



*Freedom to Farm: Should the
Mold be Reused or Broken?*

Daryll E. Ray

Michigan Agri-Business Association

Lansing Center, Lansing, Michigan

January 22, 2002

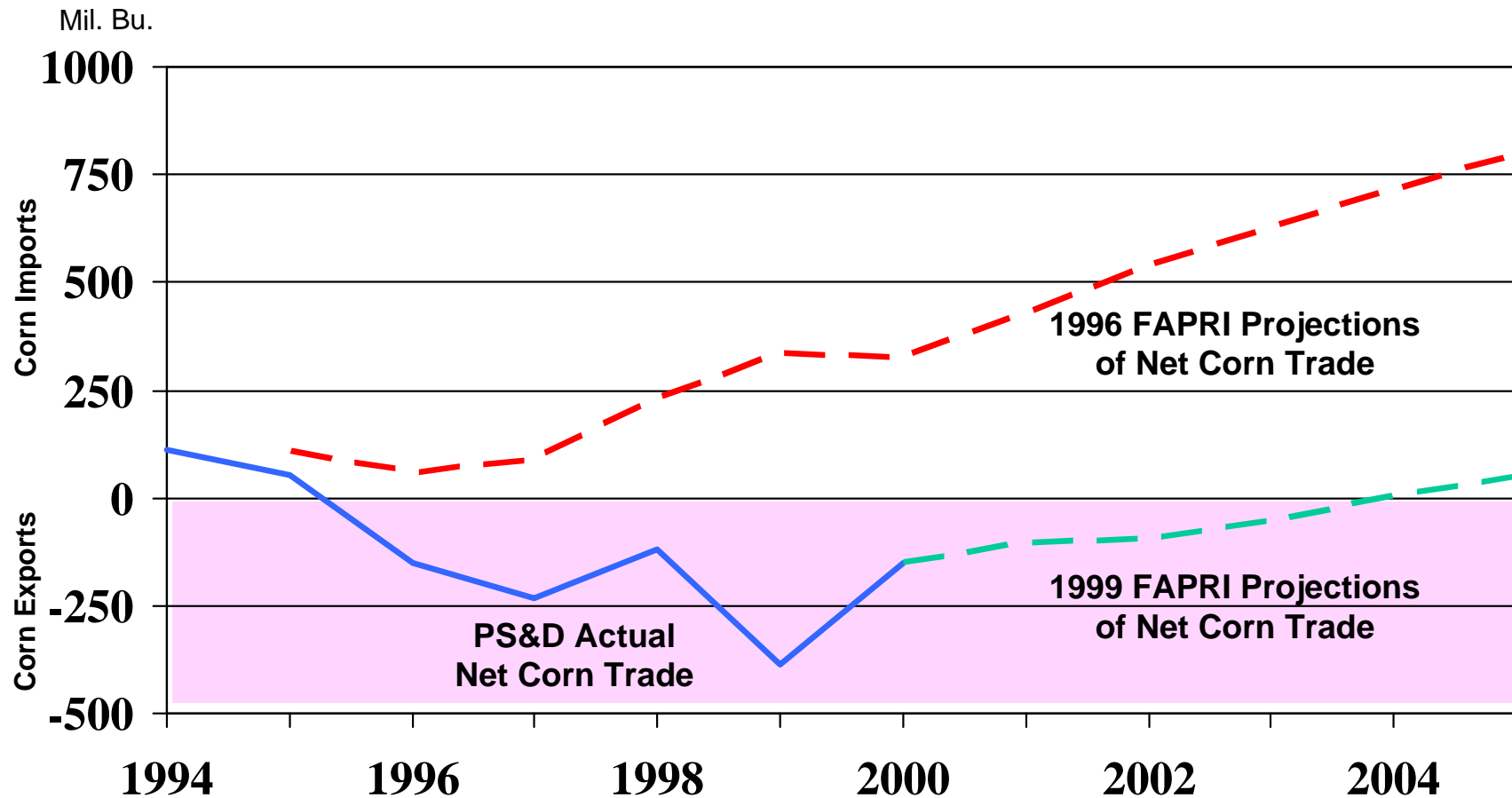
Agricultural Policy Analysis Center - Institute of Agriculture

The University of Tennessee

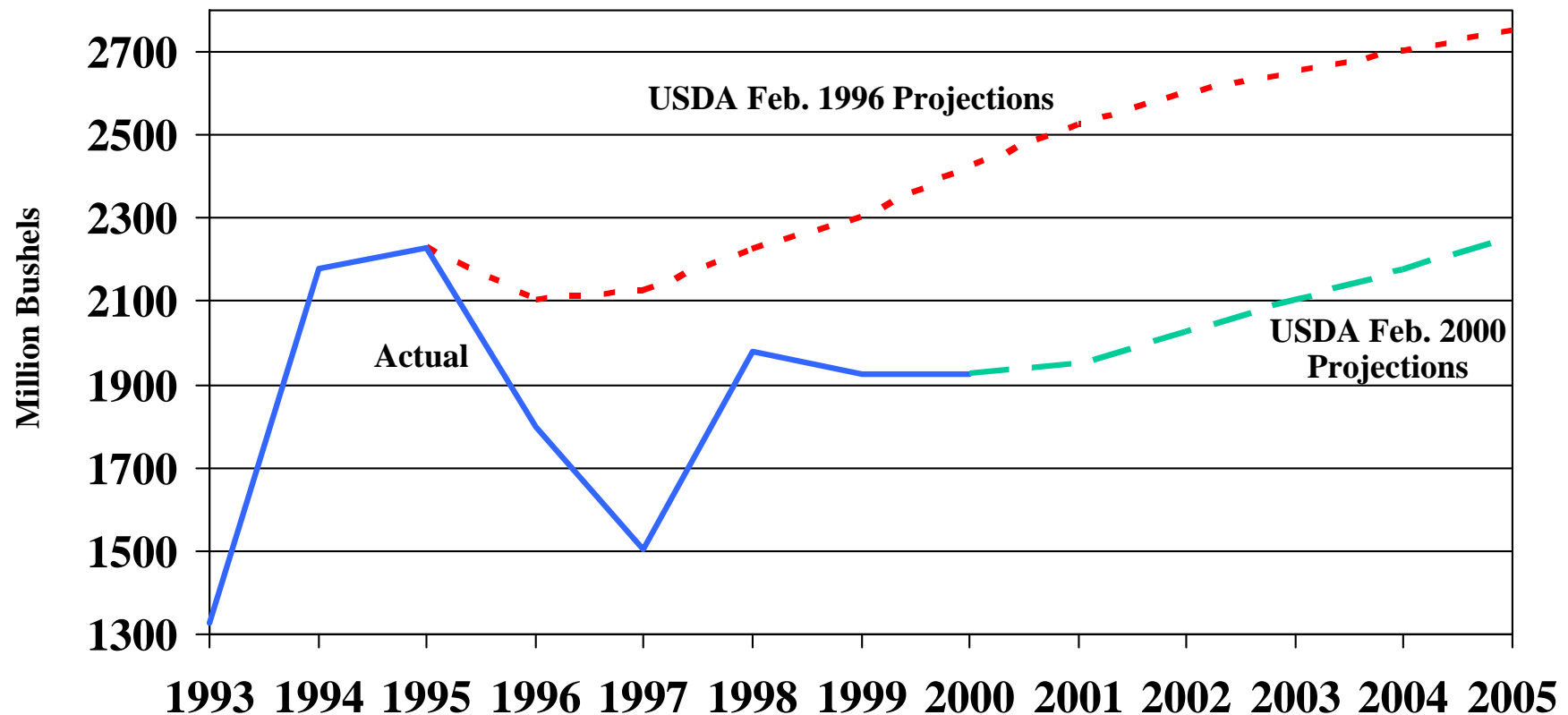
Expectations

- **“High” Prices and Incomes Like 1995/1996**
- **Because:**
 - **Rapid Per Capita Income Growth in China/Asia Will Increase Demand and U.S. exports**
 - **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



