

*Why Have Exports Not
Been Agriculture's Key
to Riches?*

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Trade Is Important

- **It always has been ...**
 - From colonial times forward
 - Product mix has changed
- **It always will be ...**
 - A need for ag products in other countries
 - We have the capacity to produce the products
- **But ...**

Can We Expect Trade To ...

- **Be a permanent source of ever increasing US agricultural prosperity**
- **Correct the long-term price and income problems in agriculture**

What Were We Thinking ...

Why would we expect trade to deliver us to the Promised Land?

•1970s Syndrome

- **Earl Butz said ...**
- **The outsized export share of the 1970s has been viewed as US property from then on**
- **When exports slowed in the 1980s ...**
 - **Been on a quest to recapture the Golden Age of Agriculture (1970s)**
 - **Lowered Loan Rates (Heh, that's the ticket!)**
 - **Moved from supply management to writing checks**

What Were We Thinking ...

Why would we expect trade to solve US price and income problems?

- **Because we are confused!**
- **We implicitly think US agriculture would be just fine ...**
 - **If only “such and such” were removed or different**
 - **Complete access to all international markets**
 - **Exchange rates were different**
 - **Inflation were reduced**
 - **Subsidies were eliminated**
 - **Etc., etc.**
 - **After these “such and ‘suches’,” the importers would import more and our export competitors would export less**
 - **And all would be fine in the world that is agriculture**
 - **Ag prices and incomes would be stable and “high”**

So What's Not Considered?

- **FOOD IS DIFFERENT**

- **Food is a national security issue—just like military security is to the US. So ...**

- **Countries want to domestically produce as much of their food as possible**

- **Political considerations**

- **Need to feed the population**

- **Need to provide a living for millions in agriculture**

- **Need an orderly exit of workers out of agriculture**

- **Suppose there had been total access to all international markets this past year**

- **Vietnam, Thailand and scores of other countries...**

Food is Different ...

It is a daily biological requirement: A moral imperative

- **As a result the aggregate demand for food is relatively stable**

- People will pay almost anything (or as much as they can) when food supplies are limited and prices are high
- When prices are low they will not pay any more than necessary
- When prices are low people may change their mix of foods and add services, but aggregate demand increases very little—people do not eat four meals a day in response to lower prices

- **Food demand changes little in response to changes in price**

Food is Different ...

It is the result of biological processes

• **These are more constrained than the manufacturing processes of other products**

- **Limited annual production periods**
 - **Frost-free days in temperate zones**
 - **Timing of rainfall in monsoonal zones**
- **Constrained by natural forces**
 - **Temperature**
 - **Weather**
- **As a result, the precise production controls available to other sectors are not available to most crop production**

• **Crop production changes little in response to changes in price within a crop season**

Food is Different ...

- **Contrary to other industries, when prices are “low”—even across production seasons...**
 - **Farmers continue to plant all their acres**
 - **Farmers don’t and “can’t afford to” reduce their application of fertilizer and other major yield-determining inputs**
 - **Who farms the land may change**
 - **Essential resource—land—remains in production in the short- to medium-run**
- **Crop production changes little in response to changes in price from one year to another**

