

Addressing Domestic and International Farm Problems

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The Overarching Framework for Farm Policy

- **Recognizes the need for supply management, stock buffering and price supports**
- **Focuses on economic sustainability for producers**
- **Preserves the autonomy of the US and other countries to determine its food and agricultural policies**
- **Addresses food security and global hunger issues**
- **Recognizes the need for international cooperative solutions**

In Contrast: Current Policies Foster

- **A race to the bottom in commodity prices**
- **The pitting farmers against one another, domestically and internationally**
- **High government payments—\$20 billion in US and \$300 billion worldwide**
- **A non-sustainable market receipts/government payment arrangement**

In Contrast: Current Policies Foster (cont.)

- **Accusations of “dumping” in international markets**
- **Increased concentration of domestic agriculture and of multinational agribusinesses**
- **Poverty among farmers in developing countries**
- **No progress in overcoming inadequate nutrition for 800 million people worldwide**

Current Policy Internationally

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**

Hence—as in the US—International Policy is at a Crossroads

- **The international policy trio (deregulation, trade liberalization and privatization) is ineffective, contentious and uncooperative**
- **Desperately need to identify elements of a stable, sustainable and cooperative world policy for food and agriculture**

Turning to the U.S.—historically—there have been
Two *Major Components of Farm\Commodity Policy*

- **Policy of Plenty:** Ongoing public support to expand agricultural productive capacity through research, extension and other means
- **Policy to Manage Plenty:** Mechanisms to manage productive capacity and to compensate farmers for consumers' accrued benefits of productivity gains

Current Policy Drops the “Managing Plenty” Part

In the past farm policies included:

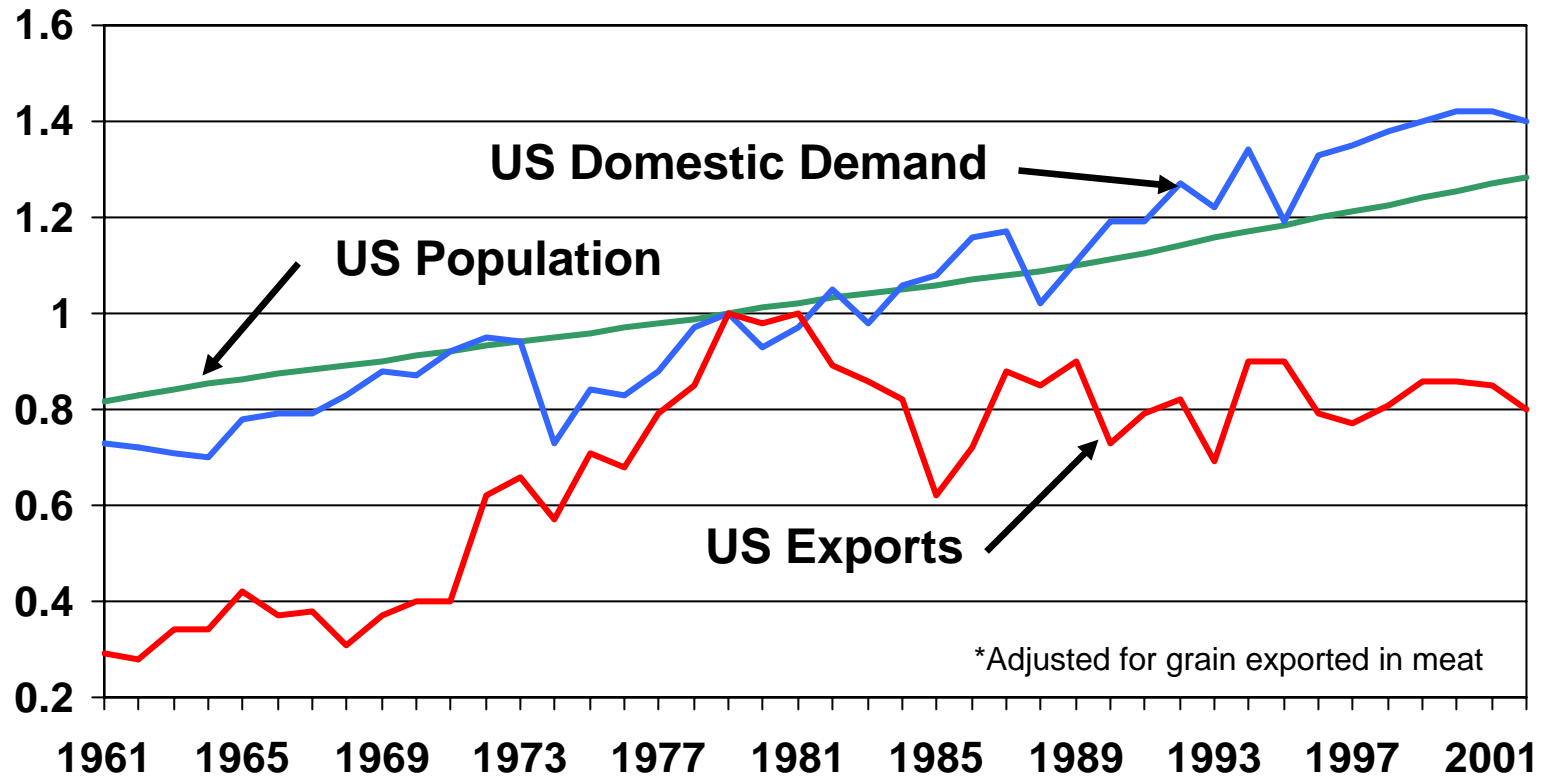
- Floor price
- Supply management tools
- Price stabilization