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

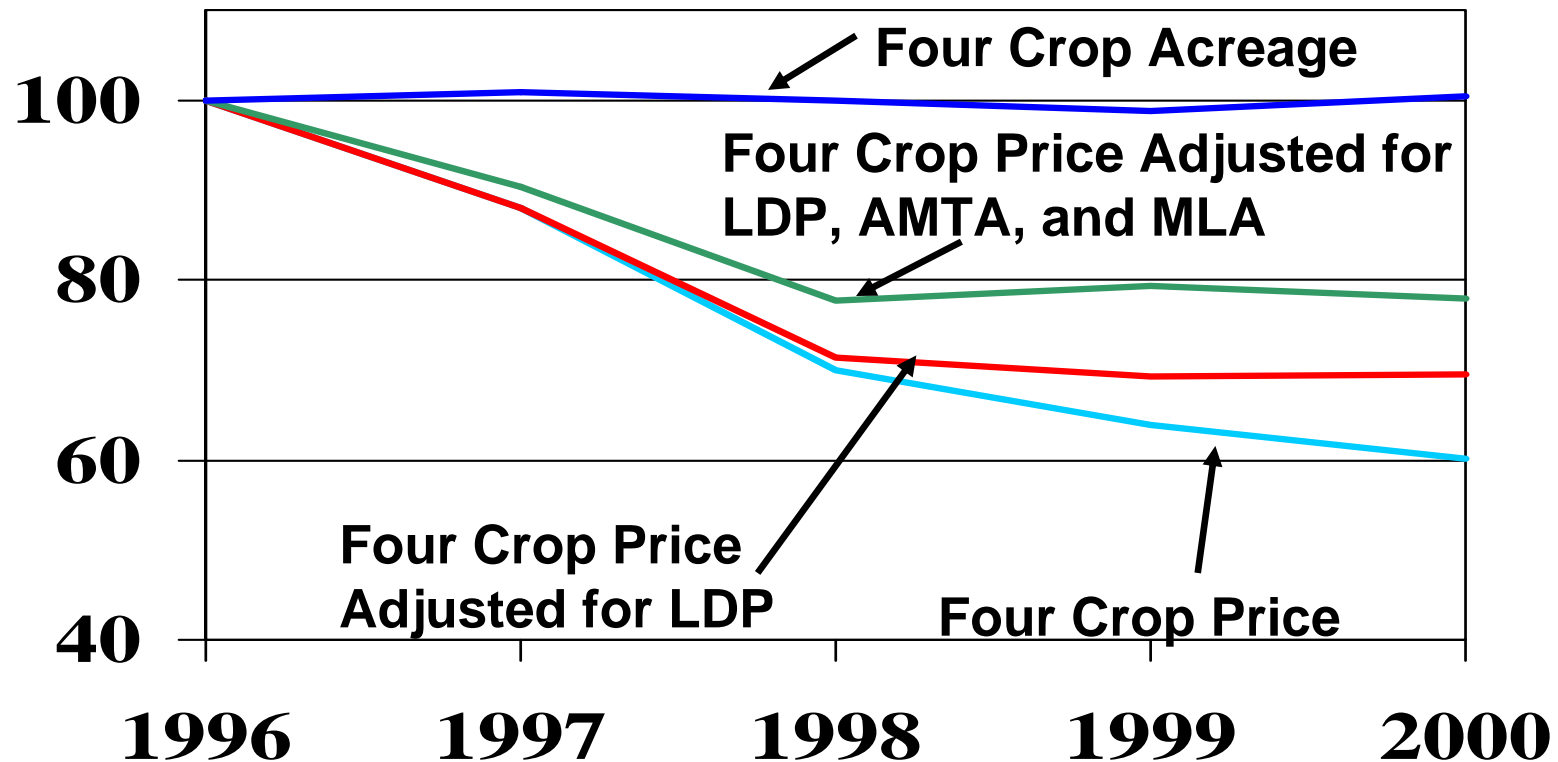


- **Expected Rapid Growth in Exports Did Not Occur**

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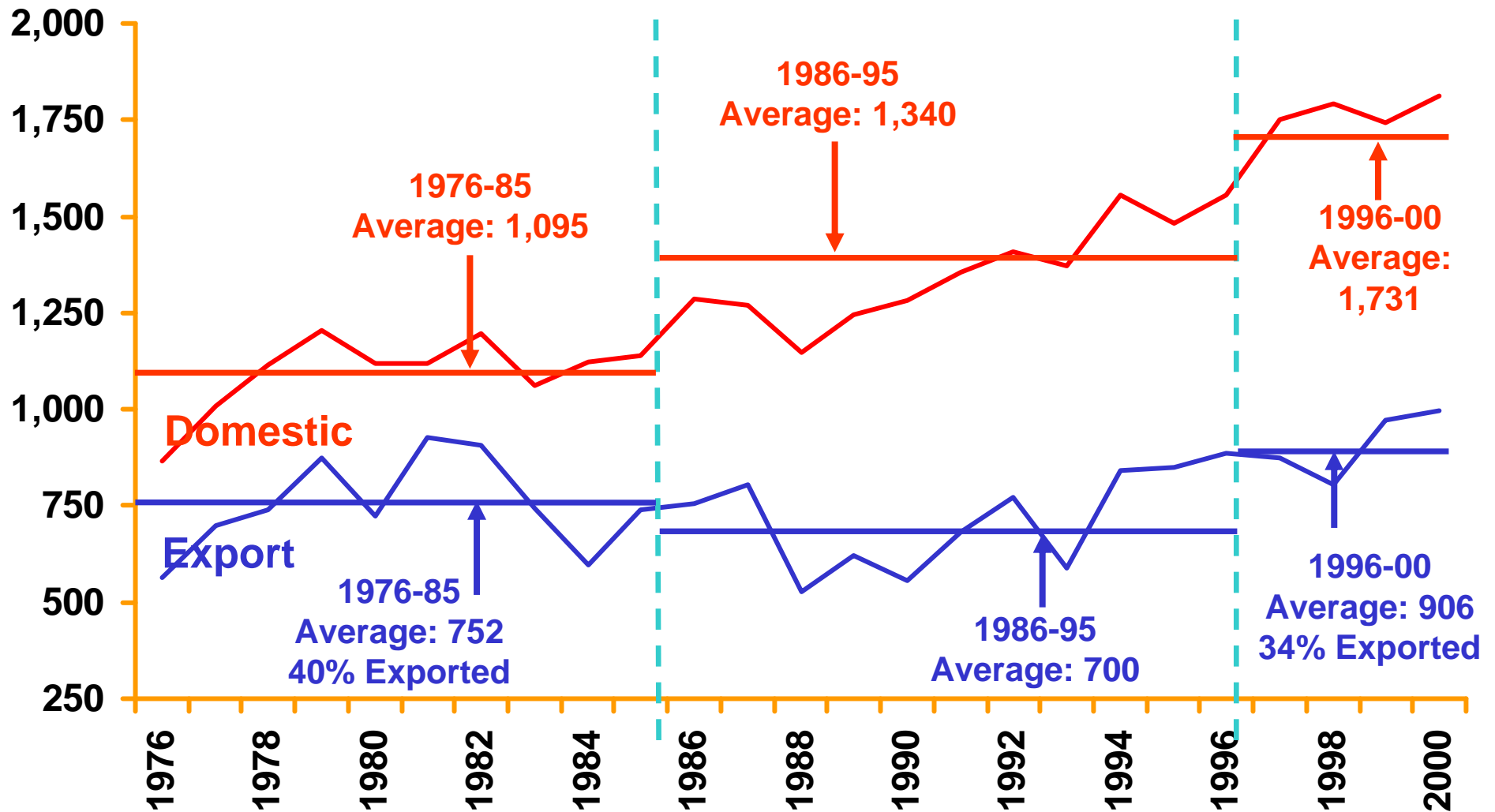
Indexed Four Crop Acreage, Price and Price Adjusted for LDP and Contract Payments



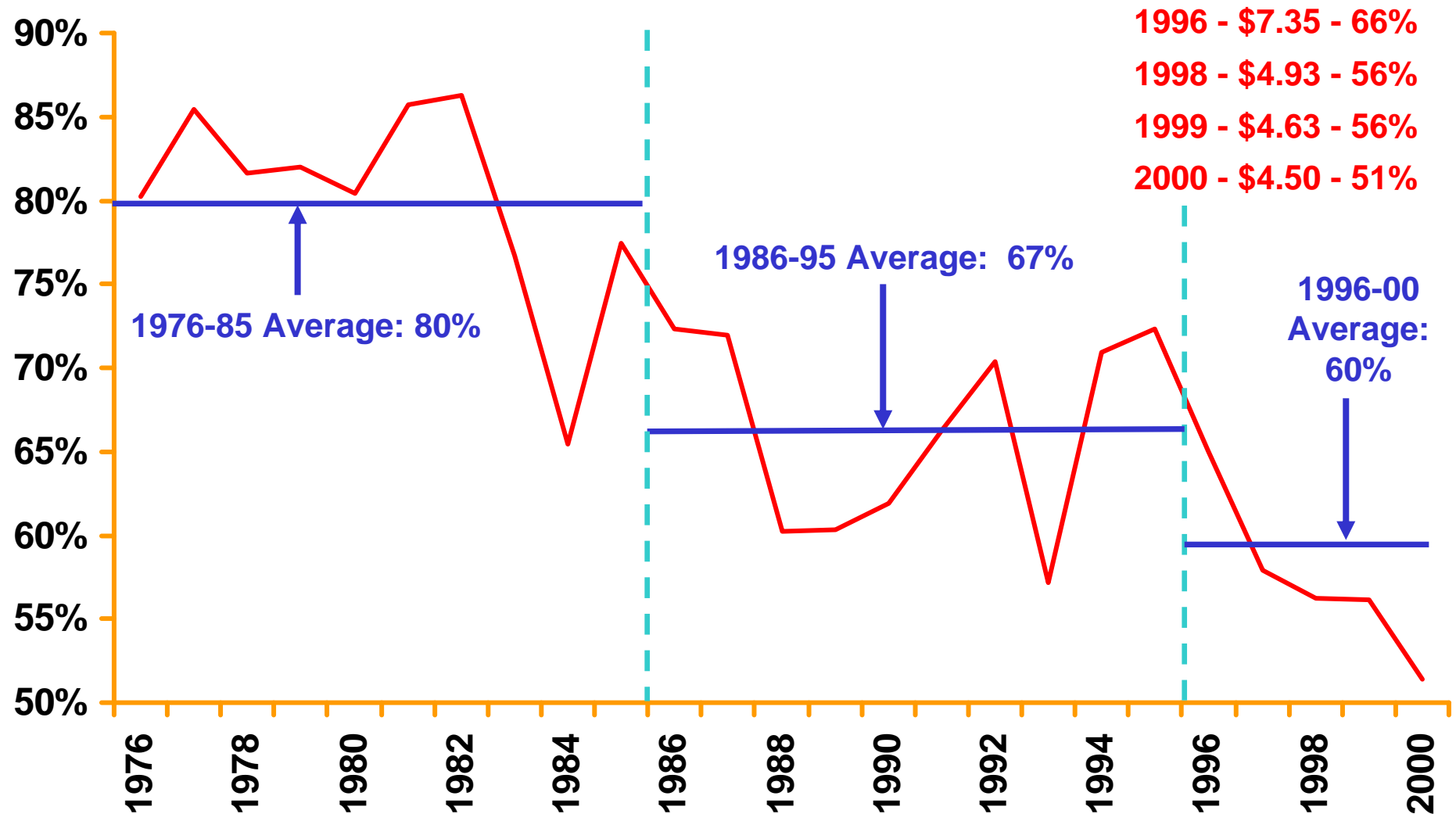
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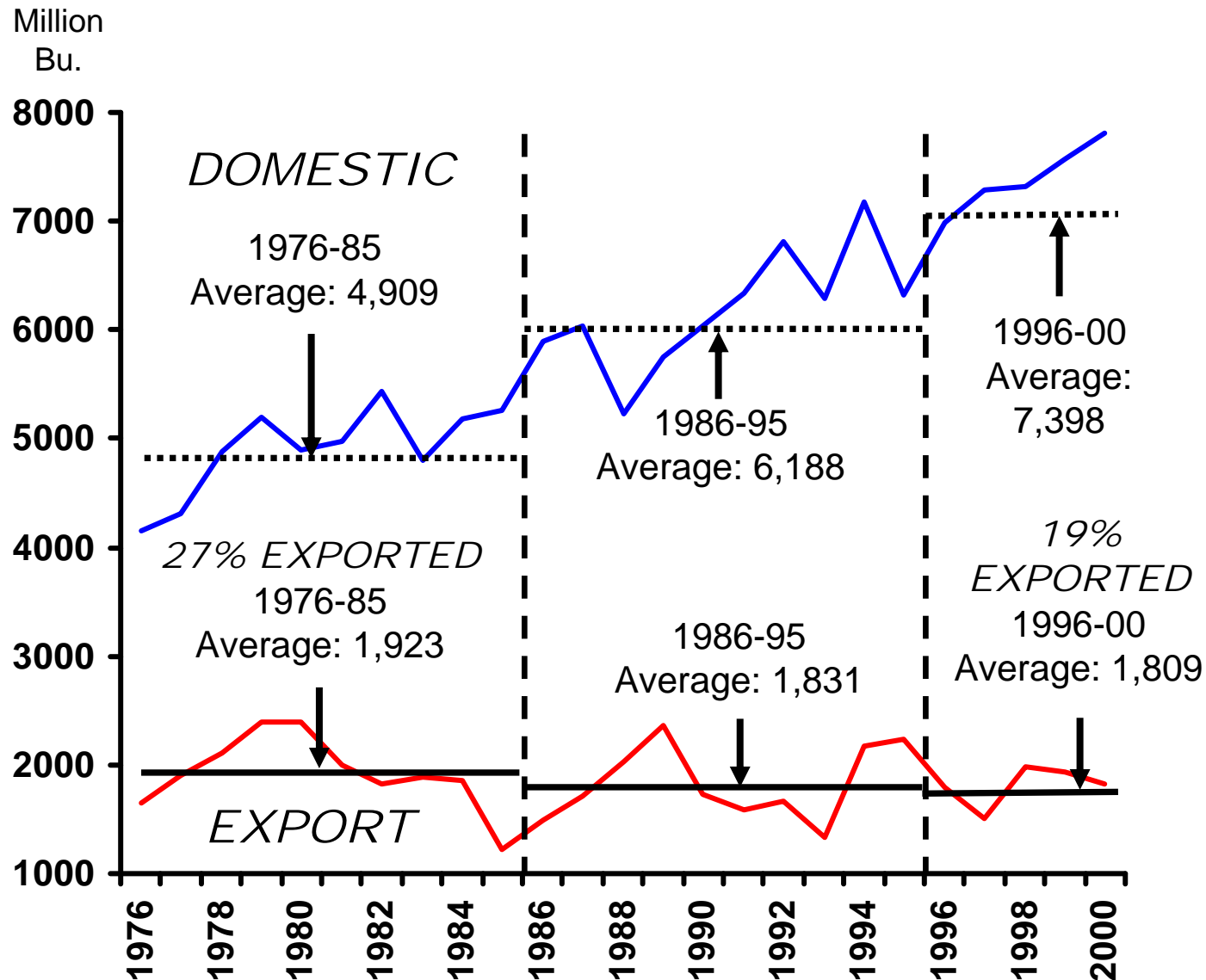
U.S. Domestic & Export Demand



