

Food Security, Food Sovereignty and Agricultural Profitability

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Why Are We Here?

- **800 million people lack access to adequate nutrition**
- **Farmers, worldwide, are plagued with unsustainably low prices**

Hunger Eradication Goals Unmet

- **1974 World Food Conference**
 - Eradication of hunger within a decade
 - Instead 800 million hungry after two decades
- **1996 World Food Summit**
 - Halve number of hungry within two decades
 - Instead—to date—no improvement in reducing the rate of malnutrition
 - In fact, if China is excluded, malnutrition has increased since 1996

The Problem is...

- **Not that the world lacks the productive capacity to feed the hungry**
- **Not that ample productive capacity requires low prices**

One Set of Problems: Recent Policies and Their Expectations

We were promised that the policy trio of:

- **De-regulation**
- **Trade Liberalization**
- **Privatization**

Would provide:

- **Reduced malnutrition**
- **Increased the rate of social gains**
- **Increased farm prices and incomes**

But it Hasn't Worked Out

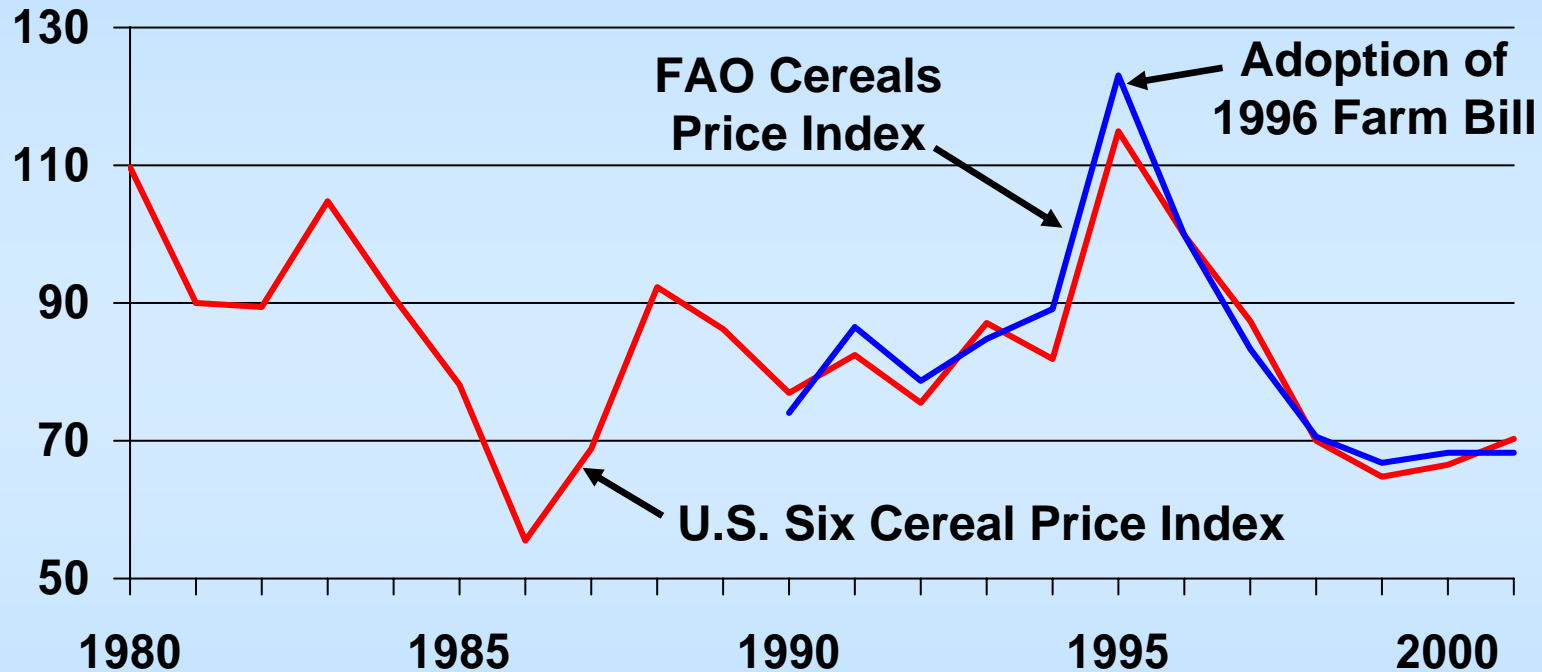
The current intergovernmental consensus for food/agricultural policy:

- **Fails to provide adequate and stable market returns for farmers worldwide**
- **Fails to help feed the hungry**
- **Favors concentration and benefits multinational agribusinesses**

Interaction of US Policy & World Agriculture

- **Commodity prices plummeted in US**
- **Lower US prices triggered low prices in international ag commodity markets**
- **Accusations of US dumping**
- **Countries in the South unable to neutralize impacts of low prices**