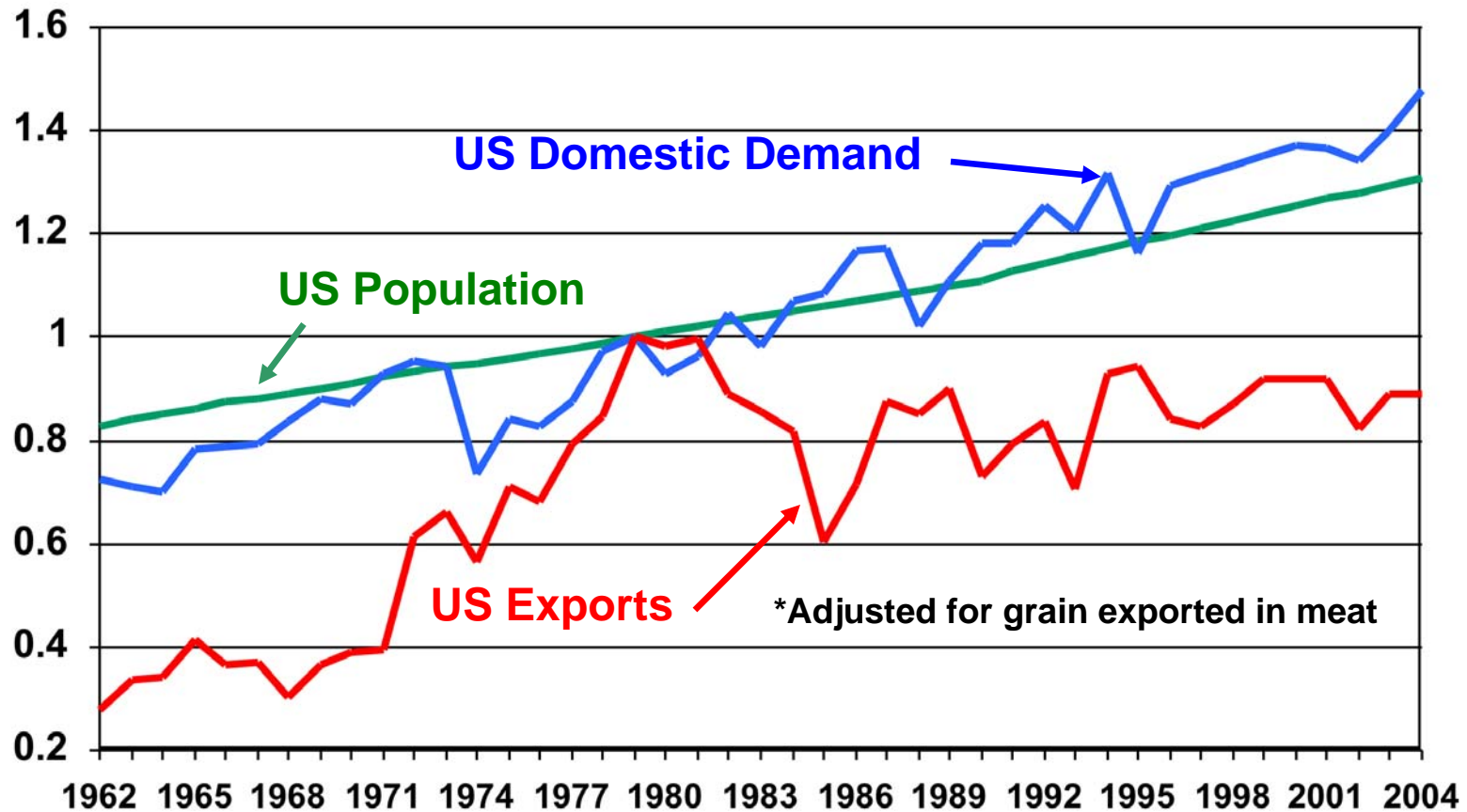
Chronic Problems Persist

- **Except for short periods, production outstrips demand**
 - This is a good thing
 - Butz had it right except for one word
 - **Excess capacity in the future will be a worldwide problem**
 - Increased acreage
 - Increased yields
 - **When prices decline, self-correction does not work**
 - Quantities demanded and supplied change little

Expecting Trade To ...

