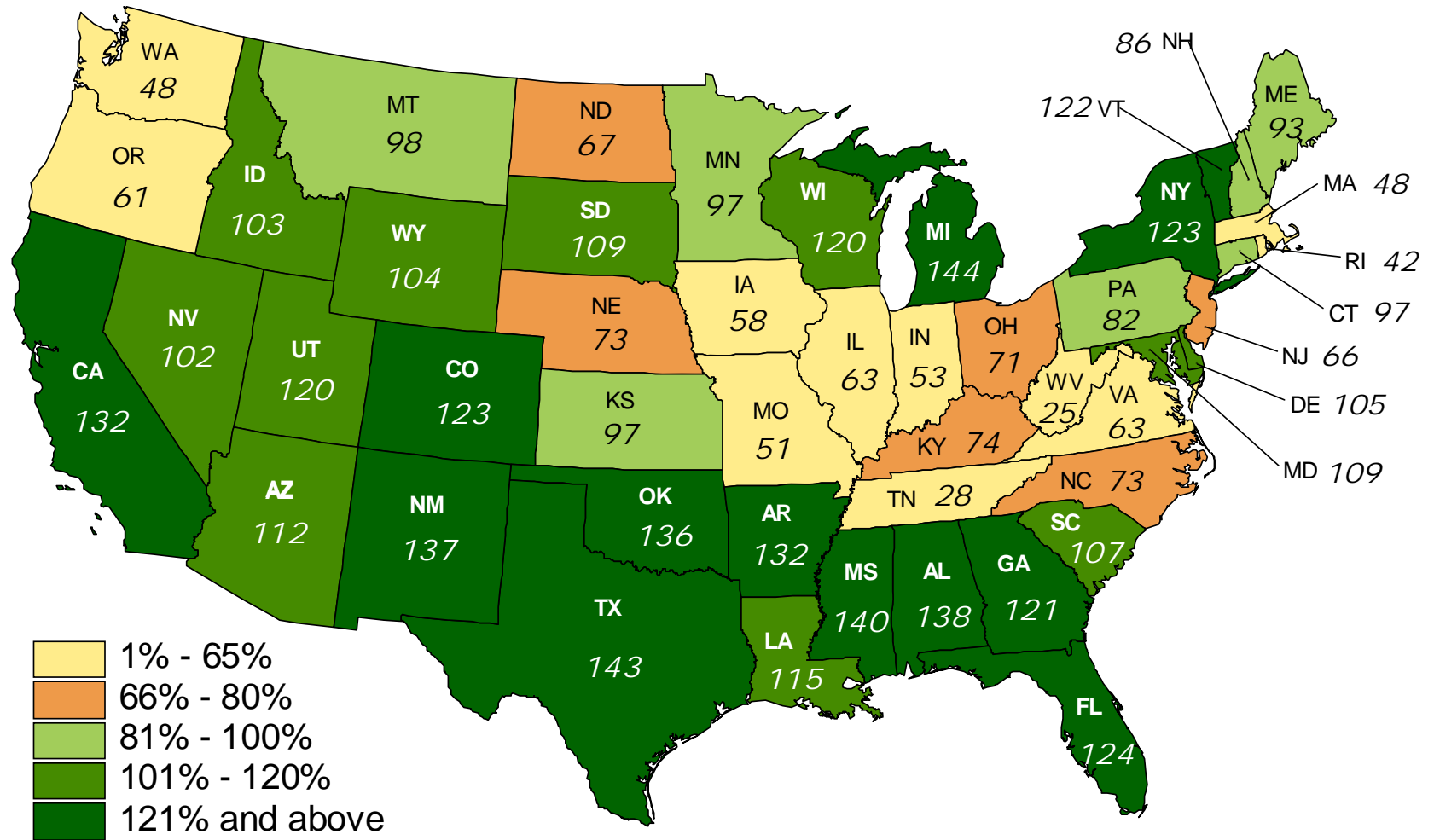
1999 Net Farm Income and Government Payments



2000 Net Farm Income and Government Payments



1999 Net Farm Income as a Percent of 1990-1998 Average



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