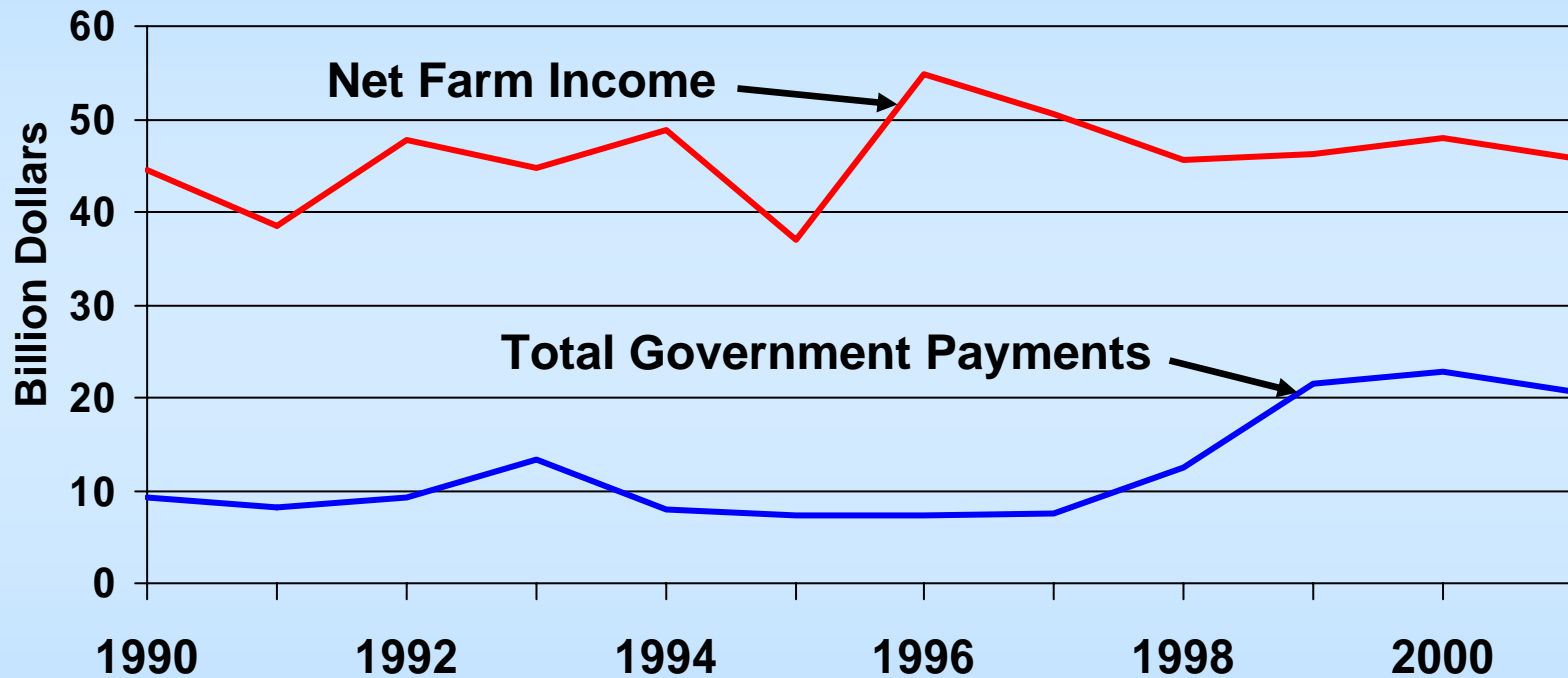
U.S. Six Cereals and FAO Cereals Price Indices



After 1996

- U.S. prices plummeted
- World prices followed

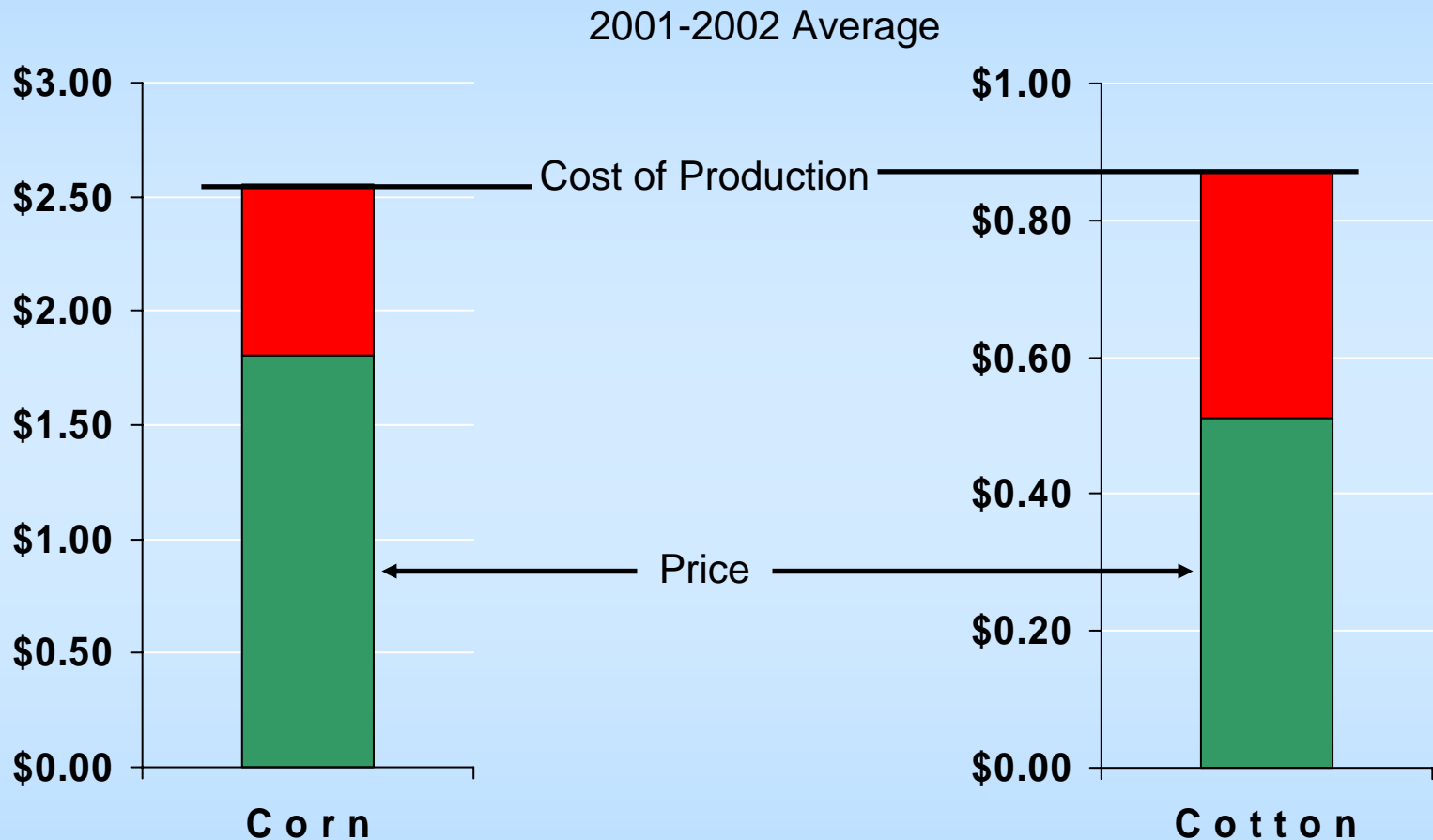
US Net Farm Income and Government Payments



