

*WTO is the Key to Trade-  
Based Prosperity for US  
Crop Agriculture  
A Truism or Delusionary Fantasy?*

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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 ...**

## *Foolish to 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 the US 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 world that is agriculture
    - Ag prices and incomes would be stable and “high”

# *The Problems Are ...*

- **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...**

# *The Problems Are ...*

- **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**

# 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 US agricultural exports has increased substantially ...**
- **The value of the dollar has decreased this export season ....**

# *Thank You*

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