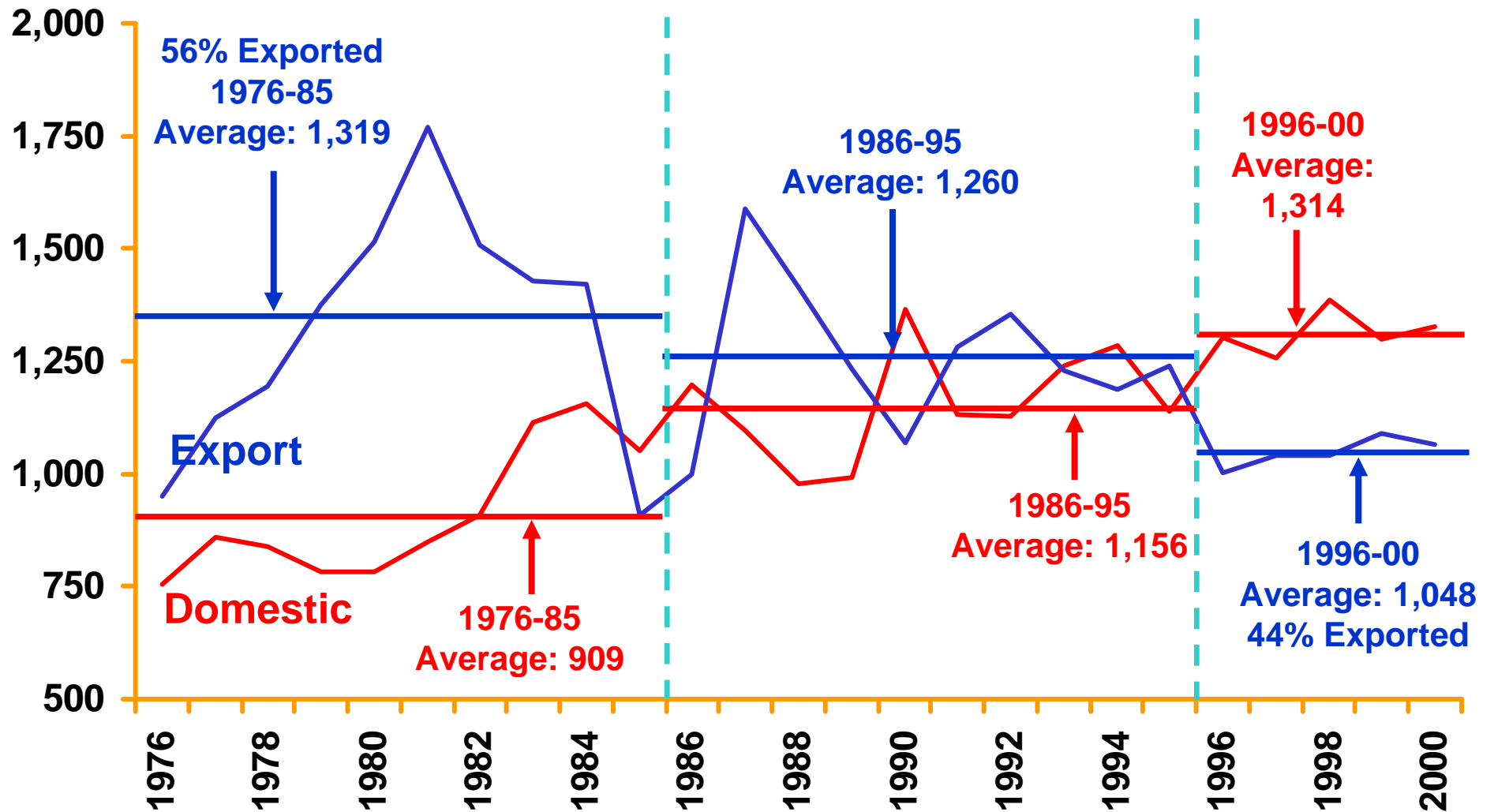
U.S. Share of World Exports



U.S. Domestic and Export Demand

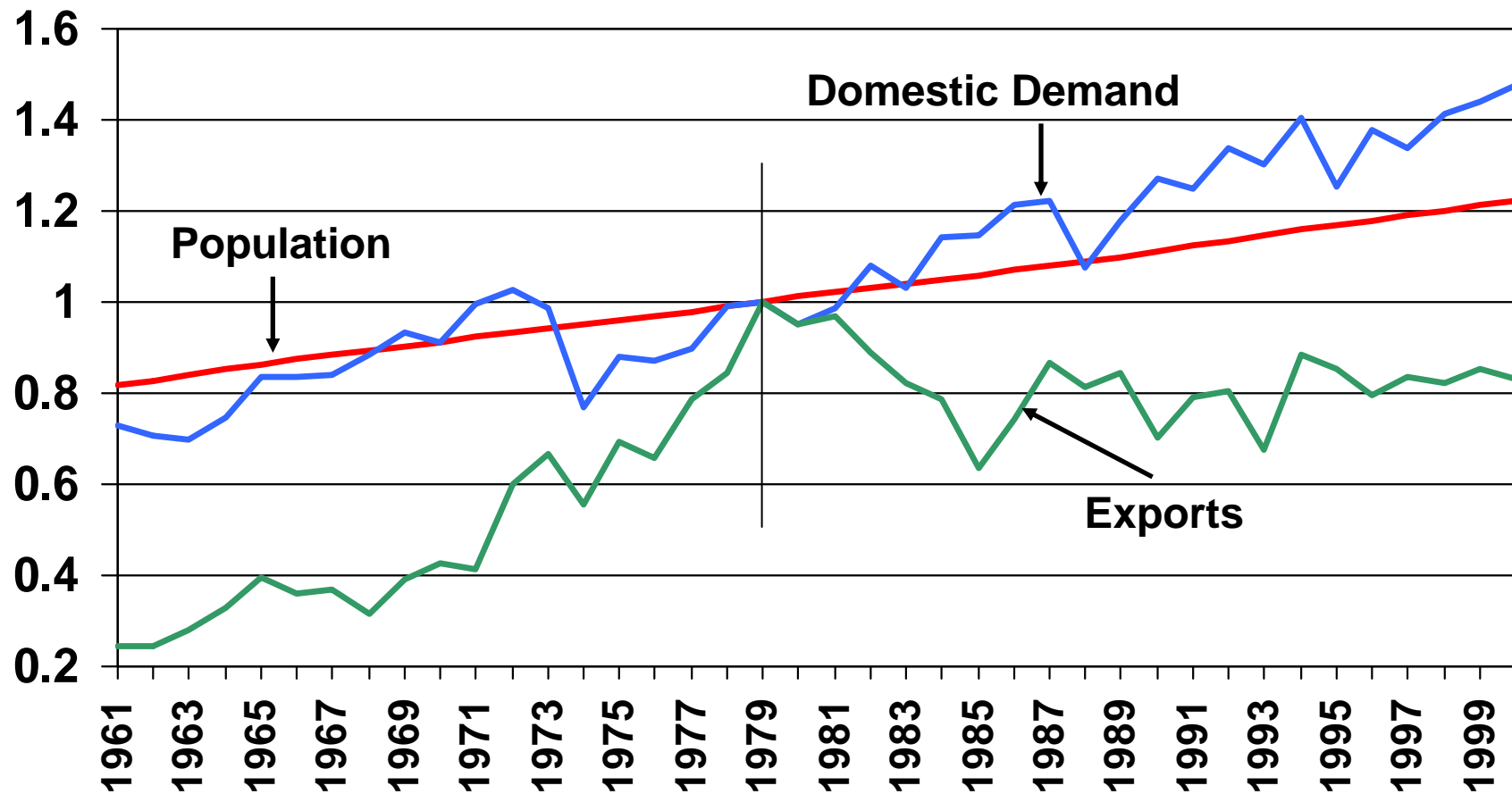


U.S. Domestic & Export Demand



Indexed Growth in U.S. Population, Domestic Demand for Grains and Seeds, and Exports of Grains and Seeds

1979=100

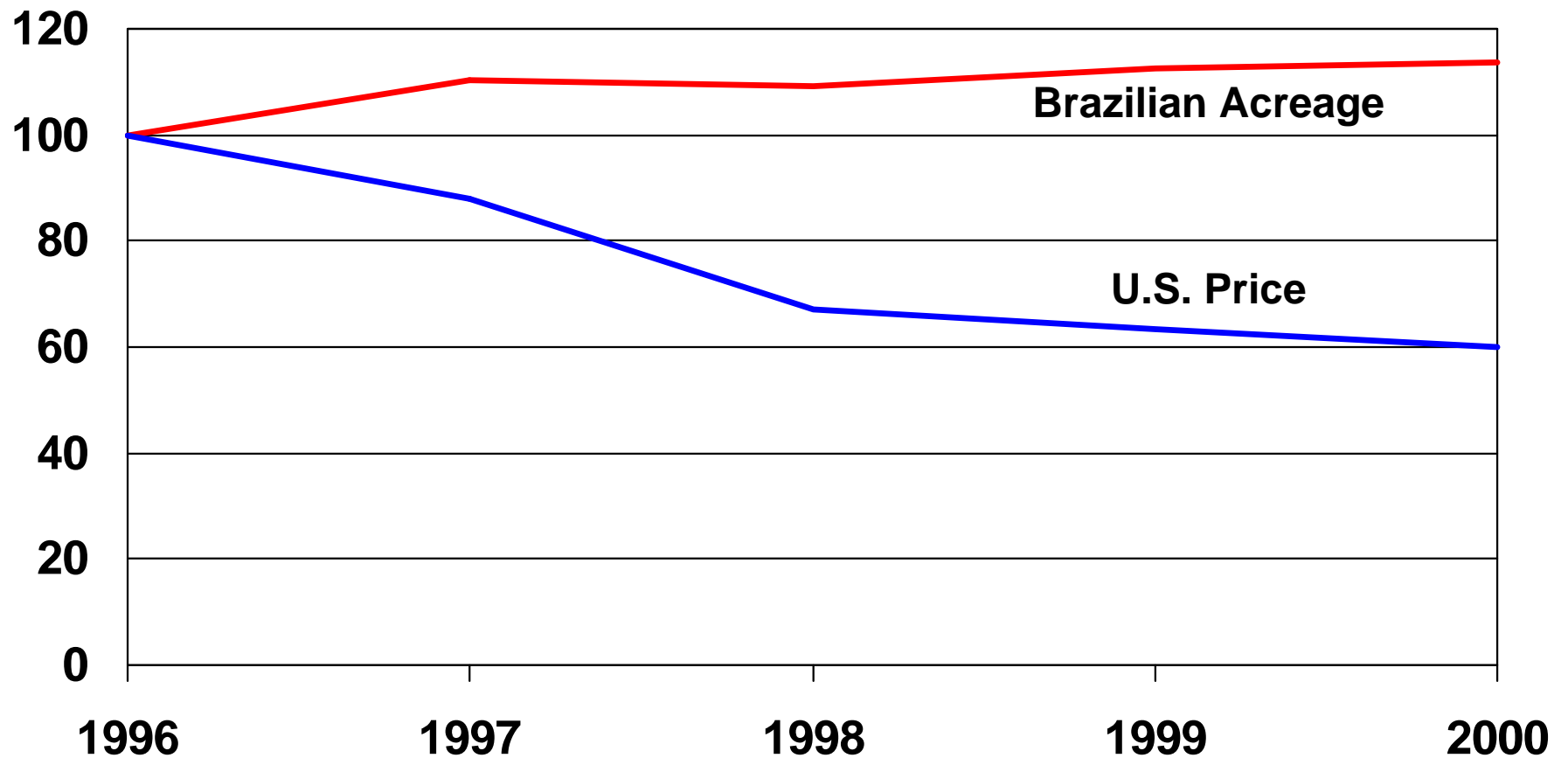


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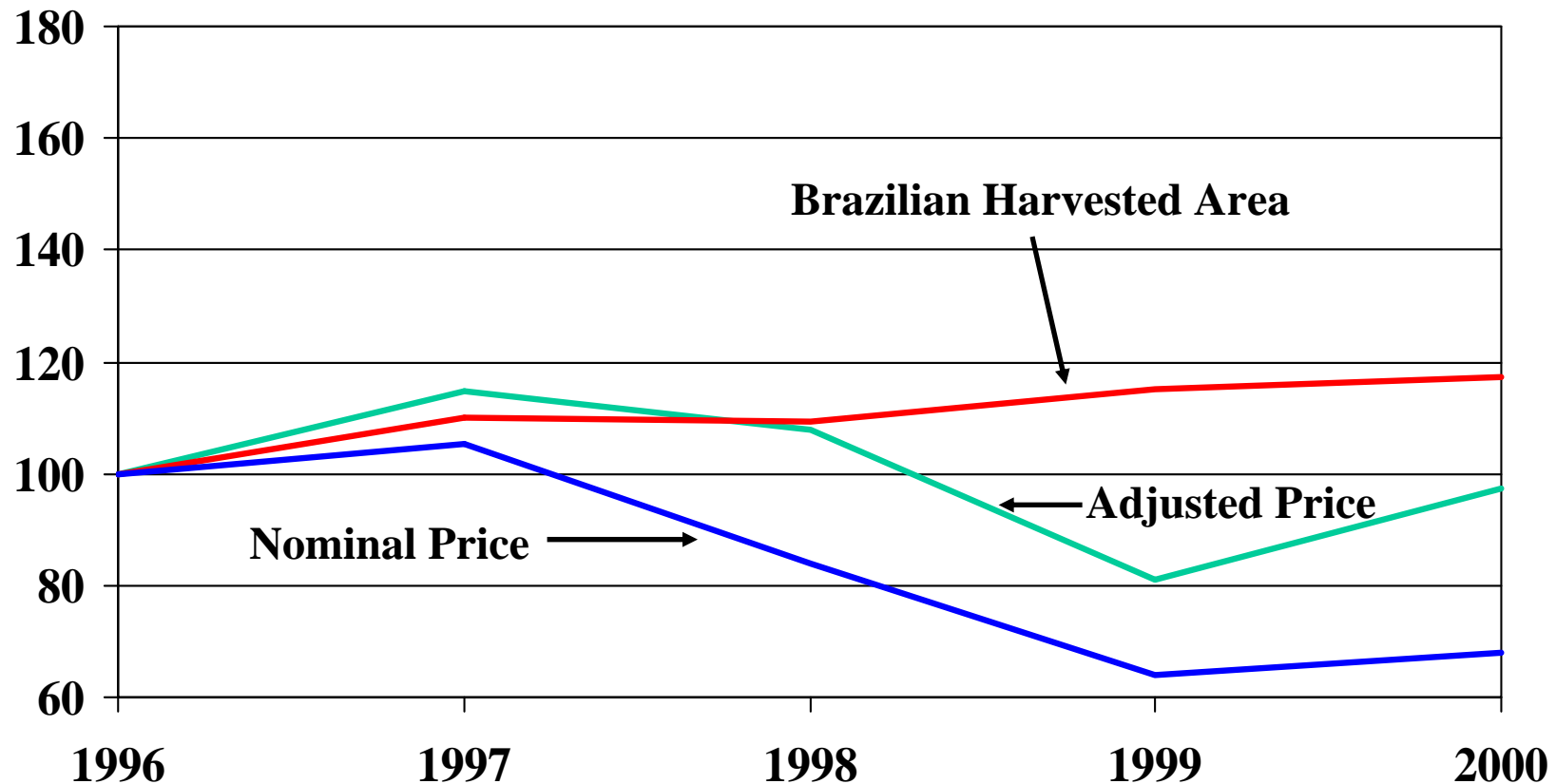
Brazilian Soybean Acreage and U.S. Price