Since 1996

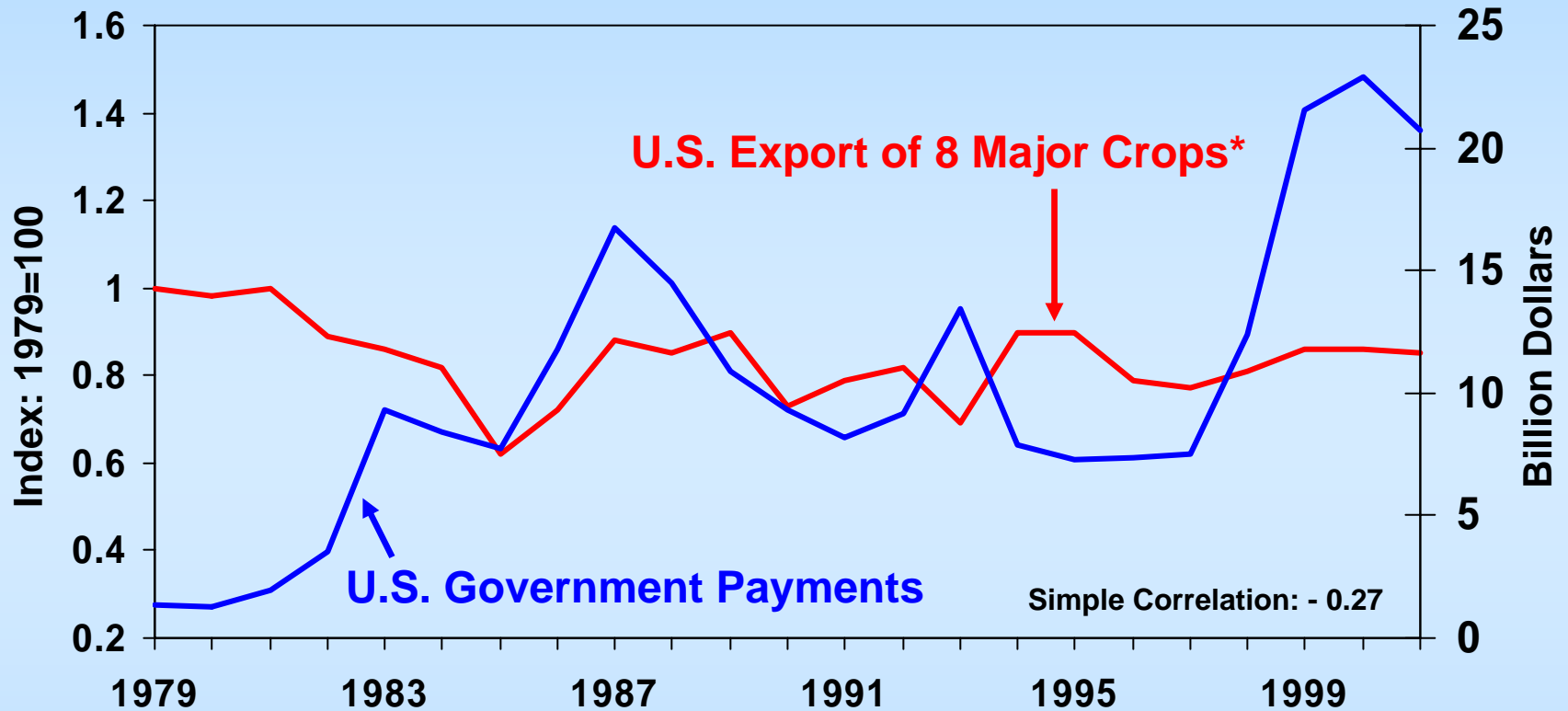
- Government payments are up over 100%
- Net Farm Income declined anyway

Prices and Cost of Production



- Prices cover only 60 to 75% for cotton and corn, respectively
- Even less for other crops