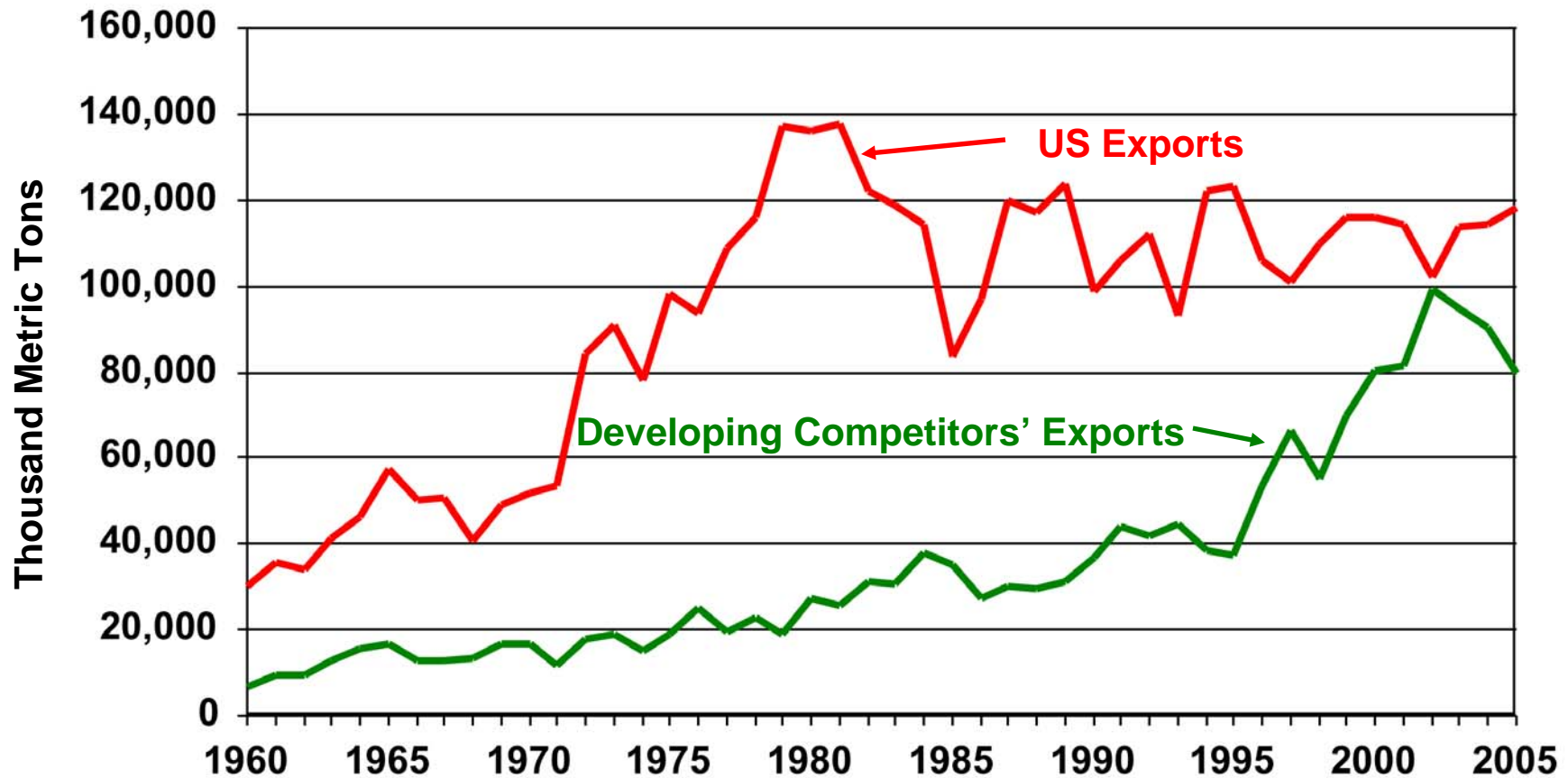
- **Deliver US agriculture to the promised land of unending prosperity with no government intervention is too much to ask**
 - **WTO or no WTO, US agriculture exports will be limited by**
 - **The nature of agricultural importers' demands**
 - **The nature of US's agricultural export competitors' supply**
 - **Therefore we should expect continuing periods of low prices when agriculture cannot self-correct on its own**

What About Exports?