(Indexed: 1996=100)



Brazilian Soybean Price* and Harvested Area

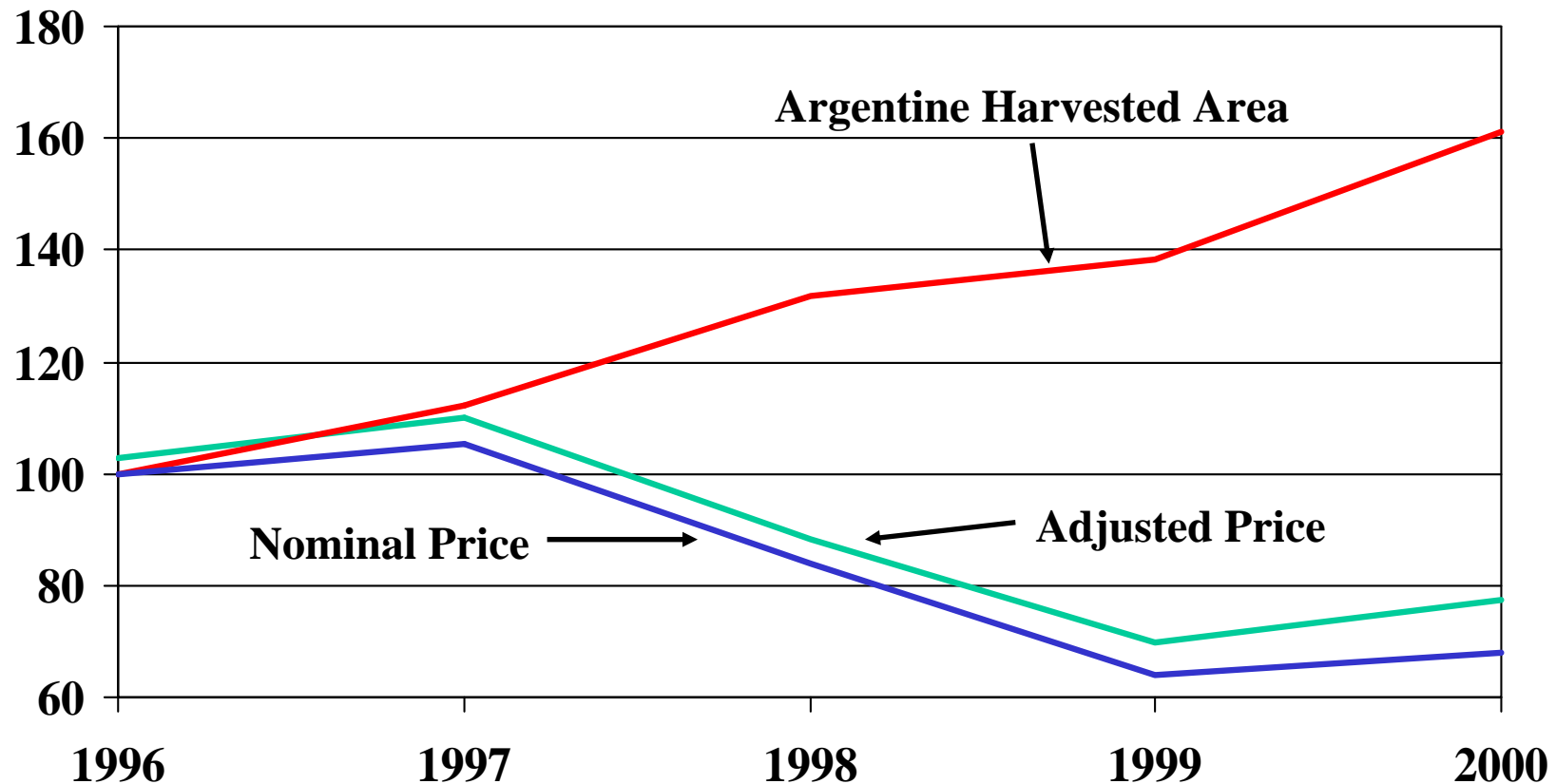
Indexed 1996=100



* Price is the export price posted by Abiove, the Brazilian Vegetable Oil Industry Association. Adjusted price is adjusted for changes in exchange rate and inflation.

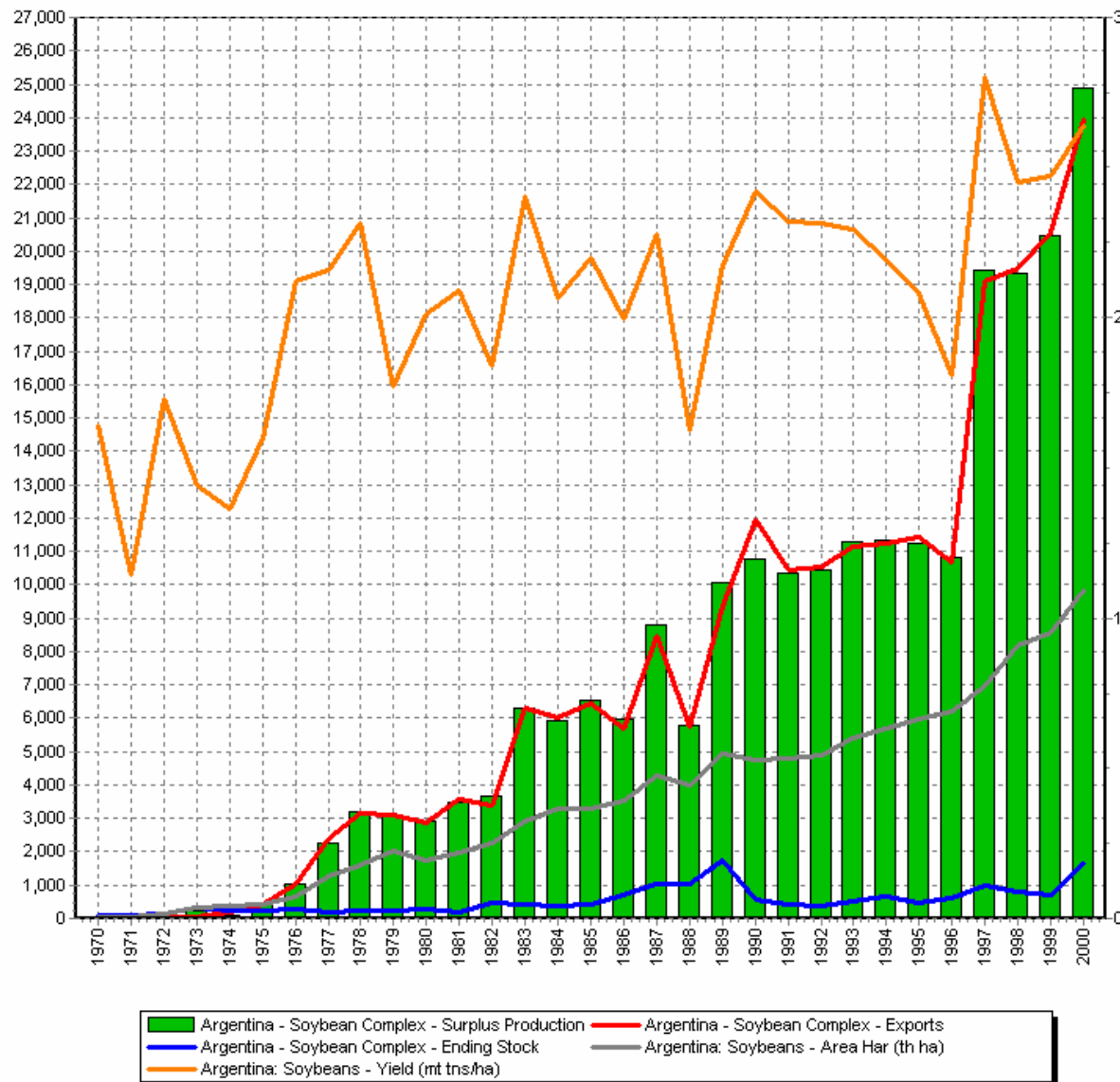
Argentine Soybean Price* and Harvested Area