Over the years and especially since 1996:

- All three were eliminated because of expectations—expectations that:
 - *Exports would drive agricultural growth and prosperity*
 - *If markets are allowed to be allowed to work agriculture will do just fine*

Exports Did Not Deliver

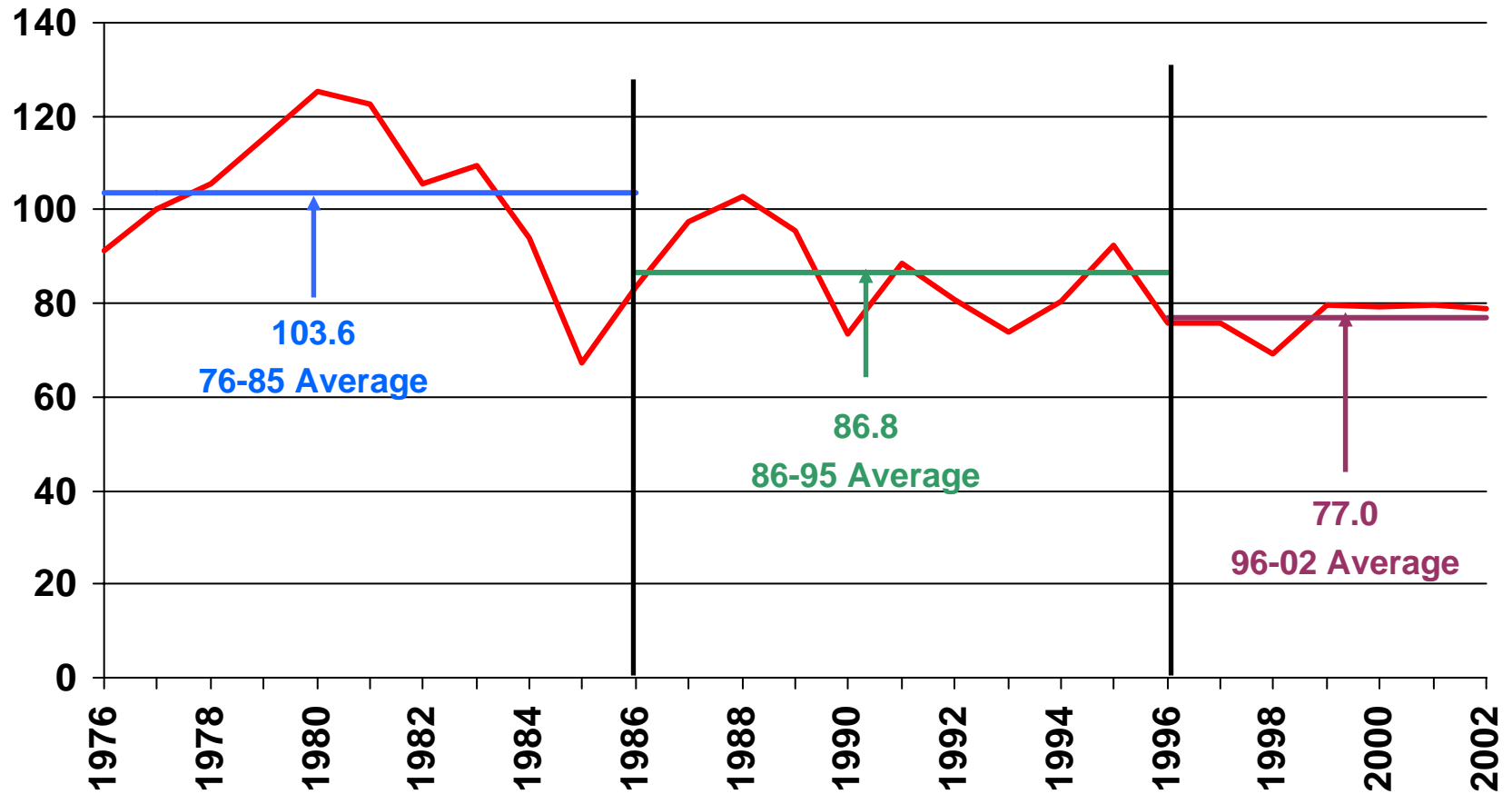
Index of US Population, US Demand* for 8 Crops and US Exports* of 8 Crops 1979=100



