

PolicyPennings by Dr. Daryll E. Ray

Building agricultural and food policy from the ground up, beginning with key concepts

At the time of the writing of this column, the appointment of the new Secretary of Agriculture has not been announced. As the transition team goes about selecting the Secretary and as the Secretary approaches the development of agricultural policy, there are a few key concepts or considerations that we hope the new administration keeps in mind.

Food is different.

First, it touches the lives of every person in the world in a way that no other product does. We need to eat on a regular basis to maintain life itself.

Owning a television set, an automobile, or a pair of shoes may not be a moral imperative, but having access to food is. As a result, people react to food issues differently than other products. As former President Clinton recently said referring to the World Bank, the International Monetary Fund and his administration, "We blew it! We were wrong to believe that food was like some other product in international trade."

Second, agriculture faces long-term price and income problems in ways that set it apart from other products. With typical goods that people want (as compared to products like buggy whips that people no longer need), when prices are low they consume more and when prices are high, demand is rationed and people consume less.

By way of comparison, because food is a necessity, people will pay as much as is required (or as much as they can) when it is scarce, but when food is plentiful, they will pay no more for it than they have to. Total consumption remains relatively stable over a wide range of prices.

Likewise, in the short-to medium-run, the production of crops remains relatively stable over a wide range of prices. In times of high prices farmers strive to produce bumper crops in hopes of making a good profit. When prices are low, they continue to produce, both because it may cost more to idle the land than it does to produce at a loss, and because other farmers may experience a crop failure and prices will go back up.

The normal market mechanisms of low prices that result in consumers consuming more and farmers producing less don't work very well in the production of grains, oilseeds, and other storable agricultural products. In the absence of government intervention, farmers experience long periods of low prices, punctuated by occasional high price peaks due a weather-related crop failure somewhere or a sudden spurt in demand.

Third, most countries treat food in the same way that the US treats the military—it is a matter of national security. Given a choice, few countries want to be

dependent upon imports, when it comes to feeding their population. It is too risky. Food production problems elsewhere may leave them competing with others for a limited supply of food available for import. In addition, countries—the US included—have used food as a weapon withholding it for political considerations, witness Cuba, Iran, and Libya.

For many developing countries, agriculture is a major source of employment—employment that they want to protect until industrialization draws people off the farms and into the factories as it did in the US. They are sensitive to being flooded with low-cost imports that impoverish their farmers and drive these farmers into urban centers in hopes of a job. The result is growing slums filled with people who have little chance of obtaining employment that will provide them with a livelihood that will sustain them and their families.

Fourth, be wary of anyone who tells you that agriculture has entered into a "new era." What they mean is they think number two and three on our list have been repealed and unregulated markets will work this time, bringing farmers into a golden age of agriculture.

When it comes to technology, agriculture is constantly entering into a new era that is unlike anything we have seen before. We have seen the introduction of drudgery-lessening machinery, the replacement real horsepower with power from fossil fuels, the increasing use of farm chemicals (fertilizer, herbicides, and pesticides), the development of hybrids that sent corn production on an upward climb, and now the use of genetics technology to breed crops in ways our ancestors never dreamed of.

But, when it comes to two and three—price and income problems on the one hand and concerns about food security on the other—they will be around to trip up those who think they see a new era on the horizon.

There are a number of other extremely important agricultural issues. Basing the fundamental underpinnings of agricultural policy on these four concepts or considerations provides a legitimizing framework for dealing with additional agricultural issues of environment, sustainability, market concentration, budget, and a host of others in a meaningful and coherent way.

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