Indexed 1996=100

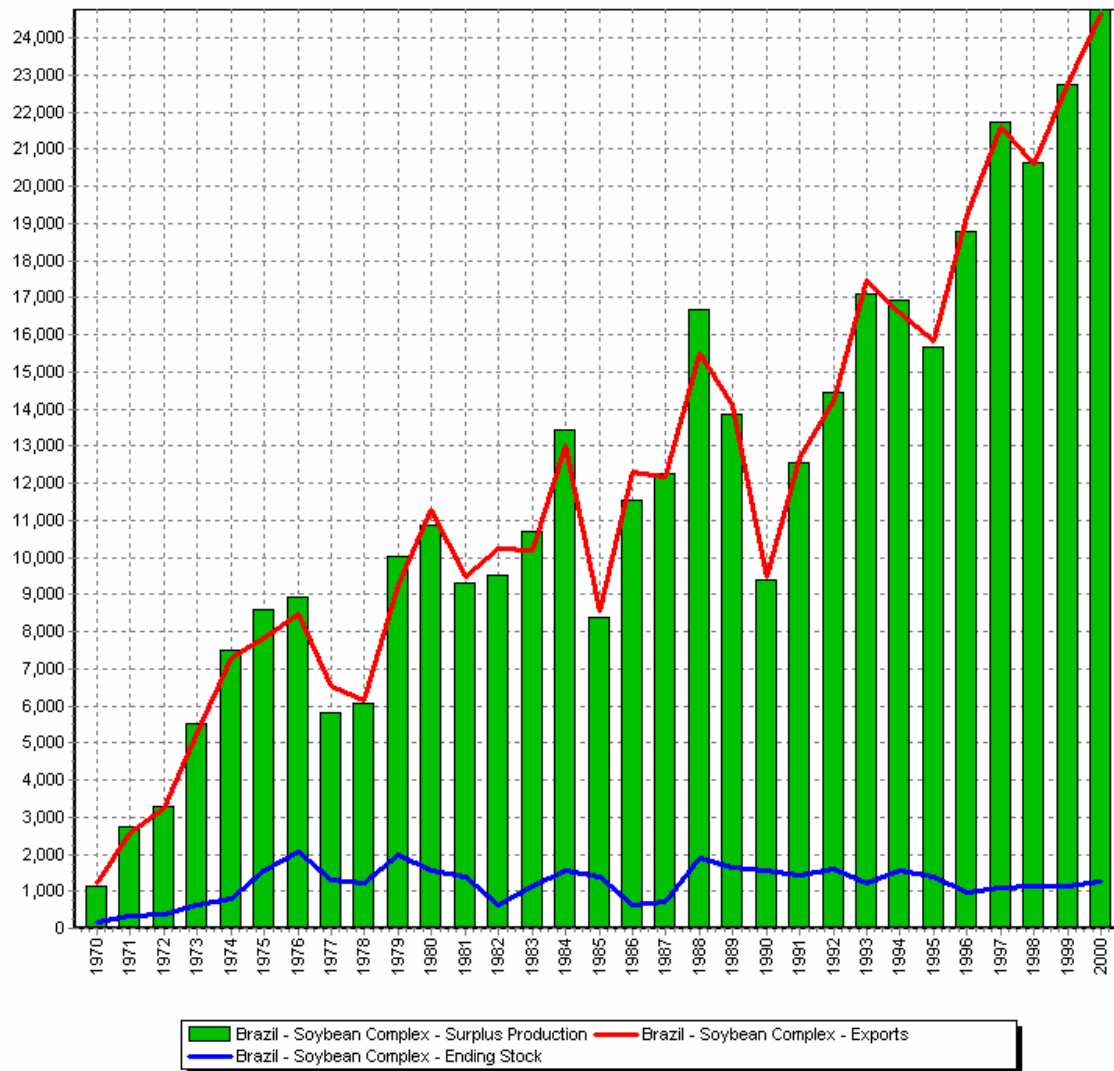


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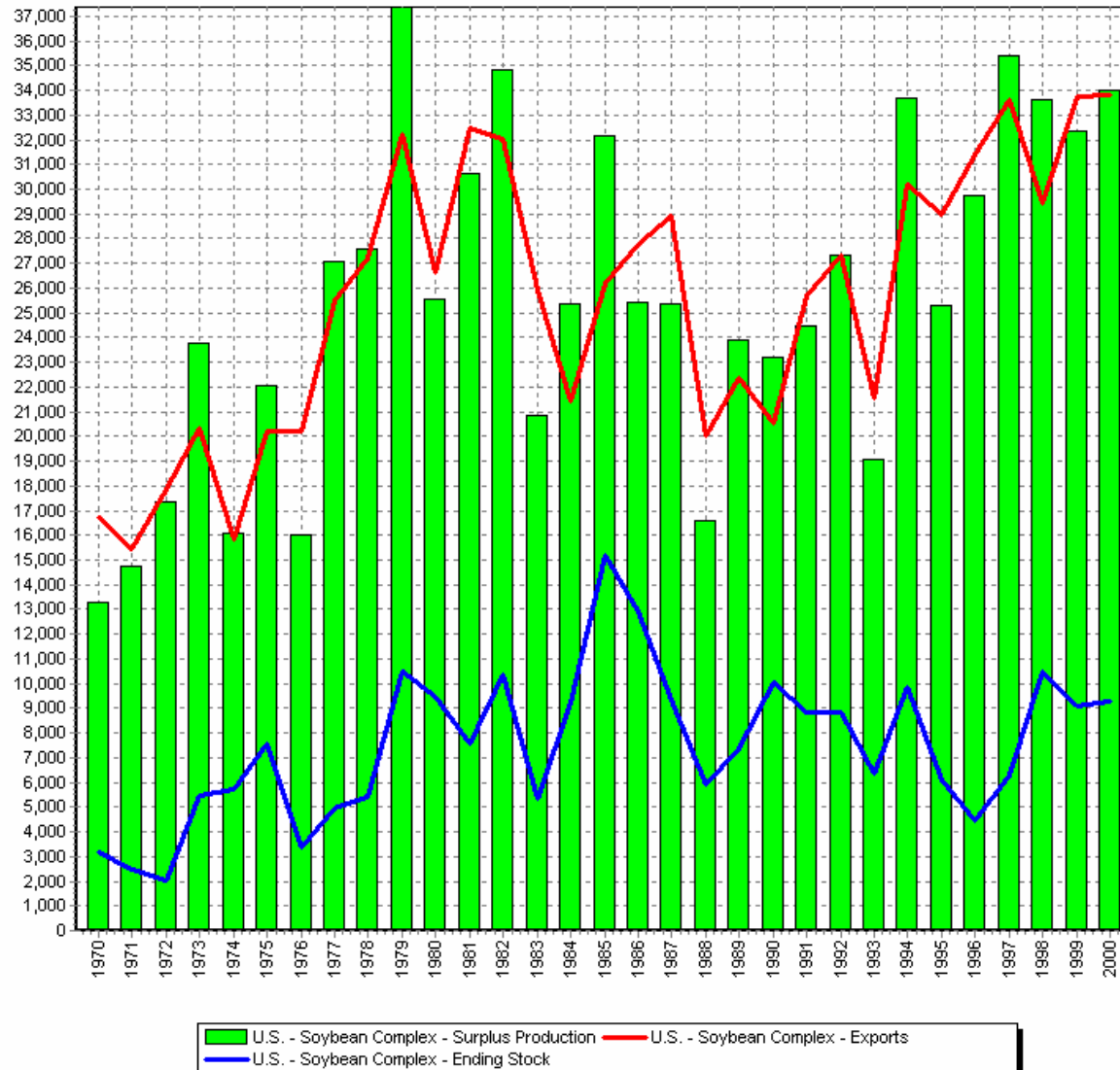
Argentine Soybean Complex Exports and Surplus Production



Brazilian Soybean Complex Exports and Surplus Production

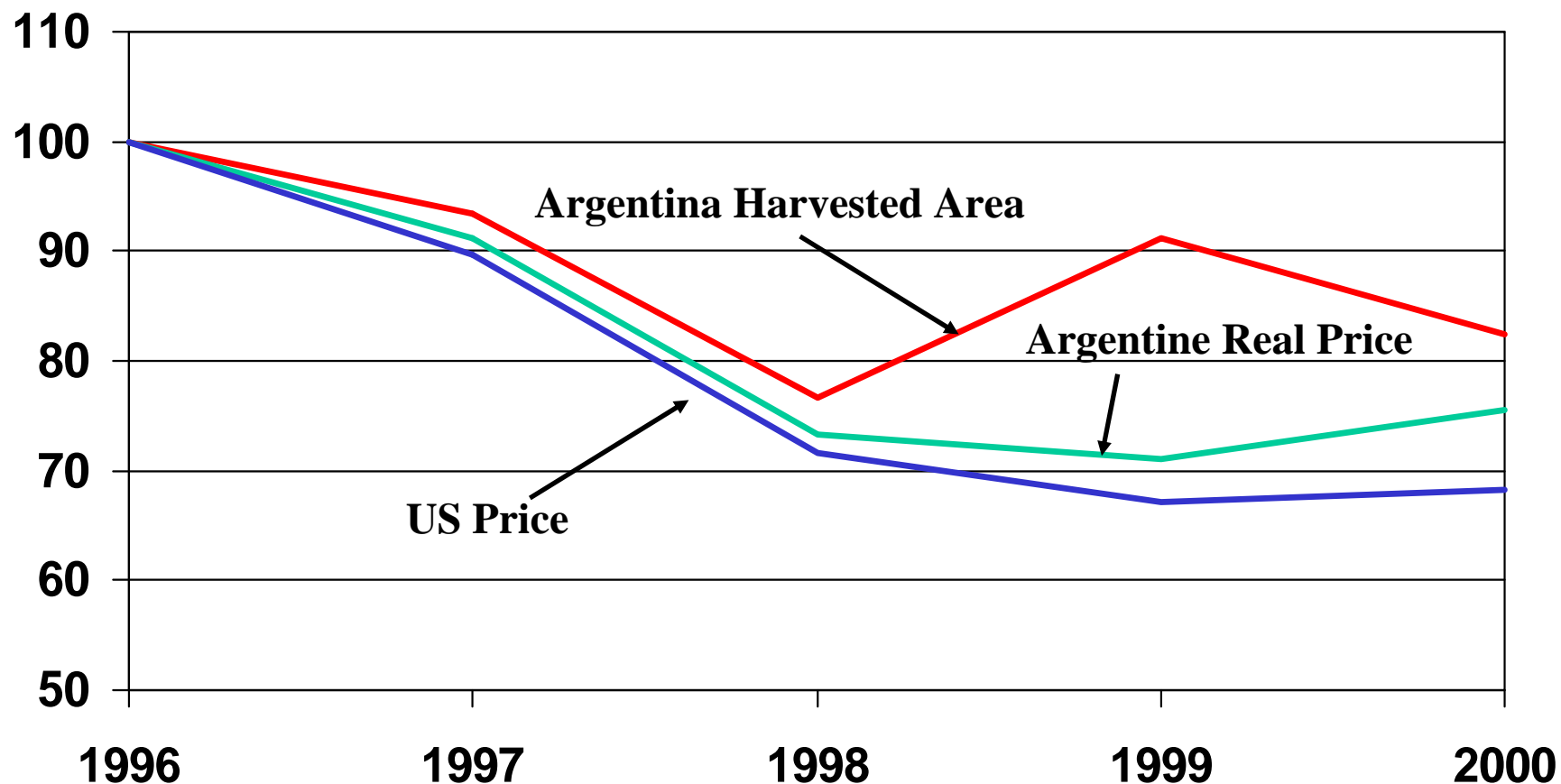


U.S. Soybean Complex Exports and Surplus Production



Corn Harvested Area for Argentina and Argentine Real and U.S. Nominal Corn Prices