- Exports down to flat for last two decades
- Domestic demand increases steadily
- Since 1979, exports have NOT been the driving force in US crop markets

Net Export Acreage for 8 Major Crops

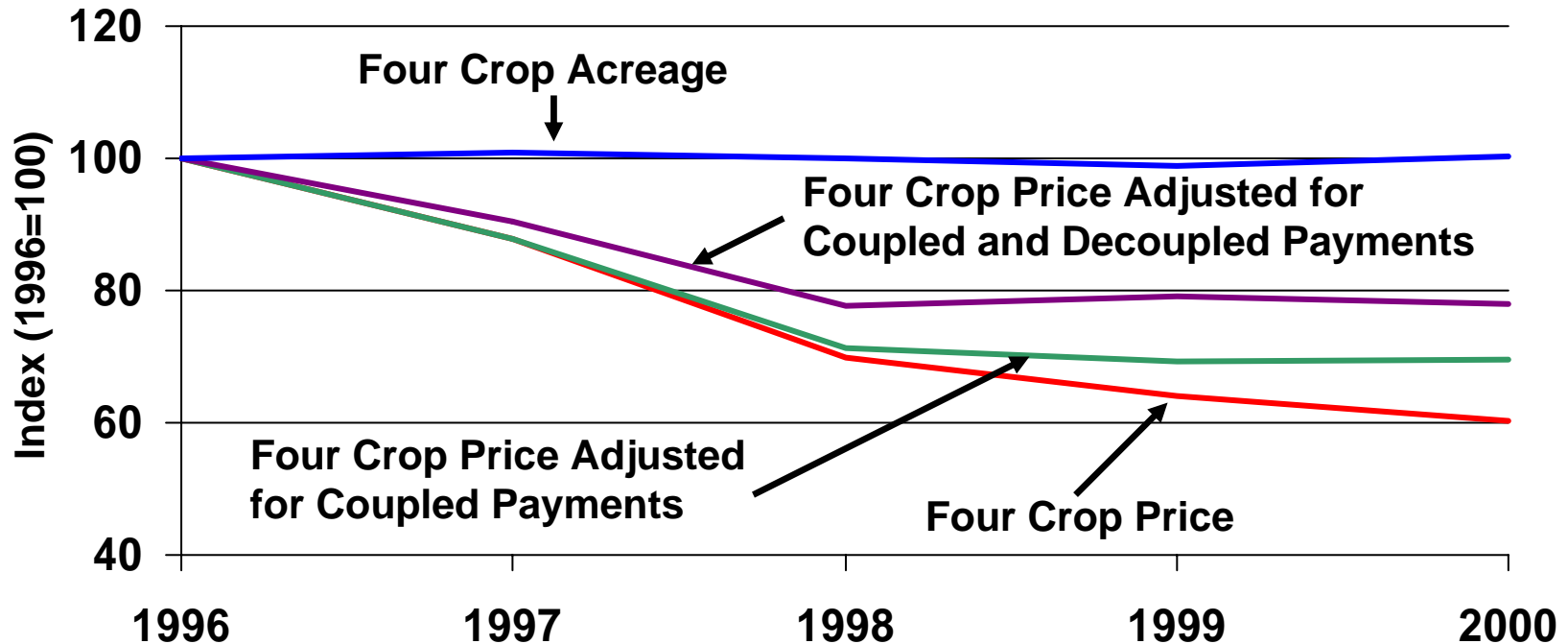
Million
Acres



Markets Do Not Work “Just Fine” for Total Crop Agriculture

- **Technology expands output faster than population and exports expand demand**
- **Market failure: lower prices do not solve the problem**
- **Little self-correction on the demand side**
 - People will pay almost anything when food is short
 - Low prices do not induce people to eat more
- **Little self-correction on the supply side**
 - Farmers tend to produce on all their acreage
 - Few alternate uses for most cropland

Acreage Response to Lower Prices?



Since 1996

- Aggregate US corn, wheat, soybean, and cotton acreage changed little
- While “prices” (take your pick) dropped by 40, 30 or 22%

Problems with Continuing Current US Agricultural Policy

- **Continued low prices: \$2 corn; \$3 wheat \$5 soybeans**
- **Continued scheduled large government payments in US and developed world**
- **Continued accusations of dumping**
- **Continued benefits to livestock, importers and agribusinesses**