Index of US Population, US Demand for 8 Crops and US Exports* of 8 Crops
1979=1.0

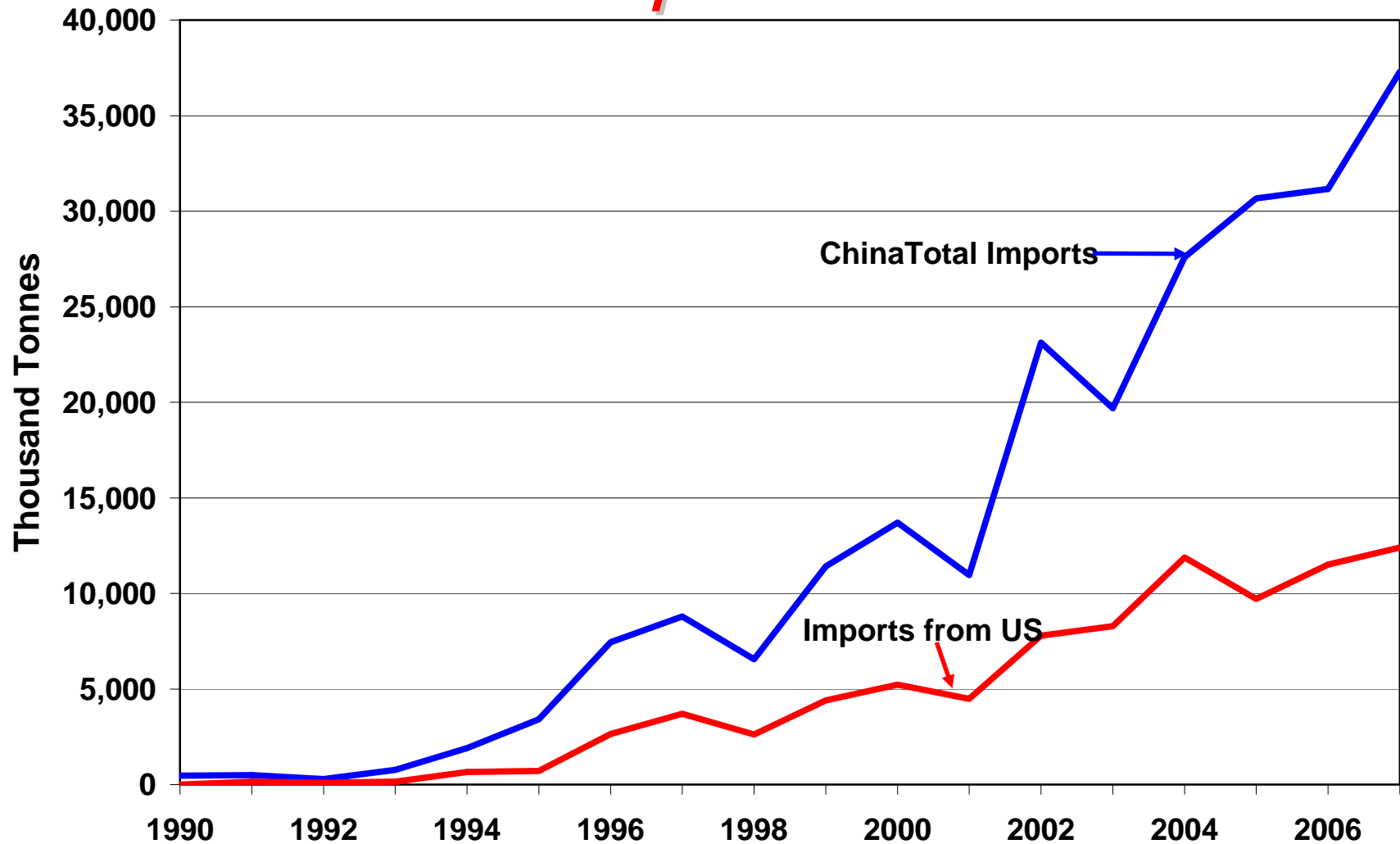
What About Exports?



