

Changes in Australian ag support had little impact on total farm acreage

In this column, I want to look, once again, at the issue of what impact a significant decline in government subsidies would have on crop agriculture. Would the virtual elimination of US subsidies be accompanied by a meaningful drop in US acreage and cause prices to rise for farmers in the US and in the rest of the world? That is the chorus that governments and farmers around the world are singing.

Since programs are still in effect in the US, it is somewhat speculative to say what would happen in the US if government payments disappeared. Several governments around the world have embarked on programs to reduce government involvement in agriculture. The motives for such policy changes often include a mix of the desire to reduce government expenditures and a belief that farmers will find greater profitability in a market that is governed by market forces.

One of those countries that sought to reduce governmental subsidies to agriculture was Australia. In the 1970s, Australia established a Wool Reserve Price Scheme in an attempt to provide its wool producers with greater price stability. Over the years the price that was set was increased without any mechanism to

control production. As a result stockpiles continued to increase until the program collapsed in 1991.

The response to the program collapse illustrates an interesting relationship between the crop and livestock components of Australia's agricultural sector. Faced with declining government supports, sheep farmers converted significant pasture acreage to crop production with sheep inventories declining by 31%.

The Australian experience again demonstrates the tendency of farmers to continue to produce as much as they can, even when faced with declining government subsidies. Since 1991, despite continuing low world prices, the aggregate planted area for wheat, coarse grains, and oilseeds has increased more than 56% in Australia.

Again the mix has changed but acreage has not been kept out of production.

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