

PolicyPennings by Dr. Daryll E. Ray

Agriculture getting more mainstream press attention, but analysis often lacking

Most of the time it is difficult to find articles in the mainstream media that deal with agricultural issues. It would seem that agricultural concerns are invisible to the general public as long as prices are low. Few consumers are concerned when food and commodity prices remain stable, but let the prices jump as they have over the last 18 months and suddenly agriculture is front page news.

In the flurry of news reports, we see some writing that makes us nervous because it lacks the kind of depth that needs to be there, if the general public is to understand the complexity of agricultural issues.

For instance, we see stories asserting that higher prices are here to stay. And, certainly there are agricultural experts who have said those words and farmers who have hoped that, after 30 years, agricultural prices have established a new plateau.

But from our perspective it is much too early to base one's analysis on the certainty of higher prices and never-ending prosperity for farmers. At this point we are just 18 or 19 months into a rally and, while that would be long for a supply-driven rally caused by weather-related short crops, it is not that long a time for a demand-driven price rally. The demand-driven price rally may also be a bit longer than otherwise since it has been punctuated by wheat crop failures in Australia and Kazakhstan.

We recognize that it may take a couple of years to ramp up supply to meet new demands: ethanol and the spread of a grain-fed meat-based diet beyond the developed countries. But, then what? What will happen when corn-to-ethanol plants convert to a more profitable cellulosic production? What will happen when supply growth once more begins to exceed demand growth?

Also, during this run-up in prices few in the mainstream media are talking about the equally strong run-up in the costs of agricultural inputs. What happens to farm profitability when upward trending costs meet and then pass downward trending prices?

Without considering these issues, the reporting then quickly turns to analyses that depend upon the assumption of continued high prices.

The high prices resulting from the tightening of commodity supplies, particularly wheat, has caused some in the US to call for restrictions on wheat sales. Internationally, we see other countries protecting their supplies with temporary export tariffs and similar measures in order to ensure that their local populace has access to an adequate diet at a reasonable price.

One story that we read called these actions a

short-term response that would cause harm in the long-run by keeping prices artificially low and providing a disincentive for the investment needed to increase commodity supplies to meet the increasing demand.

While not endorsing an embargo on US grain exports, we would suggest that the author has missed the point completely on several accounts.

First, we don't need \$5.00 corn, \$9.00 wheat, and \$13.00 soybeans to stimulate adequate investment in agricultural production. \$3.50 corn, \$6.00 wheat and \$9.00 soybeans will do quite well, thank you.

The truth is that when corn was below \$2.00 and soybeans were at \$5.50, seed companies were pouring tons of money into research on plant genetics and farm chemicals.

Another issue that was missed in the story is the importance that other countries—well, the US, too—place on having adequate food supplies to feed their citizens. We need to remember that many countries view food in the same way that the US views military defense. It is a matter of national security.

Few countries want to be dependent on others for their bulk of their food supplies. They want to be in a position in which they can feed their own citizens.

Again to an important extent, the US is no different. Certainly we don't mind importing tropical crops like bananas from Central America and specialty products like hams from Denmark, but US farmers react negatively when talk turns to the idea of shipping Brazilian soybeans up the Mississippi River.

Missing, too, from the story is an awareness that over the last century the major problem facing US agriculture has not been that agricultural demand grows faster than supply. More typically, supply outpaces demand. That is not to say that demand doesn't outstrip supply once in awhile.

Over the last one hundred years, only during WWI, WWII, the Soviet Grain Heist in the 1970s, and the current ethanol boom has demand put pressure on supply.

The other 80 years we were in an excess supply situation.

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