Exports and Government Payments

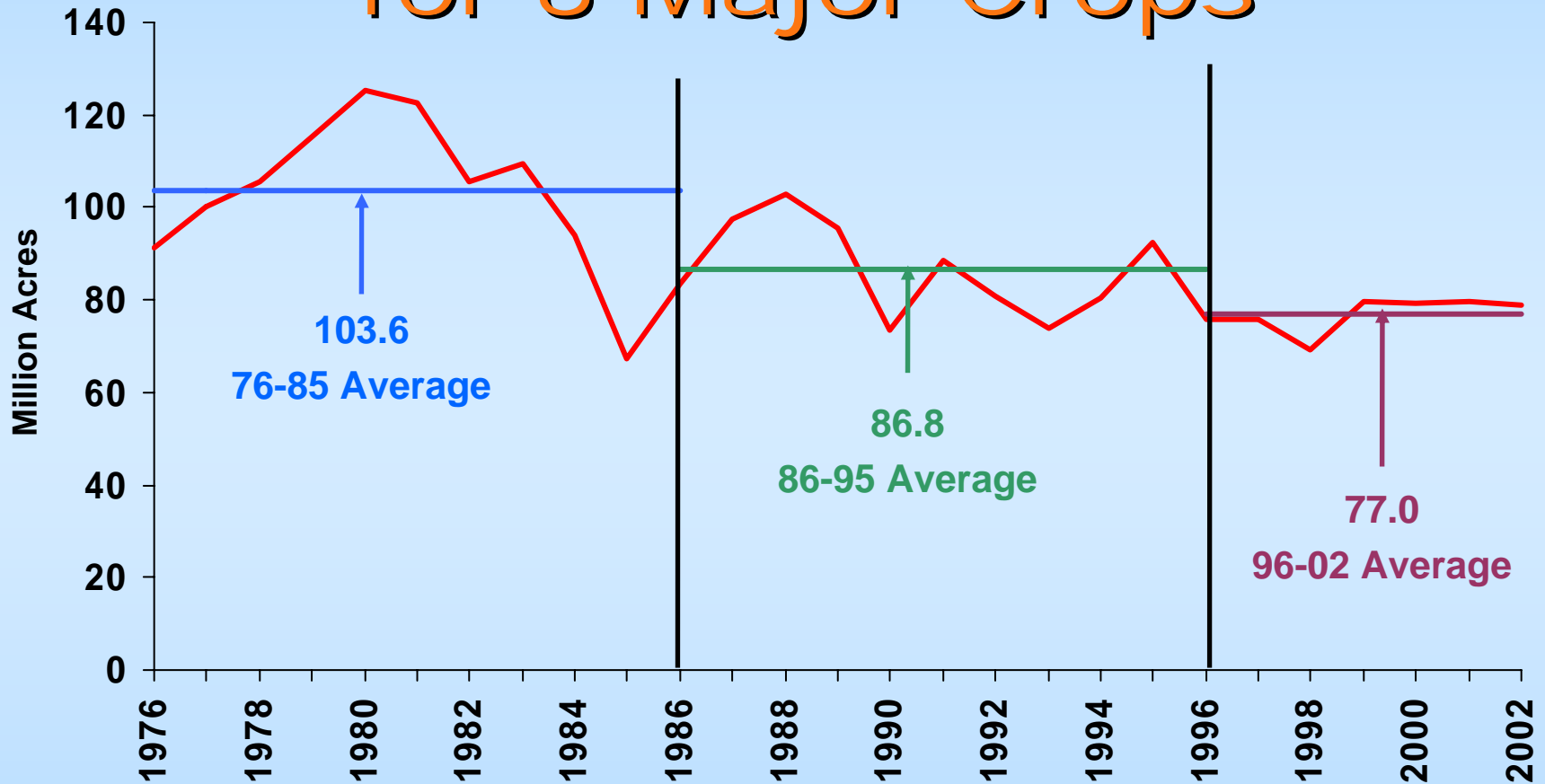


After skyrocketing government payments following the adoption of the 1996 Farm Bill

- U.S. export volume for 8 major crops remained on flat trend

*Adjusted for grain exported in meat

Net Export Acreage for 8 Major Crops



27 million fewer acres are currently used for eight major crop exports than in the 1976-1985 period

Policy at a Crossroads

With the decreased rate of improvement in social measures and the collapse in farm prices:

- **The current policy trio of de-regulation, trade liberalization and privatization is ineffective, contentious and uncooperative**
- **Alternative: Desperately need to identify elements of a stable, sustainable and cooperative world policy for food and agriculture**

Begin by Building Agricultural Policy from the Bottom Up

- **Subsistence producer**
- **Individual consumer**
- **Small commercial producer**
- **Large commercial producer**
- **Agricultural worker**
- **Nation**
- **World**

Food/Ag Policy Should Address:

- **Accessibility**
- **Sufficient quantities**
- **Cultural appropriateness**
- **Nutritional adequacy**
- **Dependability**
- **Available to all**

Such Ideas are Included in Several Concepts/Terms

- **Food security**
- **Food/Ag policy self-determination**
- **Food sovereignty**

But whatever you call it, each country...

- **defines its own agricultural and food policies and**
- **recognizes its interdependence with other countries and both protects itself from dumping and does not cause dumping**

Elements of a New Ag/Food Policy

- **Autonomy** – Can individuals/nations make their own decisions?
- **Availability** – Do resources/food exist?
- **Accessibility** – Are resources/food within reach?
- **Sufficiency** – Is there enough?
- **Equitability** – Are resources/food fairly distributed?

Elements of a New Ag/Food Policy

Food production and distribution systems

- **Sustainability** – Can the system continue indefinitely or does it depend upon resource depletion/depredation?
- **Stability** – Does the system minimize variability?
- **Reliability** – Is the system dependable?