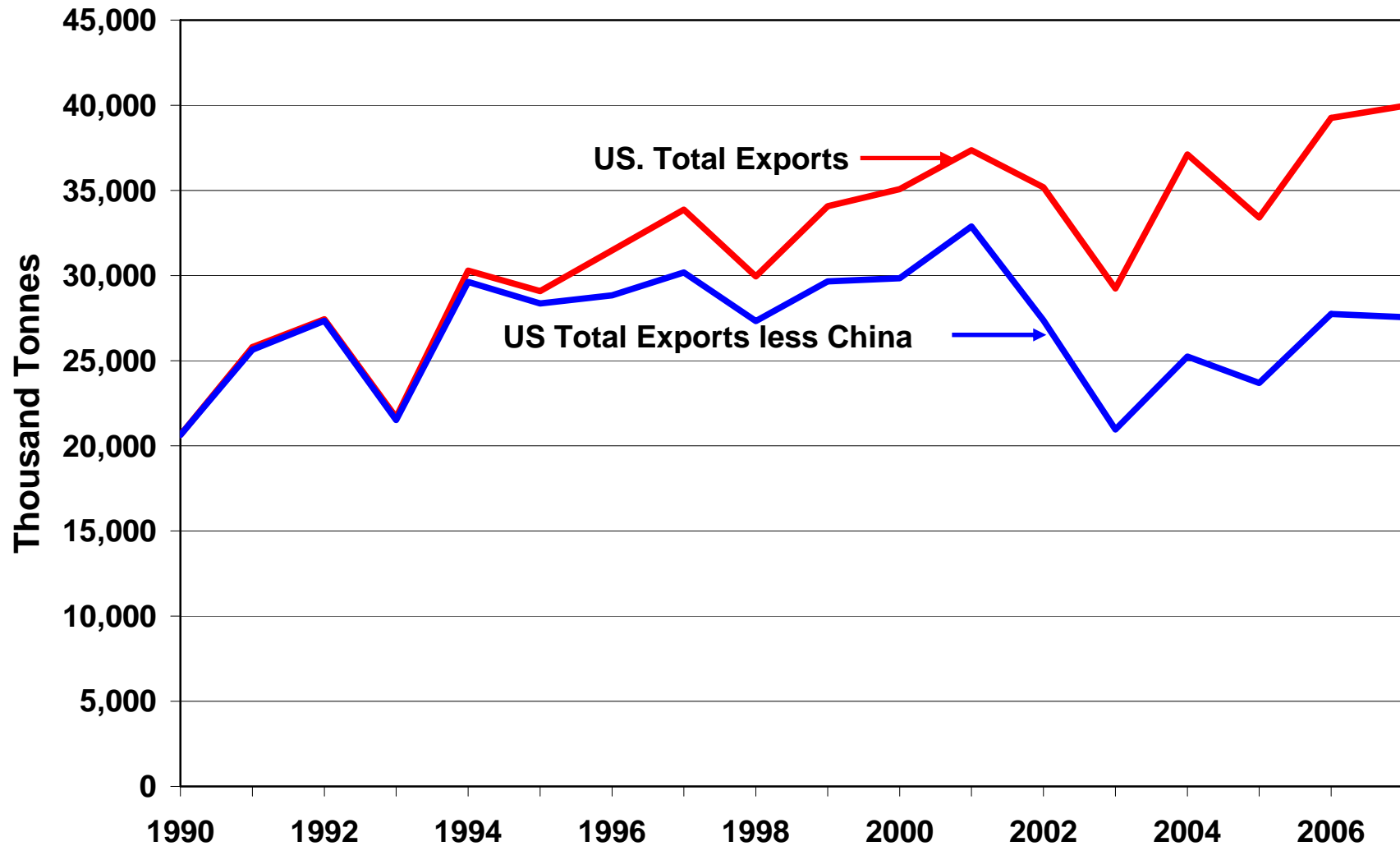
Developing competitors: Argentina, Brazil, China, India, Pakistan, Thailand, Vietnam

15 Crops: Wheat, Corn, Rice, Sorghum, Oats, Rye, Barley, Millet, Soybeans, Peanuts, Cottonseed, Rapeseed, Sunflower, Copra, and Palm Kernel

