APAC Agricultural Policy Analysis Center
The University of Tennessee

PolicyPennings by Dr. Daryll E. Ray

We are no more prepared for an agricultural catastrophe than New Orleans was for Katrina

Concern for food security lies at the heart of the agricultural policies of many countries including the US. This is especially true if the concept of food security includes the concern for ensuring an adequate supply of food at stable, affordable prices. In the US, these policies have ranged from developmental policies such as Homestead-Act-like land distributions, to federal funding of agricultural research and extension, to Henry Wallace's ever-normal granary, to the Farmer-Owned-Reserve.

In the present context, it has been argued that food security is an inappropriate rationale for US agricultural policy, presumably because it is thought that massive starvation or general famine in the US is nearly impossible. That is most likely true, except perhaps for the occurrence of the most catastrophic of catastrophic events.

Partially because of federally funded developmental policies over the years, US farmers produce 25 percent more of the program crops than can be consumed domestically. Besides that, the majority of the domestically utilized grain is not directly consumed by people. It is consumed by livestock; and it takes several pounds of grain to produce one pound of edible meat. The several pounds of grain could feed more people than the one pound of meat.

But let's backup a little. Is it possible that the US could have a production shortfall so severe as to force a shift from meat to direct grain consumption to prevent famine?

As unlikely as it may seem, it is possible. It could happen due to the narrowing of the genetic base of commercial seed varieties (and thus making a large share of crop production susceptible to some disease, for example); or because of freak weather conditions, widespread disease or pest infestations, a terrorist attack that wipes out a considerable portion of the nation's grain production or livestock population or a combination of these and a host of other possible factors.

Okay, let's say it is remotely possible. Even so, how would a catastrophic production short-fall of say grains play out? Undoubtedly there would be a historic run-up in US grain and seed prices as wheat, grain sorghum, and rice follow corn and soybeans. Early-on there would actually be more meat for consumers to eat—not less—as poultry, pork and beef producers would sell down their stock because of their inability to secure feed or unwillingness to bear its exorbitant cost.

Prior to when grain became difficult to secure by domestic livestock producers, a grain export embargo would most likely have been imposed. Neither promises to our export customers nor previous legislation would standup to the tidal wave of political pressure from livestock producers and the general US populace. In the absence of very high oil prices, US biofuel plants would be forced to idle production as ethanol and biodiesel production became unprofitable.

Once the high prices and other forms of rationing of available grain had virtually shut down most non-food uses, direct human consumption would become the highest and best use for the limited quantity of grain. Prices for breads, cereals, flour, corn meal and other grain-based foods would jump dramatically but, unless grain production was totally wiped out, sufficient calories could be consumed to sustain life.

So if such a scenario is really the worst case possible and if those that claim food security is not a policy problem because widespread starvation would be unlikely, then they are likely correct, at least technically. Of course, dealing with economic dislocation and social disruption that would be caused by the scenario just described would be a political nightmare.

Also, while widespread starvation may be unlikely for the scenario discussed, even more catastrophic scenarios would generate more catastrophic effects. An event that nearly wiped-out agricultural production as we know, it would be devastating in all ways.

In a recent column we said dealing with the variability of agricultural fortunes comes down to addressing two types of risk: systemic and random. But the truly catastrophic situation as discussed in this column is not systemic nor is it random from a year-to-year perspective. It is more similar to the economic and social disruption portion of Katrina's impact on New Orleans.

Usual commodity-program farm policy can deal with the systemic problem of inability to quickly self-correct in the face of low prices, crop insurance can deal with the random within year events like hail damage but neither are equipped to handle Katrina-size events.

But as Katrina proved, low probability events can indeed occur during our lifetimes. From the broader policy perspective, we likely are no more ready for a catastrophic agricultural event, in the sense described here, than New Orleans was for Katrina.

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