Food IS Different

- **Food is a biological requirement; a matter of life and death**
- **Most everything else—but water and shelter—is optional**
- **The trade and market rules that work well for non-essential commodities give unacceptable results for food/agriculture**
- **The uniqueness of food and agriculture requires a unique set of domestic and trade policies**

Absolute Necessity Gave Rise to "Policy of Plenty"

- **Public policy of ensuring an ever-increasing food supply by investing in:**
 - **Research**
 - **Education**
 - **Extension**
- **The development and maintenance of an excess capacity to provide food is a desirable, if not necessary, public policy goal**

But “Plenty” Must be Managed

- **Agricultural output generally increases faster than effective demand**
- **Low farm prices result**
- **Other industries self-correct when prices are low**
 - **Consumers buy more**
 - **Producers produce less**
- **Not in agriculture**
 - **Cropland area changes too slowly in response to lower prices**
 - **Consumers do not go to 5 meals a day as food prices decline**

Managing Plenty and The Role of US Farm Policy

In the past U.S. farm bills included

- **Floor price**
- **Supply management tools**
- **Price stabilization**

Recent U.S. farm legislation

- **Eliminated all three**
- **Set prices free to fall well below cost of production**
- **Provided revenue supplements to compensate when prices are low**

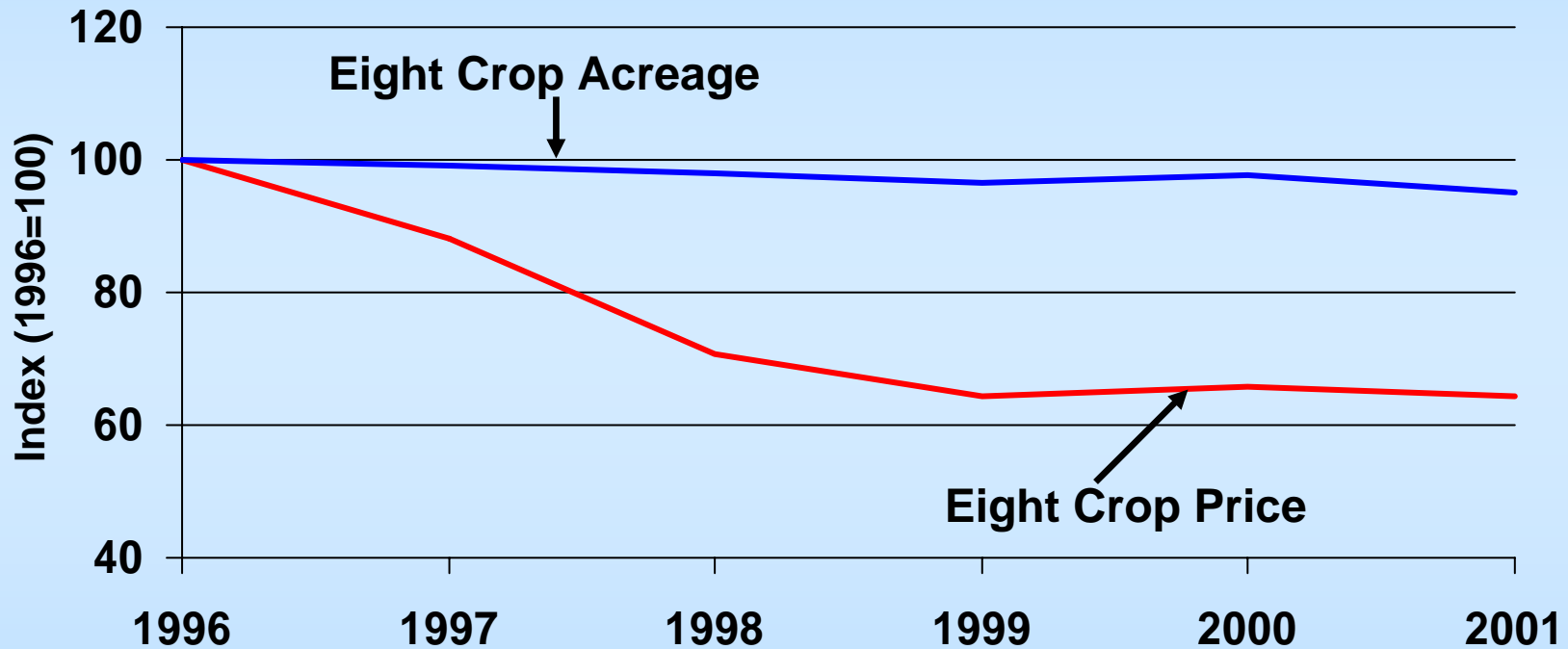
Predictable Consequences of not Managing Supply

- **Millions of acres previously “set-aside” are brought back into production**
- **Prices fall in U.S. and world markets**
- **Congress legislates payments— support land values but have little impact on production/prices**

Trade Liberalization and Free Markets Are Not the Answer

- Prices and incomes are not self-correcting when prices drop because:**
- **Supply does not respond enough to low prices (has not; does not; will not)**
 - **Demand does not respond enough to low prices (has not; does not; will not)**