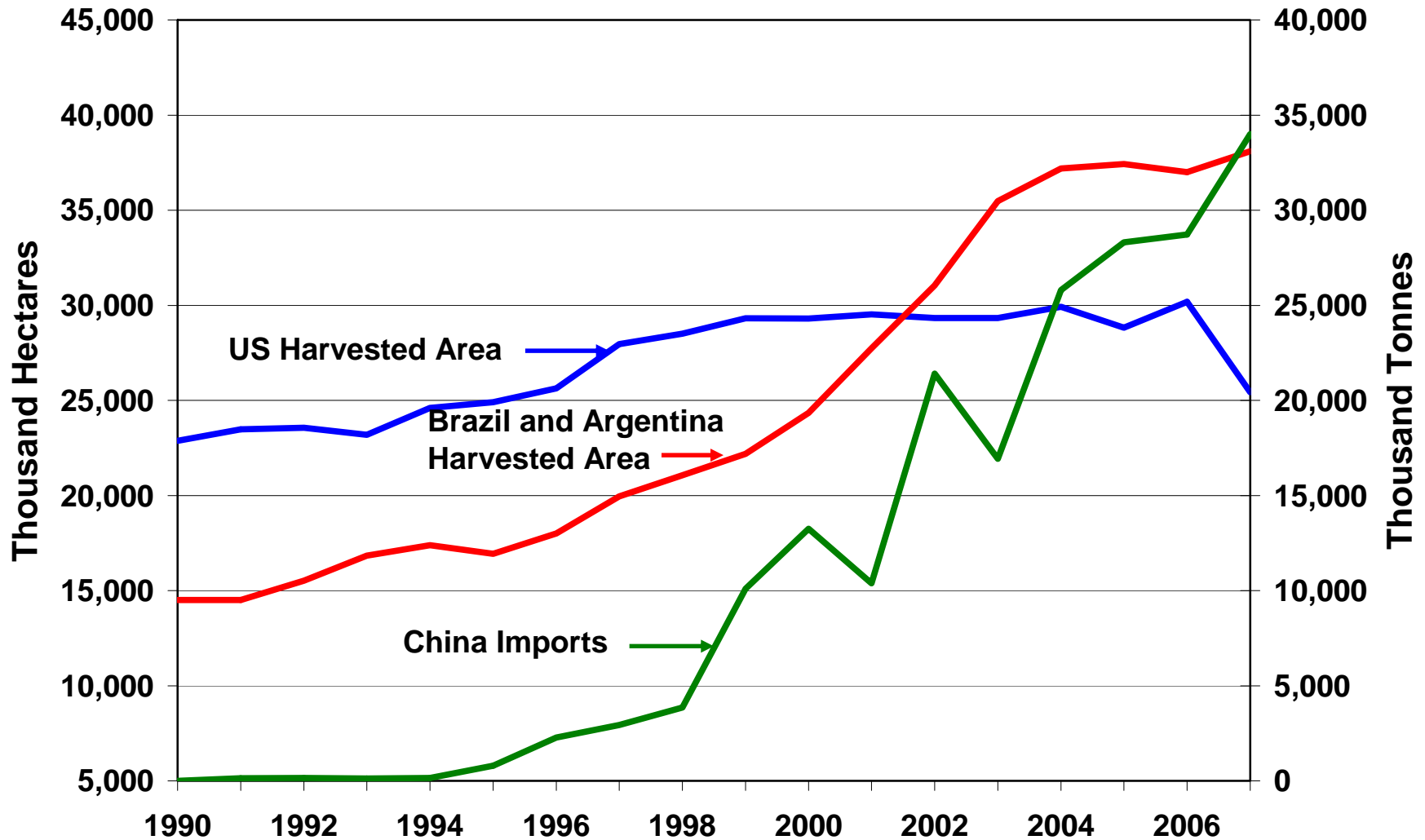
Chinese Soybean Imports



Soybean Complex Exports



Soybean Area and Chinese Imports



WTO ...