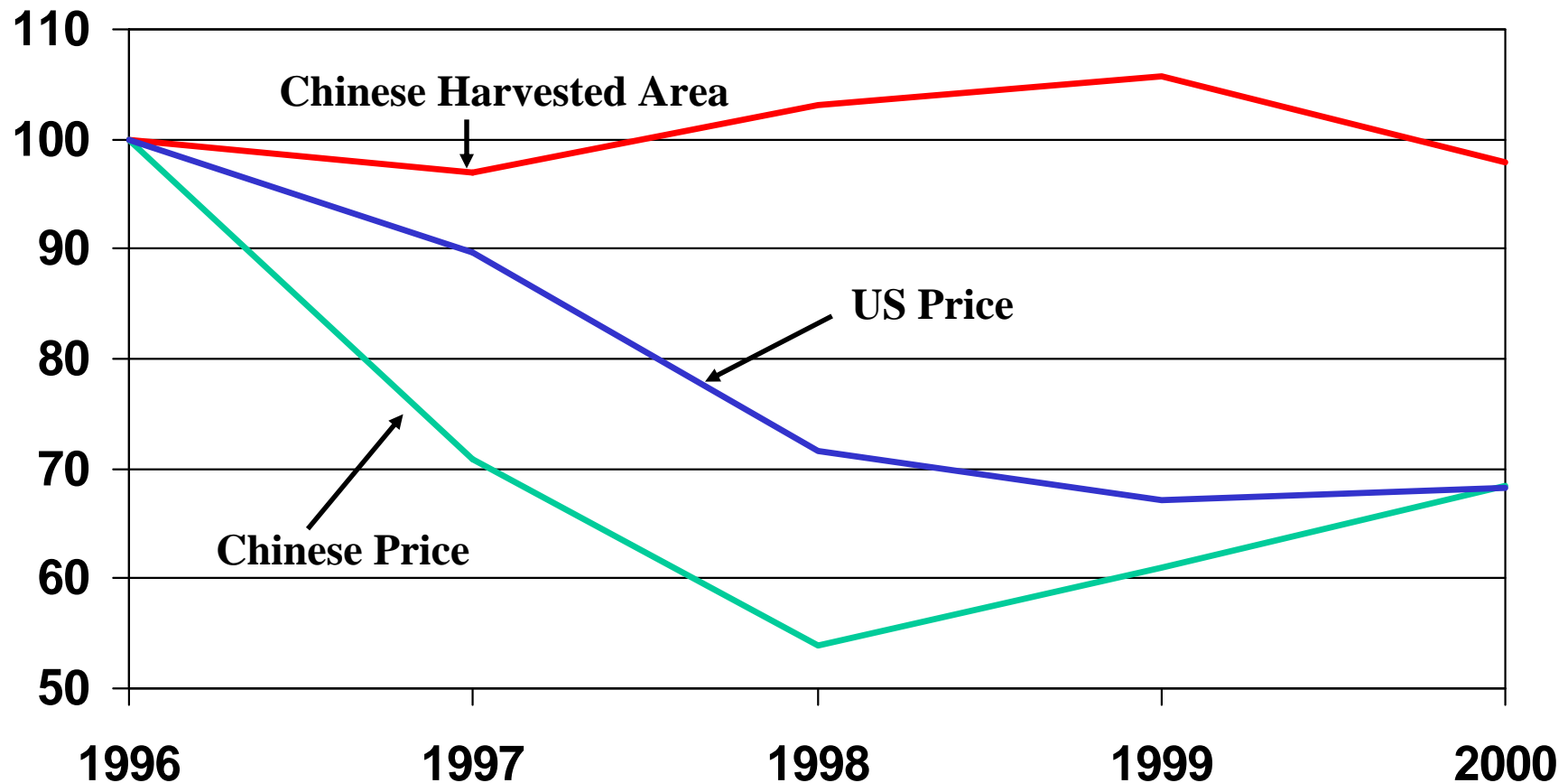
Indexed 1996=100



Data source :USDA, ERS

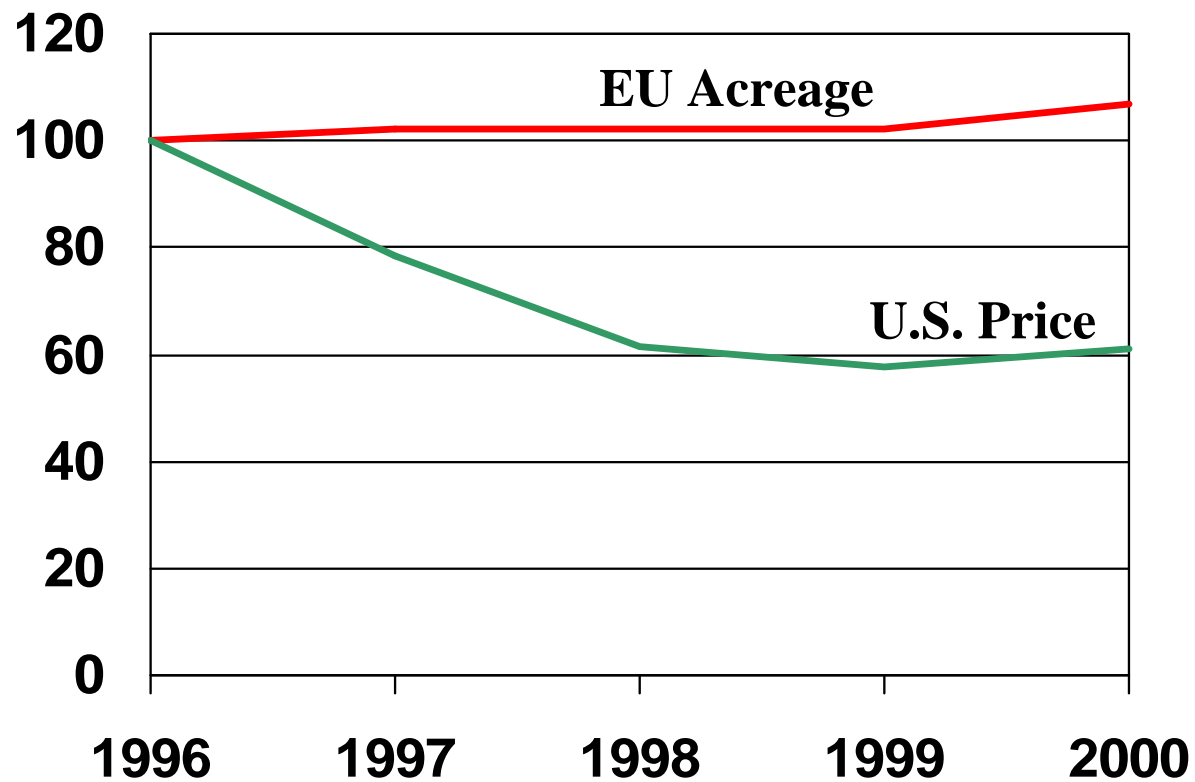
Corn Harvested Area for China and Chinese Real and U.S. Nominal Corn Prices

Indexed 1996=100



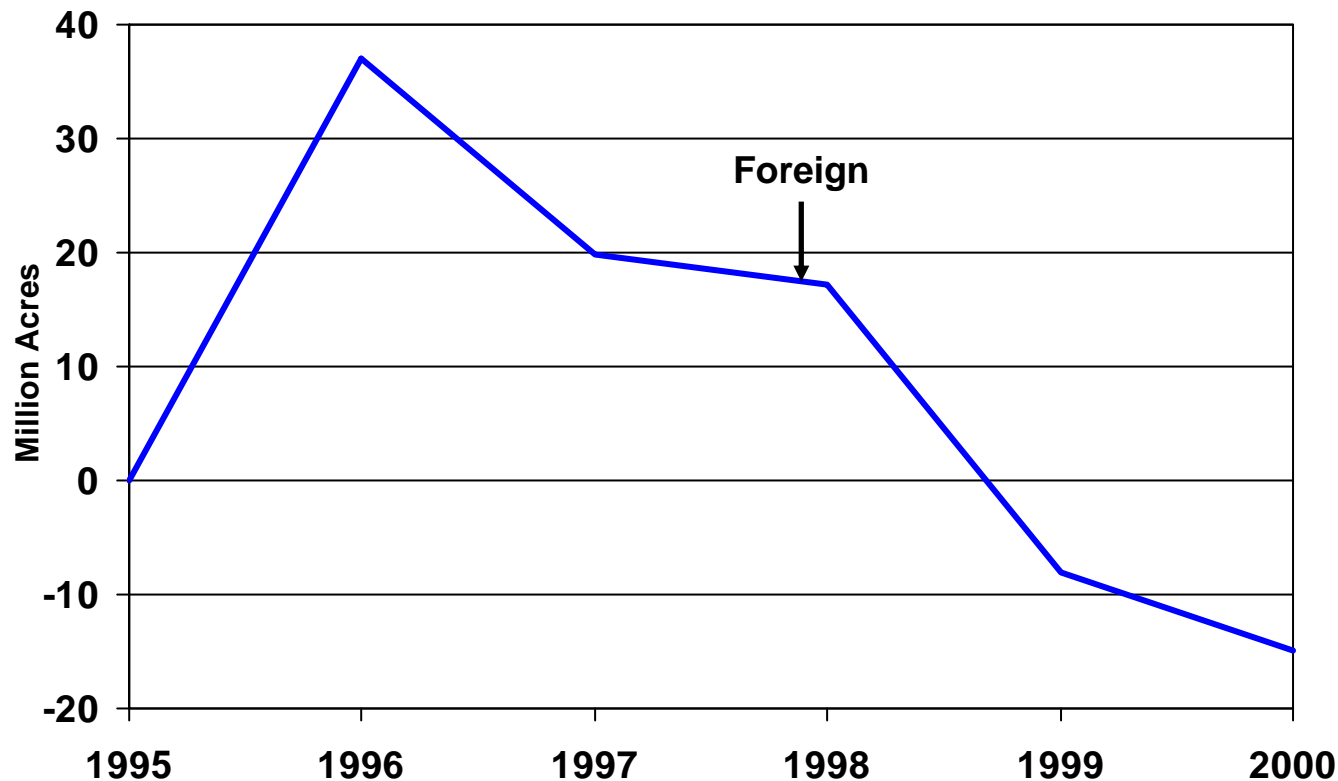
Data source :USDA, ERS

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



Foreign Crop Acreage

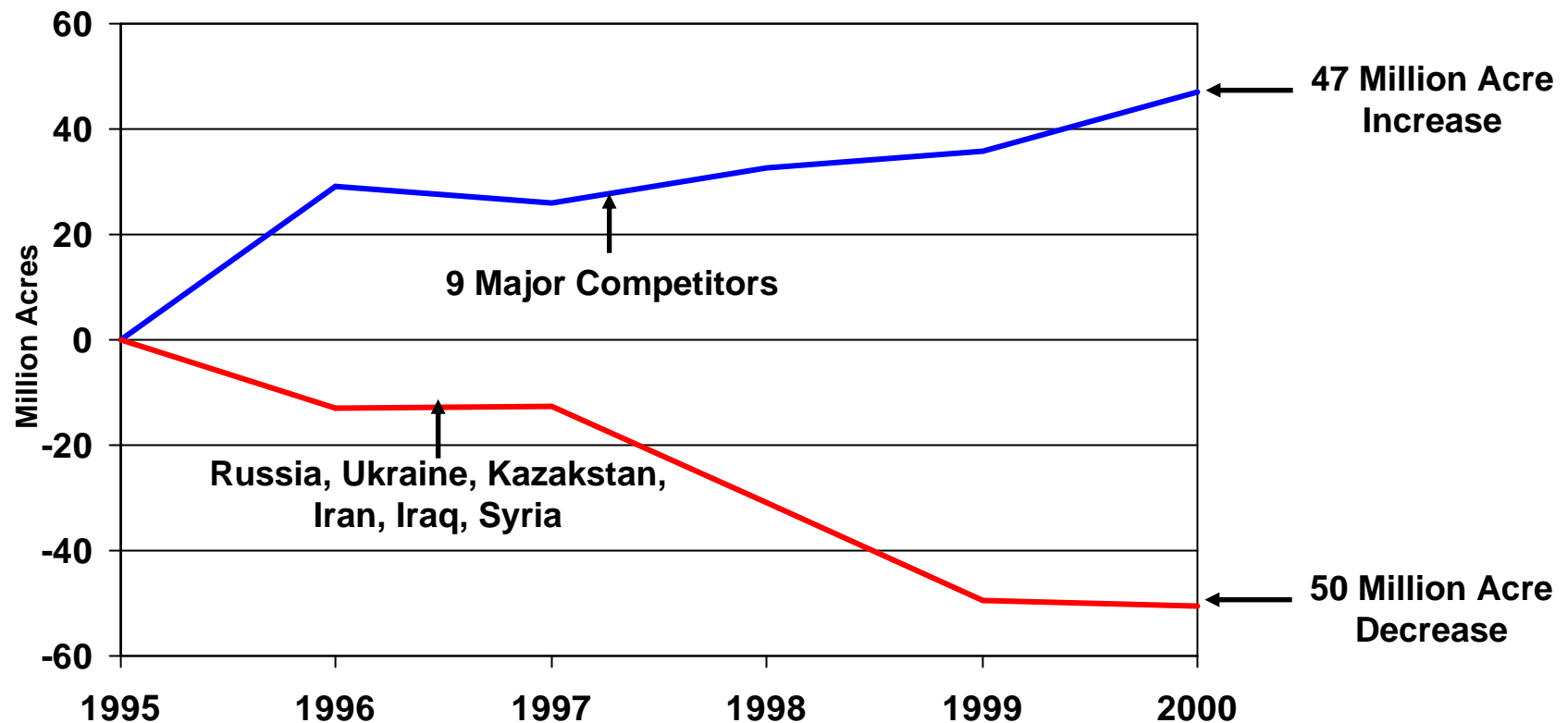
Some have cited the 1999 reduction in foreign harvested acreage as indicative of the benefits of eliminating set-asides



Gain or loss in foreign harvested acres when compared to 1995

Foreign 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.