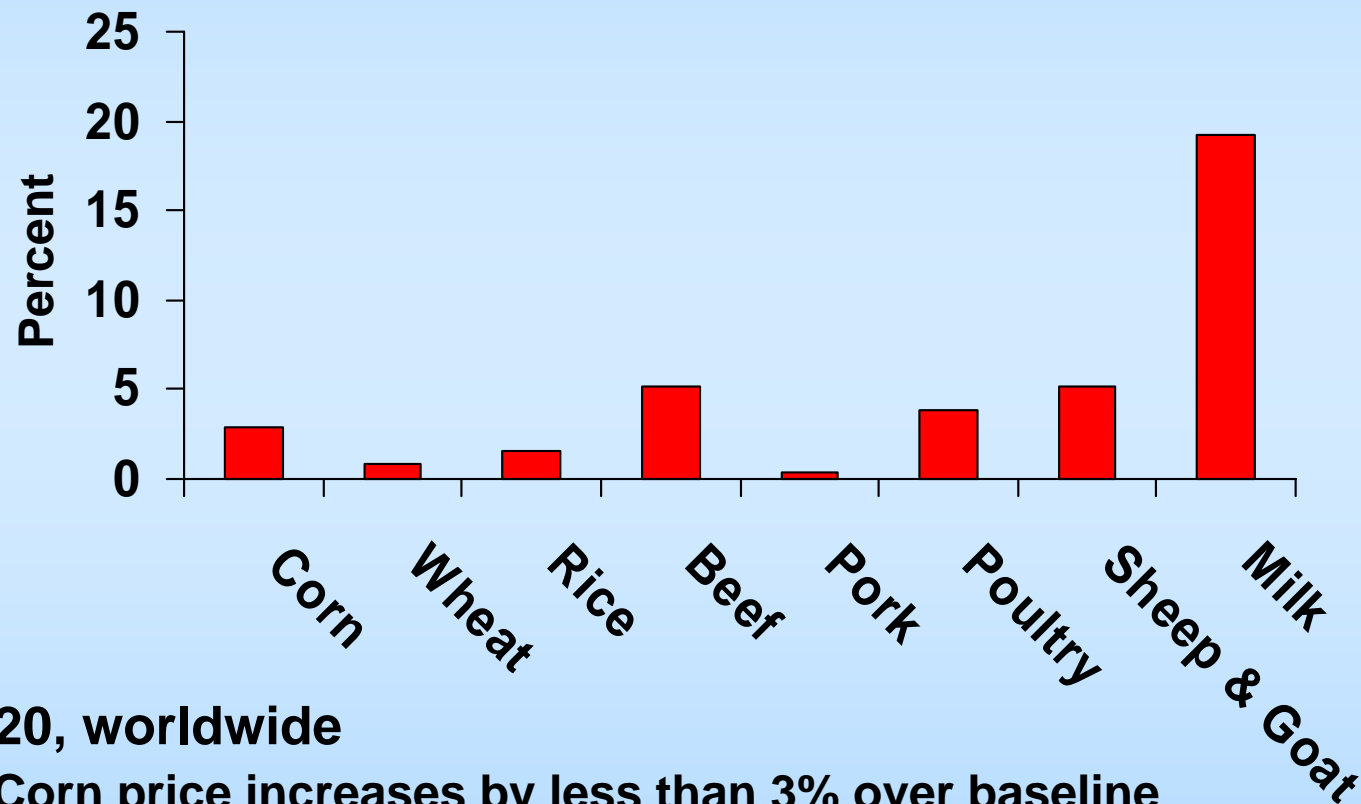
Acreage Response to Lower Prices?



Since 1996

- Eight major crops maintain acreage
- Eight-crop price drops by 36%

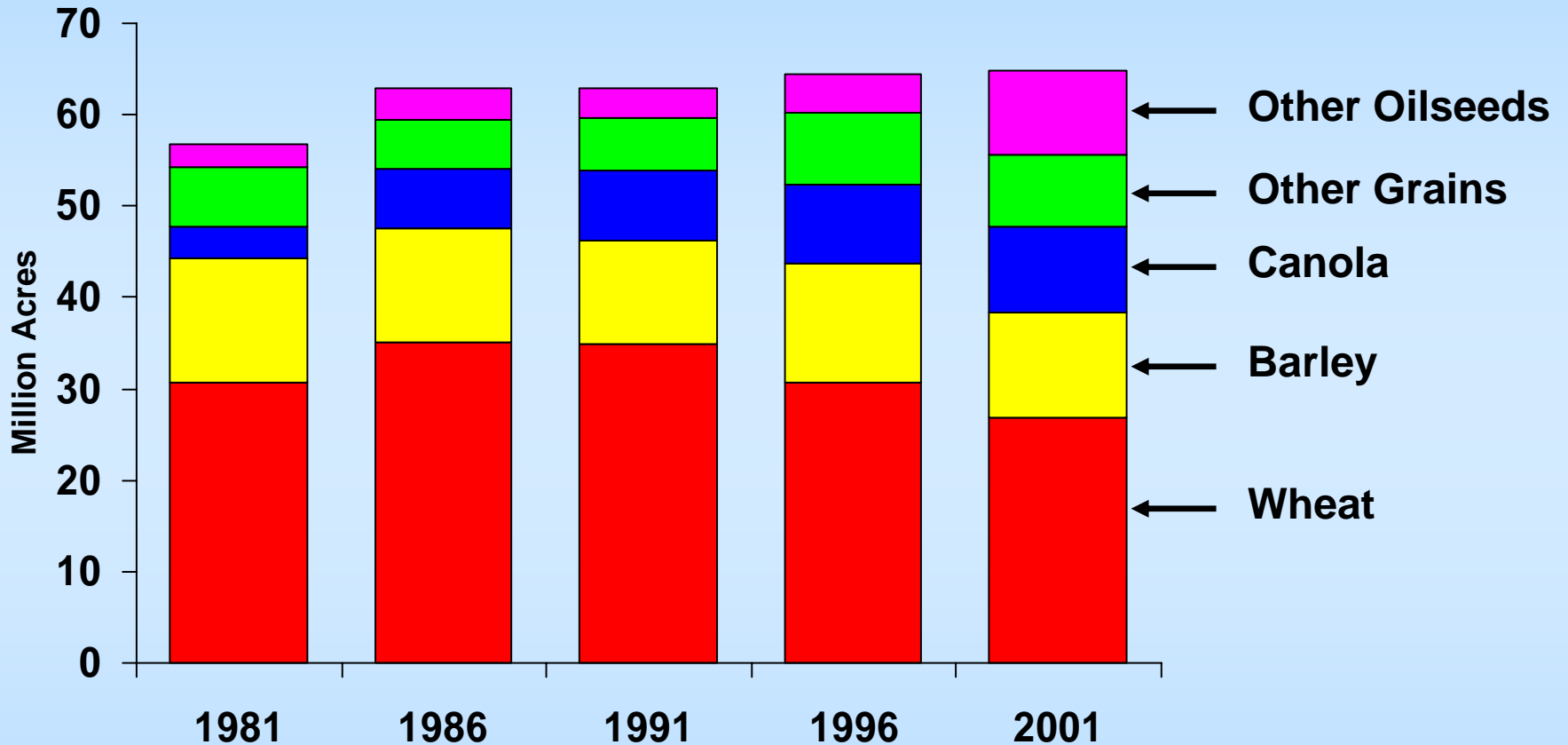
With No U.S. Subsidies: Worldwide Price Impacts, 2020