Problems with Continuing Current International Agricultural

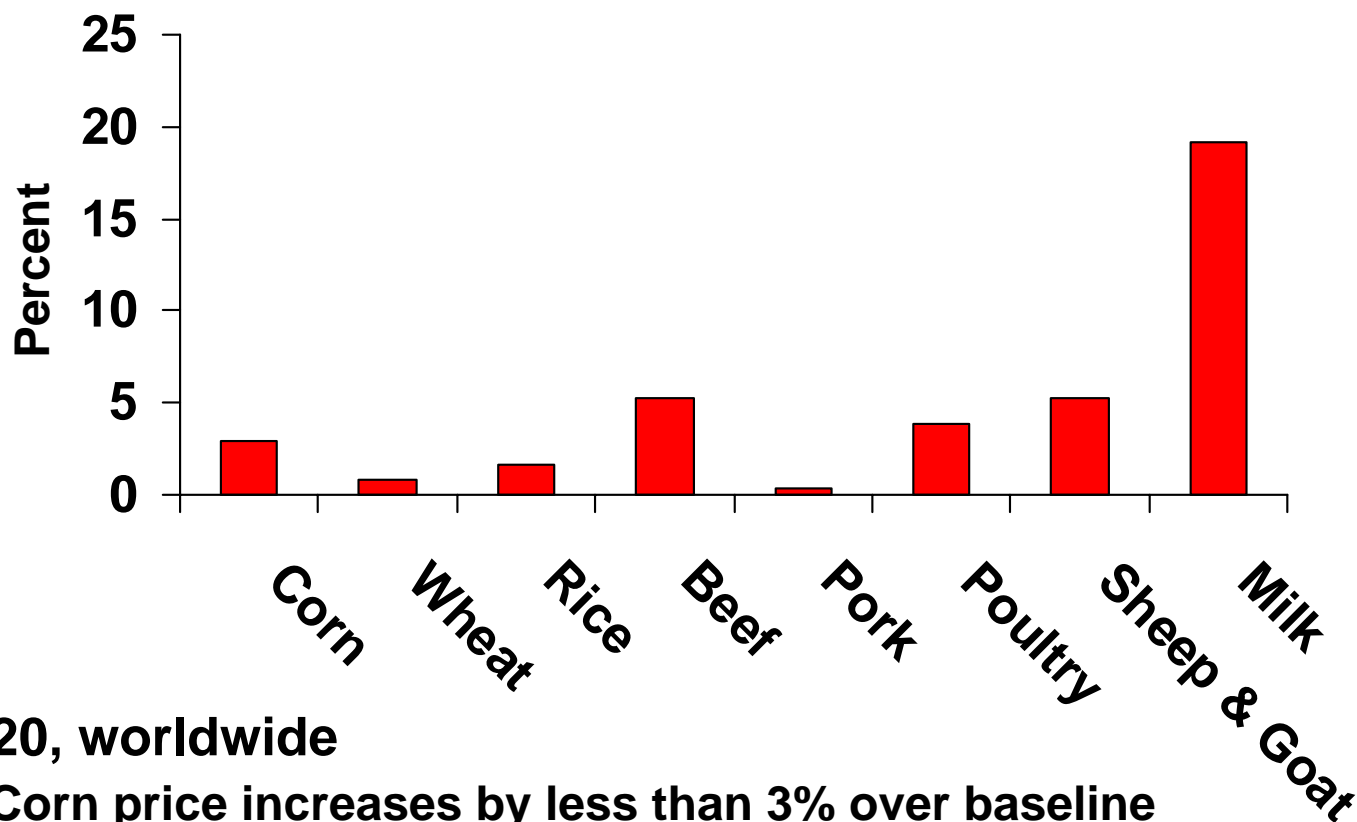
- **Continued low prices and farm poverty**
- **Increased leverage for multinationals**
- **Large number of displaced rural people**
- **No significant reduction in malnutrition**
- **Little say on their own farm and macro policies**