Agricultural Policy Analysis Center

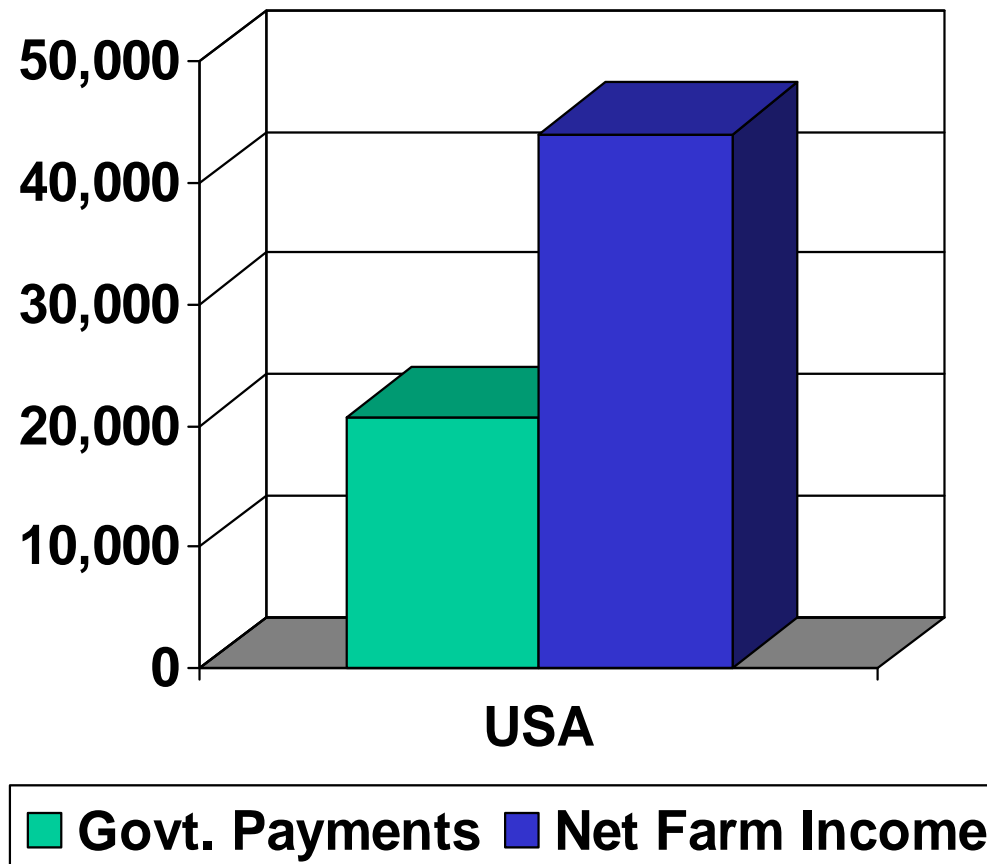
University of Tennessee

<http://agpolicy.org>

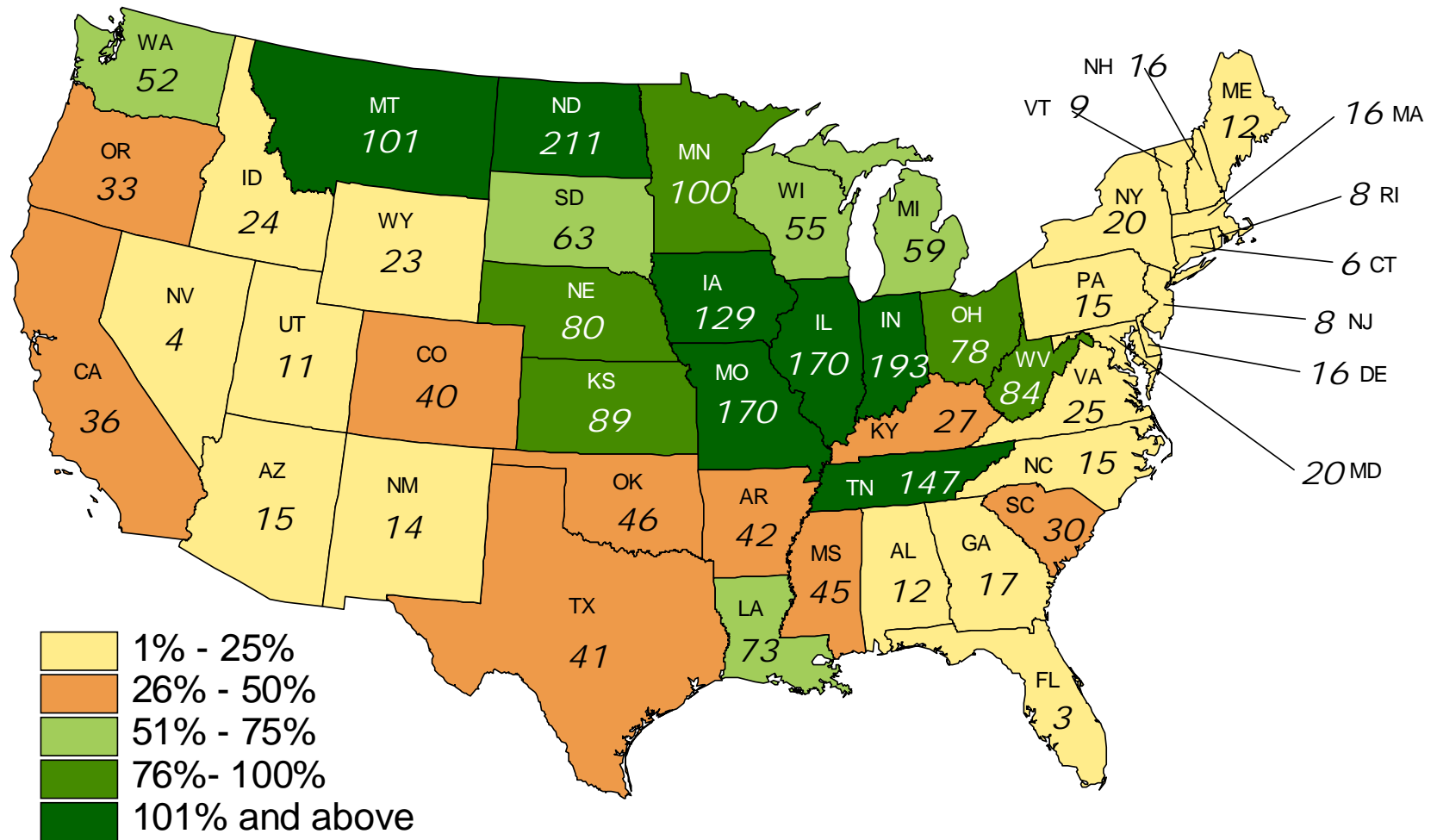
dray@utk.edu

*Weekly Columns Available on
website: agpolicy.org*

1999 Net Farm Income and Government Payments

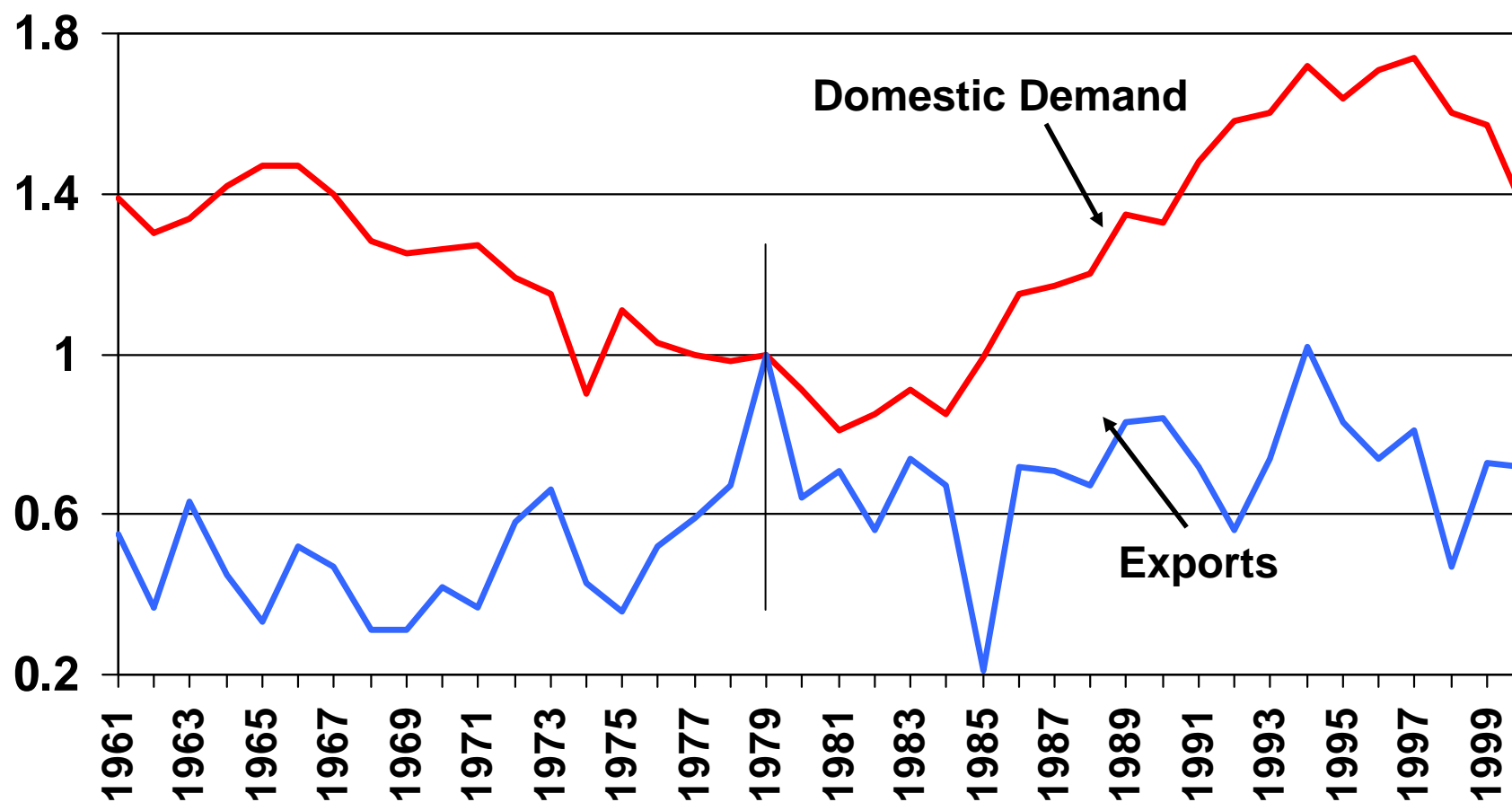


1999 Government Payments as a Percent of Net Farm Income



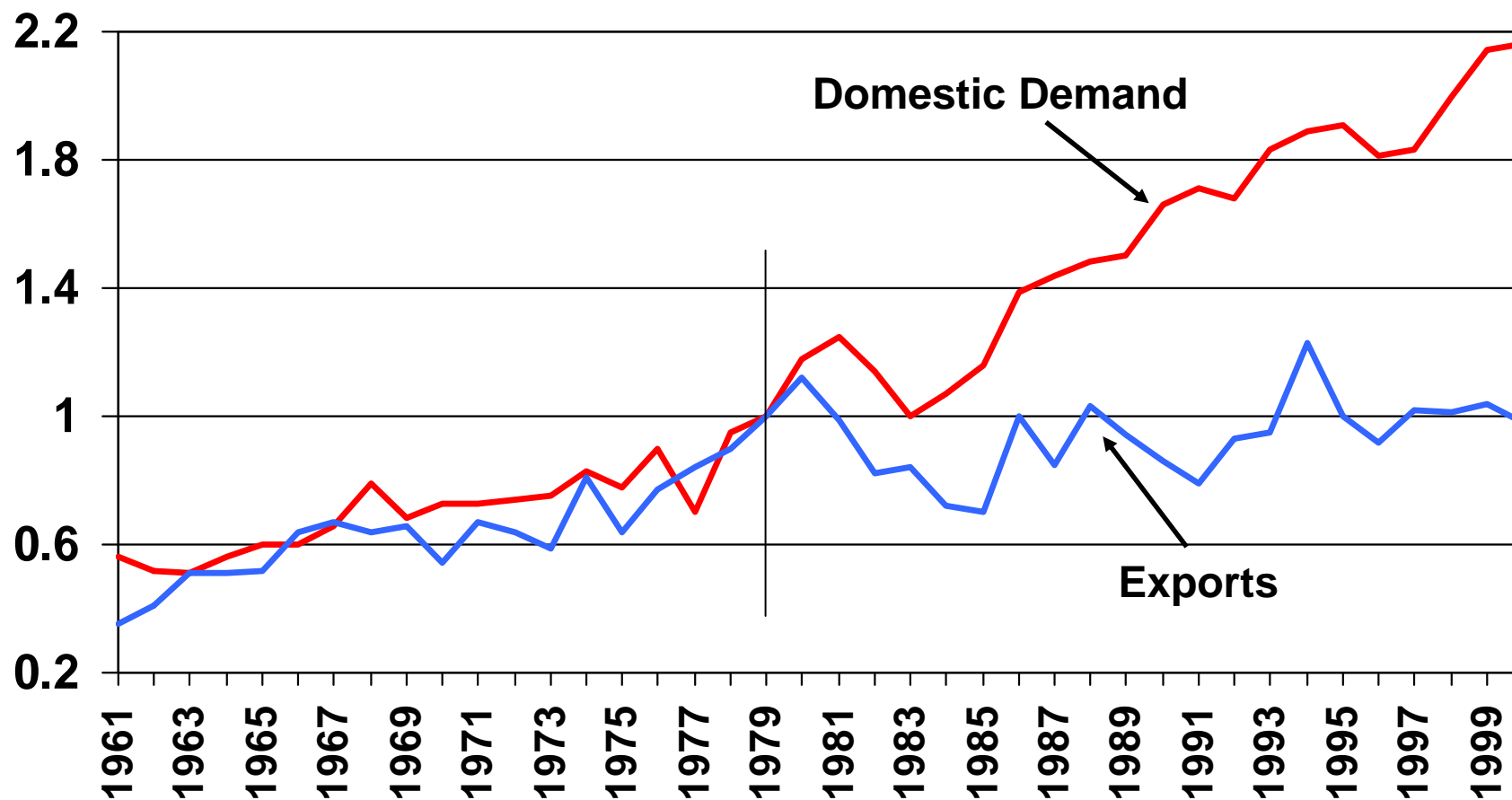
Indexed Growth in Cotton Domestic Demand and Exports