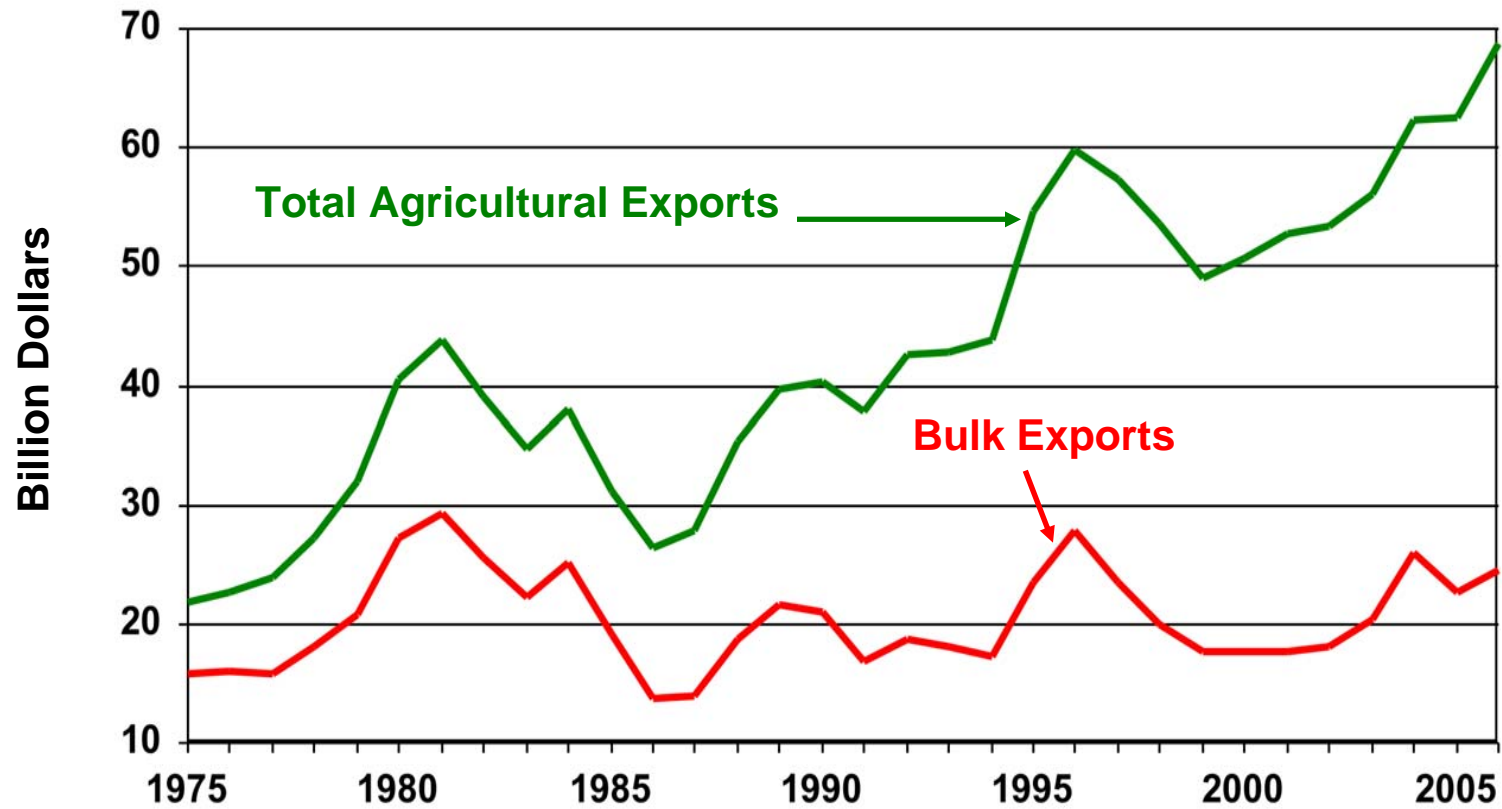
- **Does not account for the unique nature of food and agriculture**
- **Needs to understand the difference between DVD players and staple foods**
- **Needs to be reformulated or replaced with an organization that recognizes the need for...**
 - **Food reserves to address the inevitable shocks to the availability and price of food**
 - **Promoting increases in worldwide productive capacity, especially each country's domestic production**
 - **Addressing**
 - **Agriculture's inability to gauge the use of productive capacity to match demand by creating methods to overcome**
 - **Agriculture's inability to self-correct**

Finally ...

(Other) statements that lead farmers and others to erroneous conclusions:

- **95% of the world's population is outside the US ...**
- **Increases in per capita income and growth of the middle class in China and India ...**
- **The value of the dollar has decreased this export season**
- **The value of US agricultural exports has increased substantially ...**

What About Exports?



Thank You

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