Current Trade Agenda Is NOT the Answer

Farm 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)**

Intensify Free Trade/Eliminate Subsidies in Developed Countries

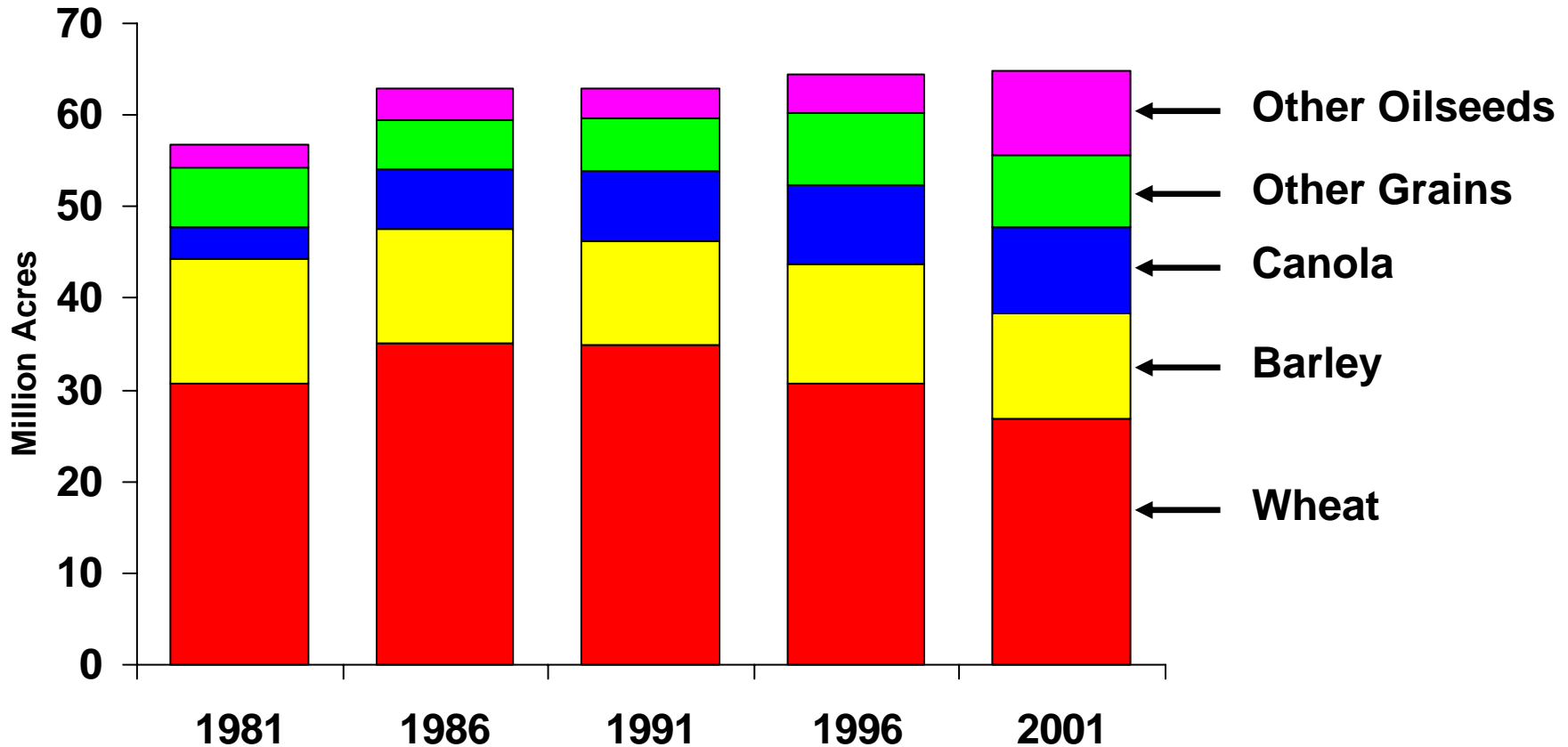


In 2020, worldwide

- **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**

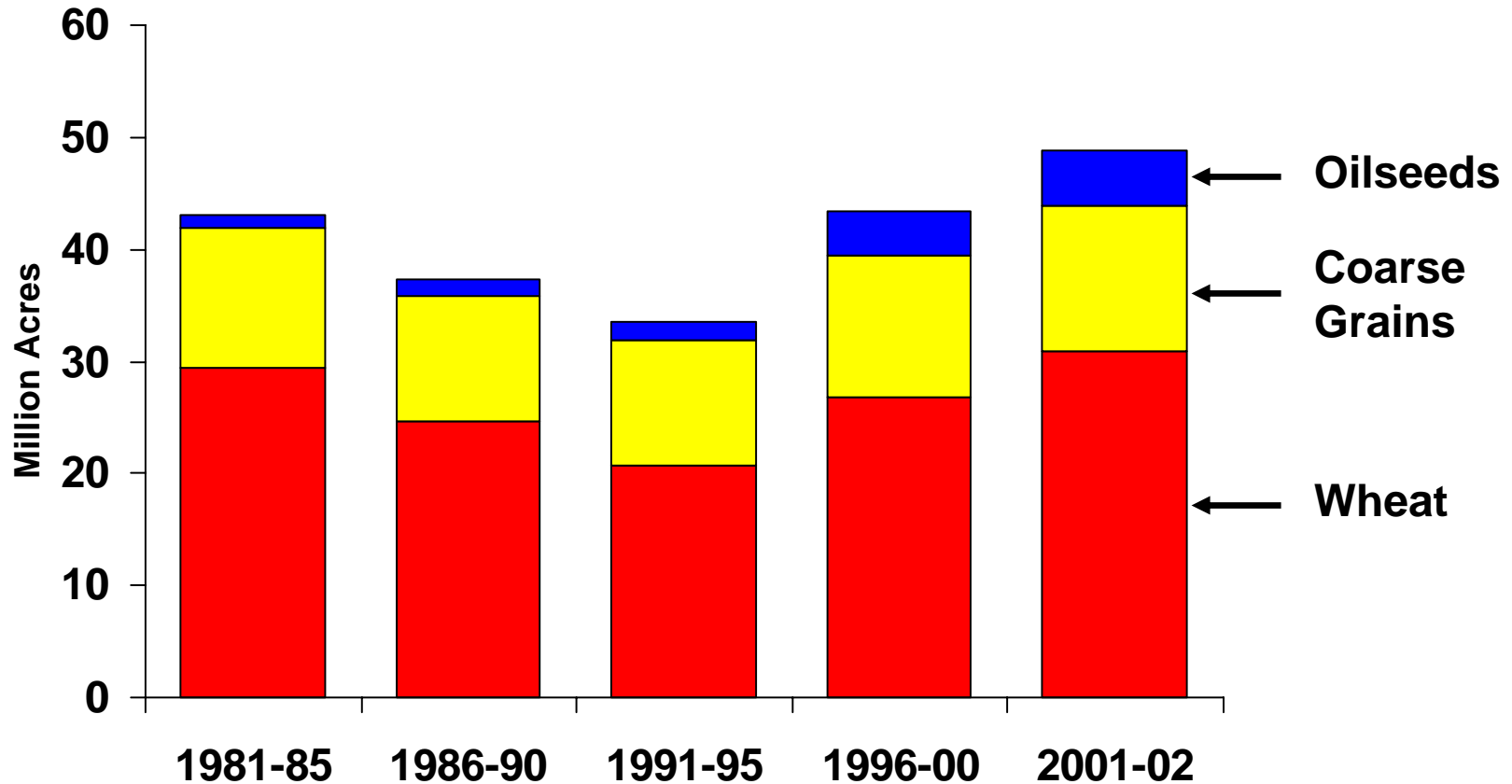
IFPRI IMPACT

Canada: Farmland Planted