In 2020, worldwide

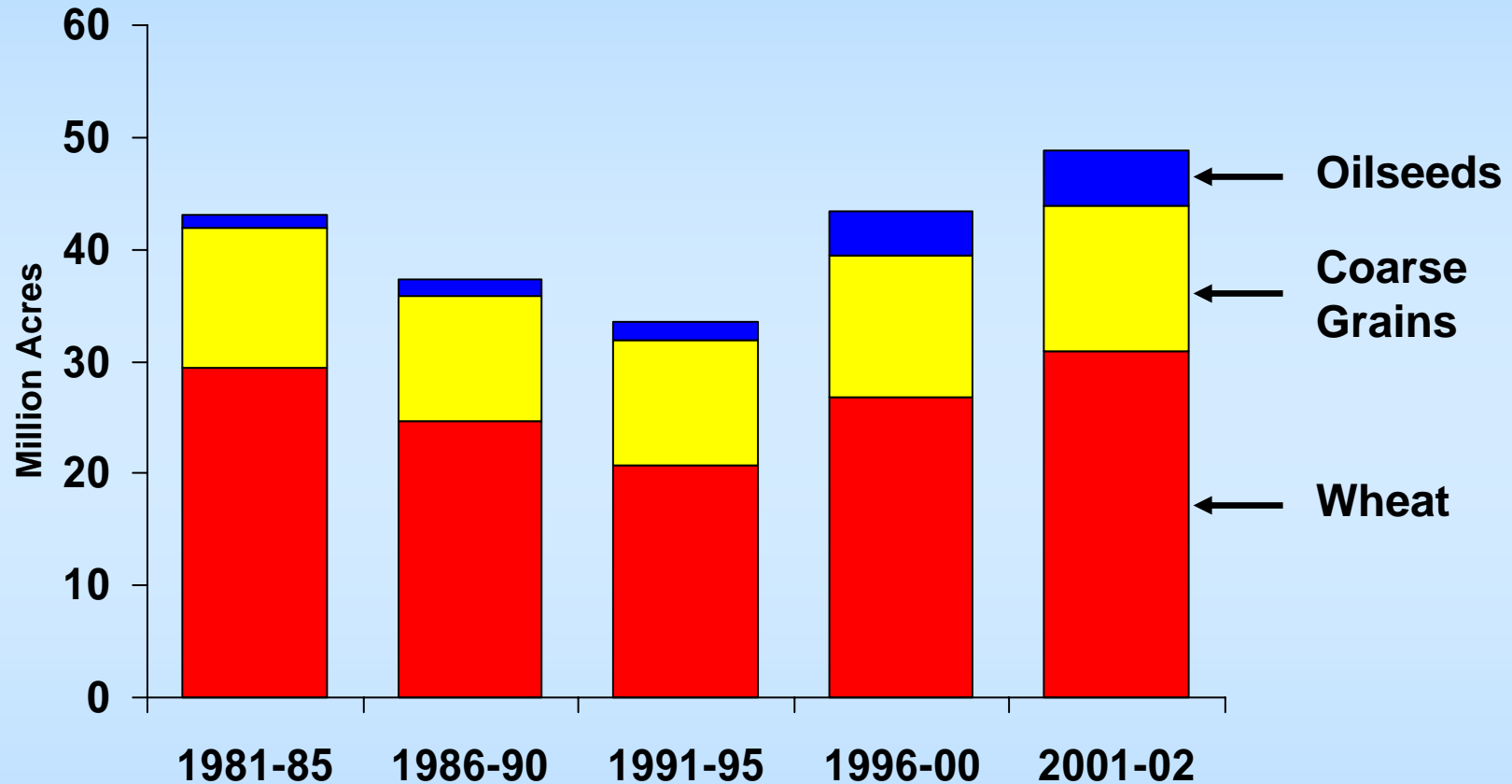
- Corn price increases by less than 3% over baseline
- Wheat price increases by less than 1% over baseline
- Rice price increases by less than 2% over baseline

