

## Australian sheep numbers have declined; crop acreage has increased

Our research here at the Agricultural Policy Analysis Center has shown that changes in U.S. farm policies may affect the acreage of a given crop, but total crop acreage remains relatively constant. Farmers are good at shifting production from one crop to another as the relative profitability changes. However, they are not likely to leave many crop acres idle.

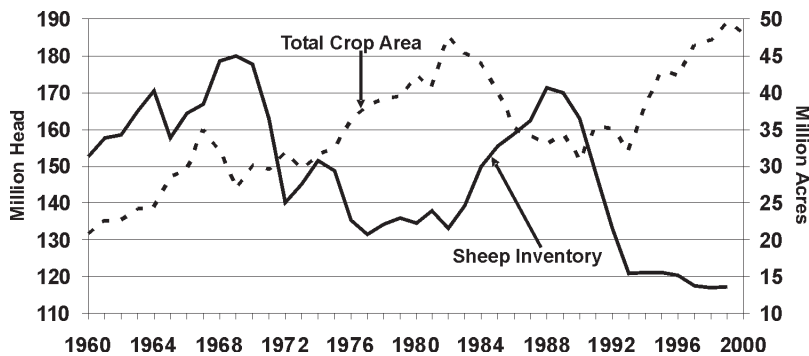
In order to get a broader picture of the impact of policy changes on crop production, we have begun to look at the experience of other nations. While we don't profess to be experts on international agriculture, we have uncovered some interesting information.

Data compiled by APAC's Chad Hellwinckel show that, in Australia, planted area for wheat, coarse grains, and oilseeds have all increased since 1991. Yes, you read that right, increased. These increases continued unabated through the years following 1995 when wheat prices declined by 40 percent.

Was there a policy change in Australia that brought about this change? In 1991 the Australian government began liquidating the large amount of wool that it had been accumulating in an attempt to raise prices. Prices tumbled dramatically. Since 1990, sheep inventories have declined by nearly 53 million head, a decrease of 31 percent.

Cattle inventories have increased by nearly 3 million head from 1990

through 2000; an increase of 12 percent. As sheep production declined, pastures in the "wheat-sheep" zone were converted to cattle production and crop agriculture. Between 1991 and 2002, 17 million additional acres were brought into crop production. This occurred in spite of the low world crop prices since 1996. Five million of the additional acres were brought into production since 1996.



**Figure 1. Sheep inventory and total crop area changes, Australia. Source: Australian Commodity Statistics 2001, ABARE**

Figure 1 shows the trends in total crop area and sheep numbers in Australia since 1961. There are no doubt numerous factors involved. But the numbers are quite interesting. In this country, we usually think of pastureland being converted to cropland when crop prices are extraordinarily "high" but, in the case of Australia, pastureland in the "wheat-sheep" zone appears to have been converted to cropland during a time when livestock prices were extraordinarily "low."

Undoubtedly some Australian sheep pasturage has been idled since the collapse of the wool buffer stock scheme, but acreage that can support crop agriculture has not been routinely left idle. Shades of the U.S: farmers tend to use every acre possible whenever possible.

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