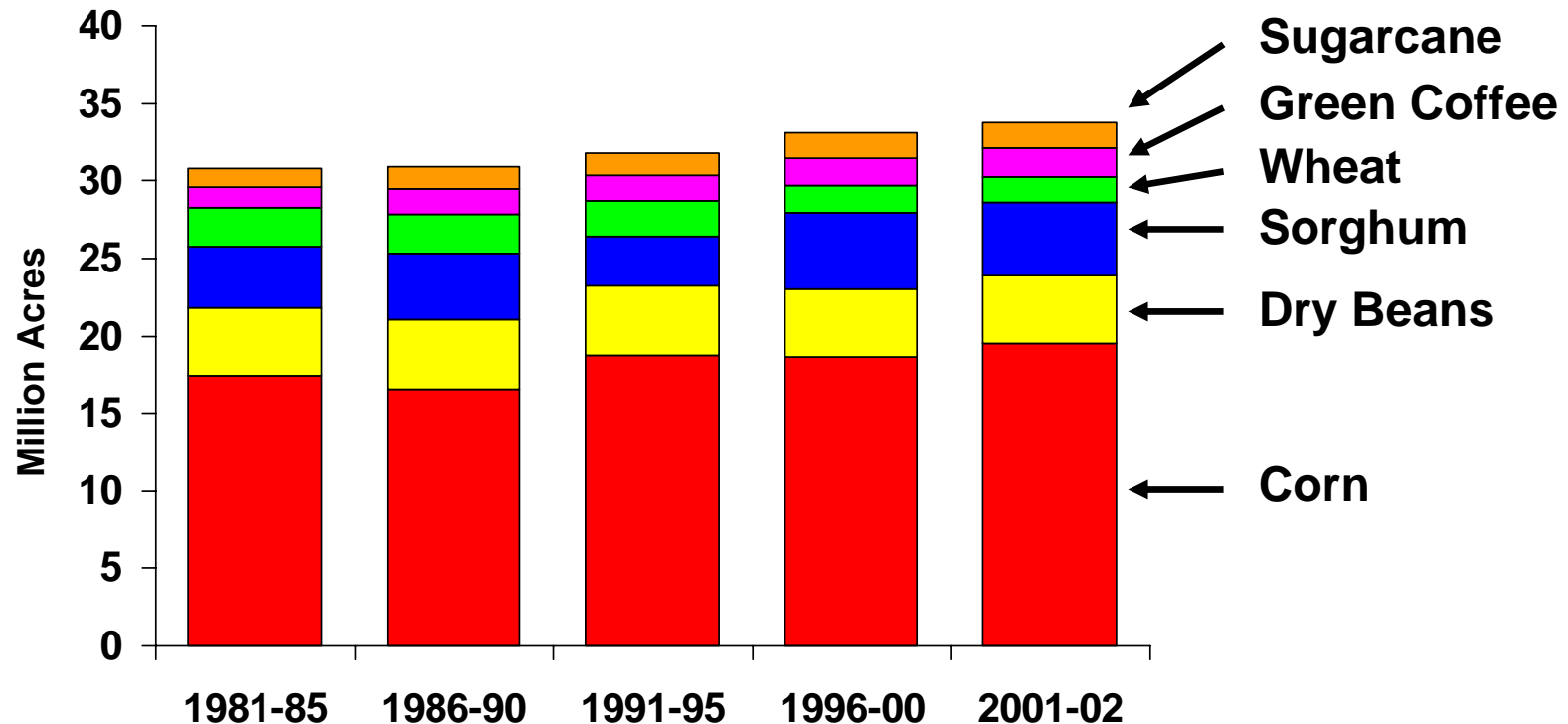
- Canada reduced subsidies in 1990s
- Eliminated grain transportation subsidies in 1995
- Crop mix changed, total acreage remained flat