Canadian Experience with Farmland Planted



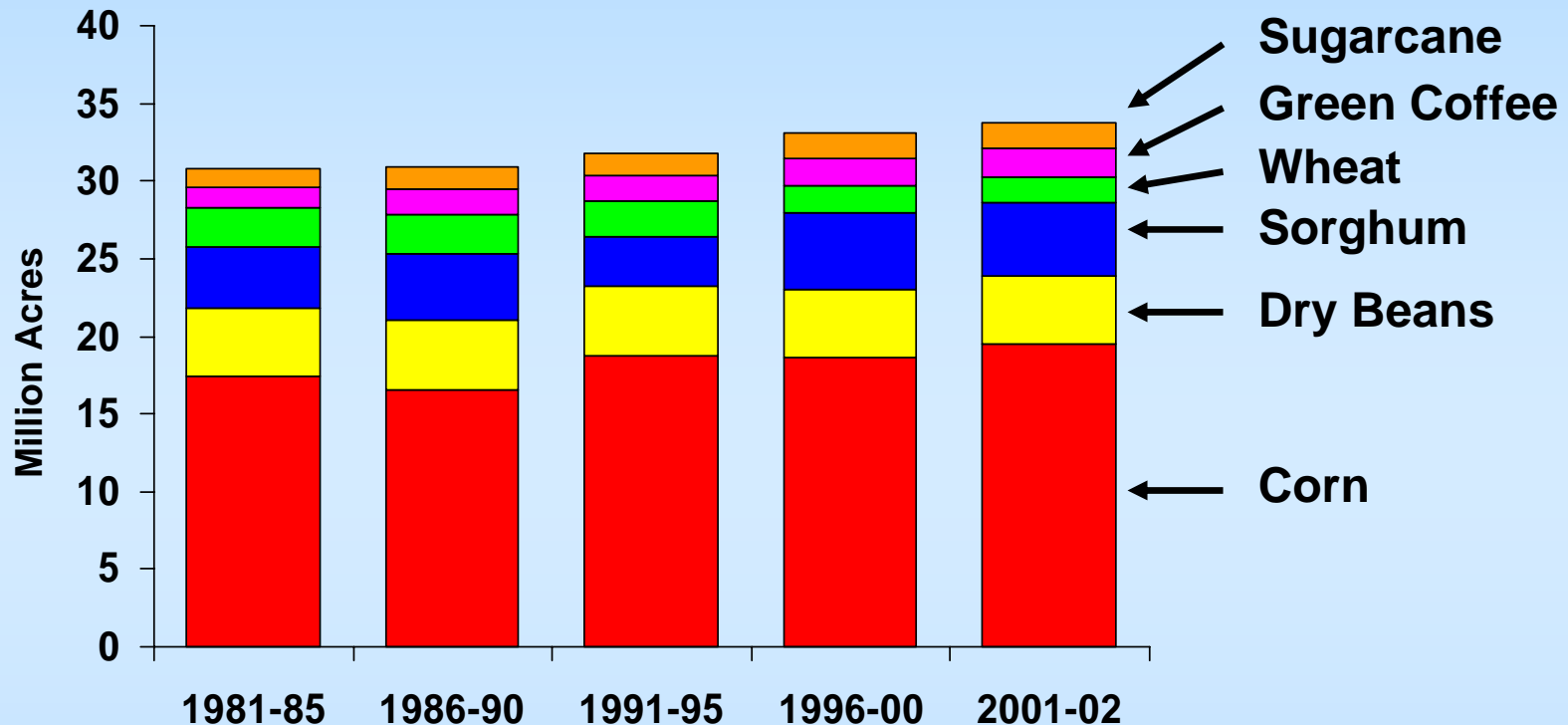
- Canada reduced subsidies in 1990s
- Eliminated grain transportation subsidies in 1995
- Crop mix changed, total acreage remained flat

Australian Experience with Farmland Planted



- Australia dramatically reduced wool subsidies in 1991
- Acreage shifted from pasture to crops
- All the while, prices declined

Mexican Experience with Farmland Planted



- Mexico eliminated or reduced supports in the 1990s
- Phased out import quotas under NAFTA
- Increased acreage of above selected major crops
- Total crop acreage also increases – 256 million acres in 1991, 265 million acres in 2001

What Food and Agricultural Policies are Needed?

Policies that:

- **Provide emergency relief**
- **Preserve the autonomy of each country to determine its food and agricultural policies**
- **Recognize the need for cooperative solutions**

Food/Farm Policy Components

- **International humanitarian relief reserve**

Establish International Humanitarian Relief Reserve

- **Reserve should be available to meet food EMERGENCIES**
- **Release should be based on need NOT price or desire to clear storage**
- **Distinct from stock management programs to stabilize price**
- **Distribution should be in manner that does not penalize local producers**

Food/Farm Policy Components

- International humanitarian relief reserve
- **Domestic production – Food/Farm Policy Self-Determination**

Domestic Production – Food/Farm Policy Self-Determination

- **A primary aim is domestic markets**
- **Protection from dumping**
- **Policies to encourage production by small and medium size producers**
- **Provide stability for subsistence production**
- **National agricultural and food policies set by each country**

Dispersed Food Production Capacity Is Desirable

- **Protects against weather variability if production were concentrated in a few countries**
- **Protects against insect or disease infestation if production is concentrated in limited area**
- **Enhances domestic food security**
- **Reduces transportation costs, using less non-renewable resources like petroleum**

Eliminating Malnutrition

Policies supporting the domestic production of foodstuffs in developing countries is the single most important strategy in the effort to halve the number of malnourished in the world by 2015.

- **Protection of subsistence farmers**
- **Protection from imports**
- **Development of appropriate technology, sustainable agriculture**

Food/Farm Policy Components

- International humanitarian relief reserve
- Domestic production – Food/Farm Policy Sovereignty
- **Manage supply at national level**

Manage Supply at National Level

- **Policies to allow for production controls**
- **Storage programs to balance out market demand and production variability**
- **Release is dependent upon price**
- **Reinstitute U.S. policies which set floor on commodity prices (supports prices worldwide)**

Food/Farm Policy Components

- International humanitarian relief reserve
- Domestic production – Food/Farm Policy Sovereignty
- Manage supply at national level
- **Worldwide collaboration in supply management**

Worldwide collaboration in Supply Management

- **Significant additional productive capacity exists in Brazil, Ukraine, China**
- **Major exporters need to manage supply in ways that do not dump excess production on world market at prices below the cost of production**
- **International cooperation to establish floor prices**

Food/Farm Policy Components

- **International humanitarian relief reserve**
- **Domestic production – Food/Farm Policy Sovereignty**
- **Flexibility to manage supply at national level**
- **Global cooperation and collaboration in supply management**