1979=100

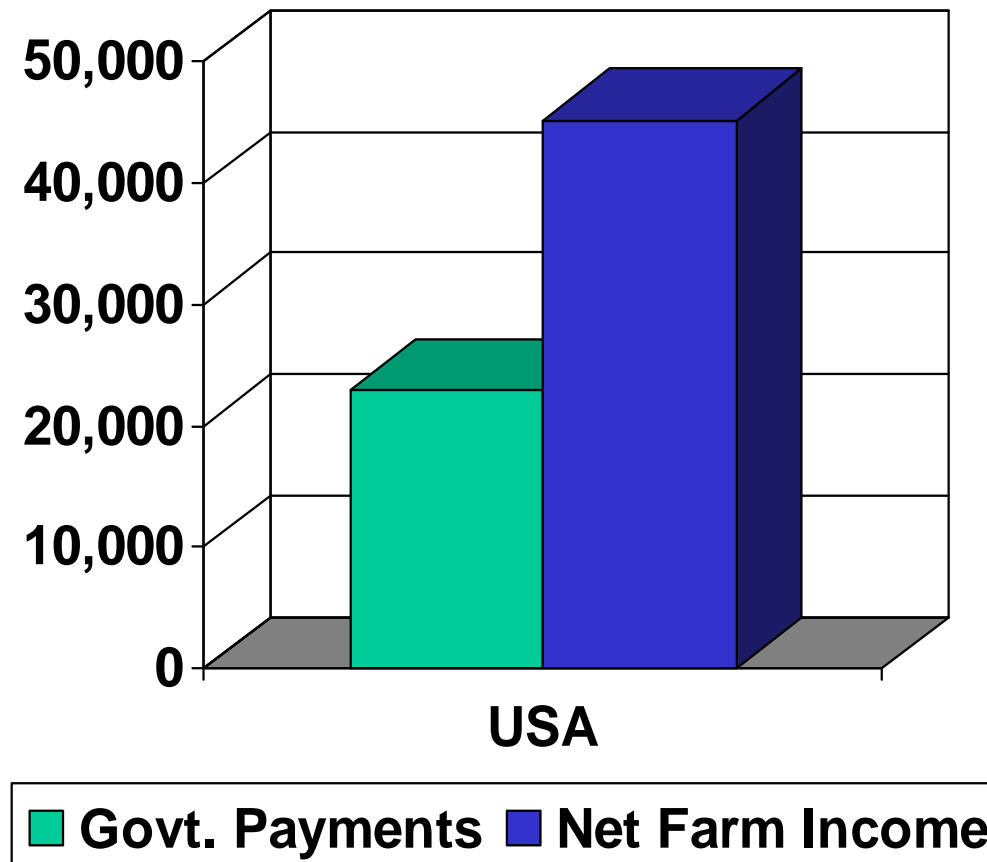


Indexed Growth in Rice Domestic Demand and Exports

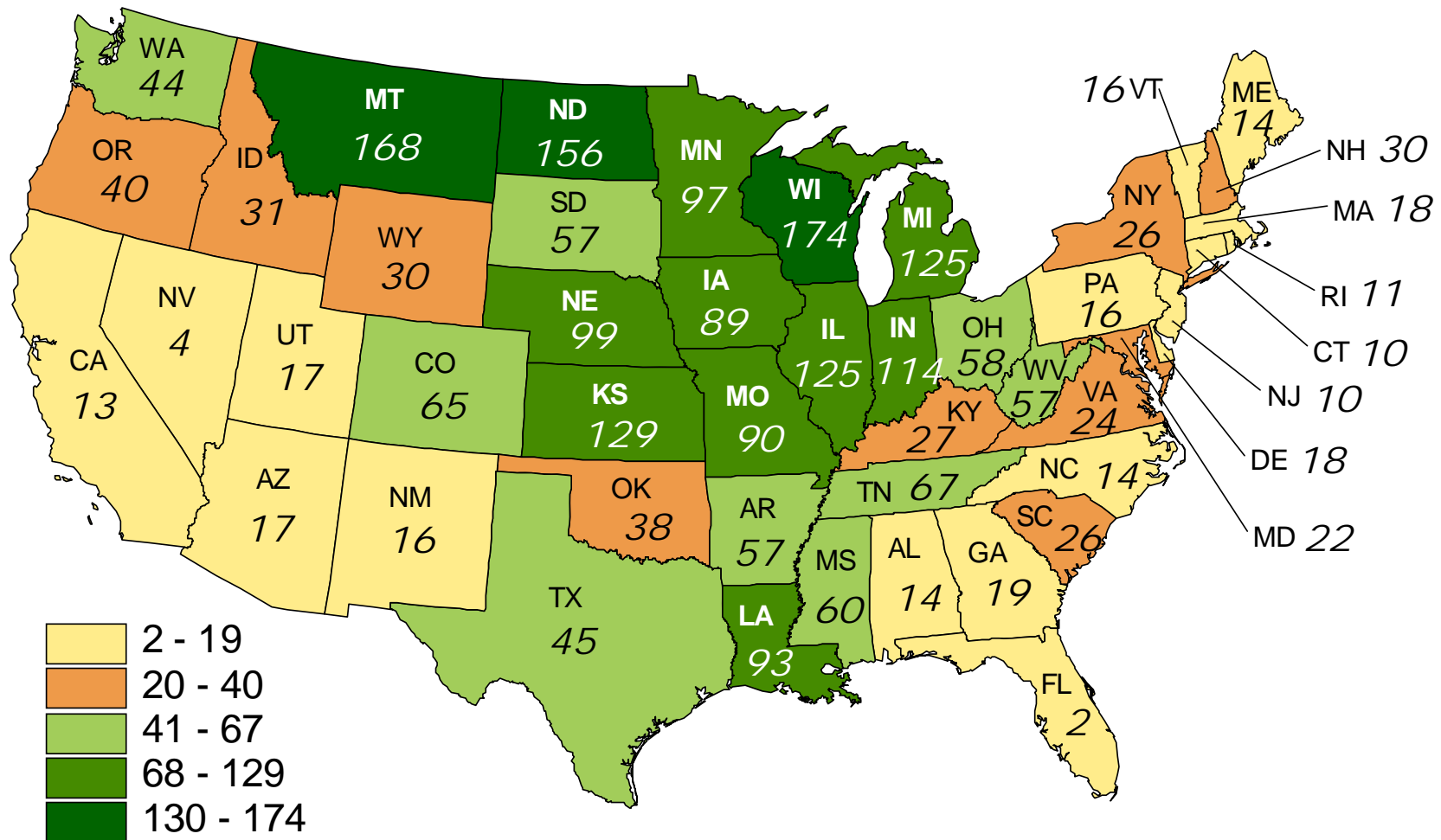
1979=100



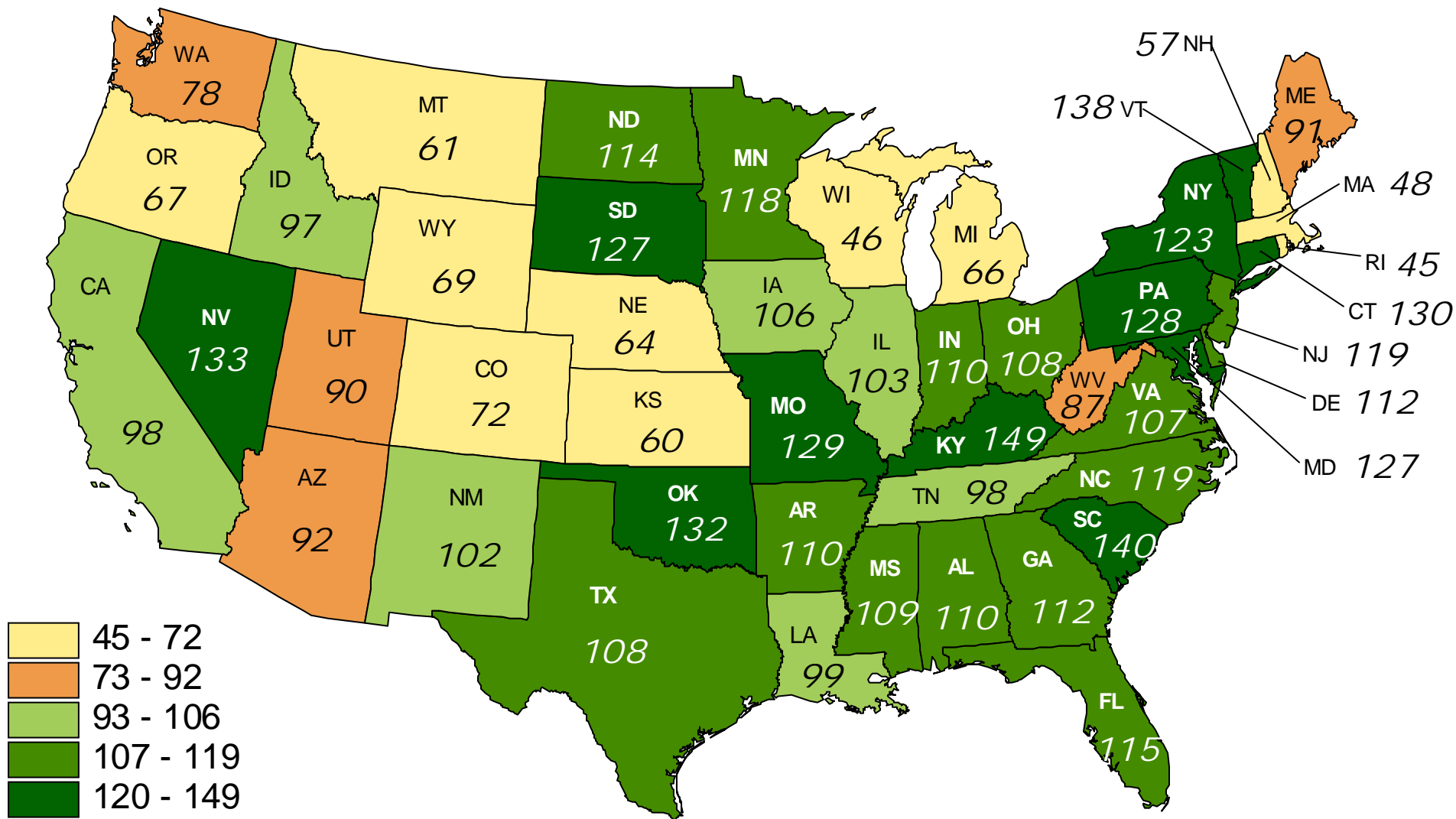
2000 Net Farm Income and Government Payments



2000 Government Payments as a Percent of Net Farm Income

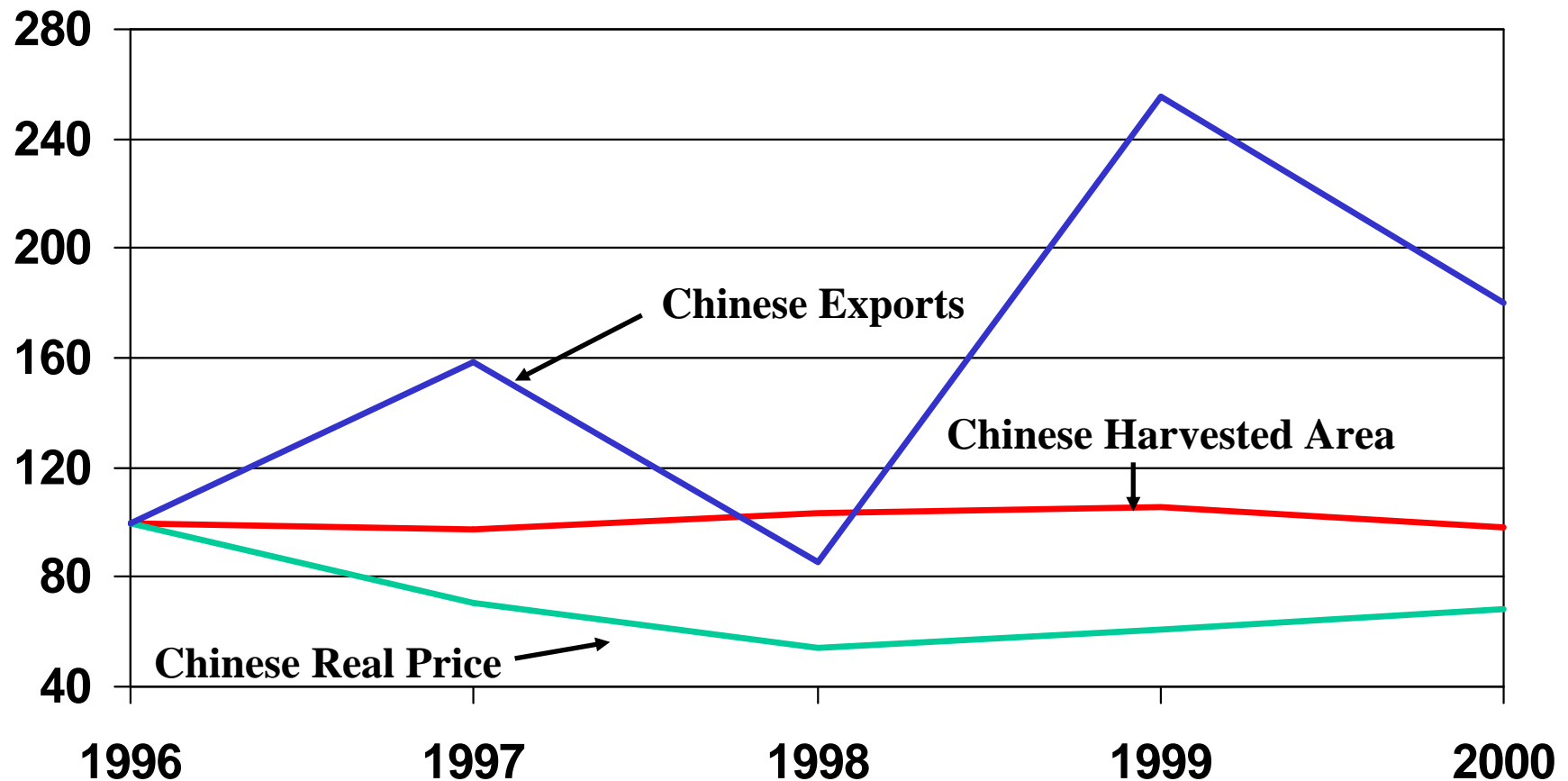


2000 Net Farm Income as a Percent of 1990-1999 Average



Corn Harvested Area, Exports and Real Price for China

Indexed 1996=100



Data source :USDA, ERS