Australia: Farmland Planted



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

Mexico: 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

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 international policies**

Issues

- **Worldwide Excess Capacity**
- **World Hunger and Food Security**
- **Policy Sovereignty**

Worldwide Excess Capacity

- **Significant additional productive capacity is being brought online in several countries around the world**
- **Technological advances now increase yields worldwide**
- **Over time this will likely require multinational supply management agreements**

Hunger Eradication

- **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 of Hunger is...

- **Not that the world lacks the productive capacity to feed the hungry**
- **Not that ample productive capacity requires low prices to farmers (most in developing countries are farmers)**
- **It is a matter of ability to pay (livelihood) and distribution**

Role of Reserves

- **Emergency reserve**
 - **Release should be based on need NOT price or desire to clear storage**
 - **Distribution should be in manner that does not penalize local producers**
- **Separate price stabilization reserve**
- **May also be a separate reserve for energy**

Food and Policy Sovereignty

- **Ability of a country to define agricultural and food policies that**
 - **Ensure adequate quantities of culturally-appropriate food**
 - **Fit its specific agricultural circumstances**
- **But recognizes its interdependence with other countries and both protects itself from dumping and does not cause dumping**

Action Policy Elements to Restore Farm Profitability

- **Demand Expansion**
 - Increase expenditures to feed world's hungry
 - Attention to society's priorities and farmers
- **Reserves**
 - Humanitarian relief
 - Food security/Buffer stocks
- **Balancing supply and demand**

Why Do We Need a New Food/Farm Policy?

- **Farmers must join together to stop the race to the bottom in commodity prices**
- **Structure of agricultural marketplace pits farmers against one another**
- **Government cost of policies**
- **800 million people lack adequate nutrition**

Advantages this (NFU) Farm Policy Approach

- **Balance supply and demand to ensure profitable producer returns**
- **Establish conditions less conducive to market concentration**
- **Reflect national priorities including social objectives and sovereignty—Reduce intervention costs**
- **Reduce/eliminate global hunger**
- **Guarantee food security for all**
- **Eliminate dumping and trade distortions**
- **Enable cooperative management of excess capacity**

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