

PolicyPennings by Dr. Daryll E. Ray

Exports: Agriculture's holy grail

The farm media is all atwitter over the announcement by the Obama administration that they have set a goal of doubling US exports in five years. This will include help for farmers in boosting their exports.

You will have to pardon us if we don't get overly excited about the implications of this export initiative for US farmers.

The lure of a permanent export-driven prosperity has been the holy grail of agricultural producers since shortly after the first Europeans settled in what is now the US. Tobacco proved to be a profitable enterprise for early settlers until a burgeoning supply from the colonies exceeded the demand and prices plummeted.

Over the next three-and-a-half centuries, there were years of export-driven agricultural prosperity, no question about that. But for major commodities, it is equally true is that export volumes typically accelerate for a few years then level off, grow agonizing slow, or decline.

The years of sharp increases were often caused by external political events or decisions.

The list of such events and decisions over the last hundred years includes: World War I, World War II, the Soviet Union deciding to import feed in 1970s instead of liquidating livestock herds when their crops failed, and China's recent decision to import soybeans to feed its burgeoning pork and poultry sectors as well as China's importation of cotton to help feed textile firms that have left the US.

In addition there were times in which surging US agricultural exports occurred less because of political decisions and more due to severe production problems in the countries doing the importing. The temptation, of course, was to see such aberrations as an emerging trend. Currently, this latter source of export optimism appears to be alive and well in the US pork and poultry industries.

Historically long-term-follow-through of export surges typically have generally not occurred. Typically the export surges and accompanying higher prices plant the seeds of their own destruction or, as already mentioned, were only caused by glitches in foreign production anyway.

That is not to say that agricultural exports are unimportant. Exports have always been important. They are currently important and will continue to be in the future. There will always be countries that need our products and US farmers will gladly supply them.

But as important as exports are to US farmers, those who make many-years-in-advance projections of agricultural export volumes have historically tended to err on the side of "irrational exuberance." Some made quantitative projections while others cultivated and fanned bullish export expectations.

Those representing the full gamut of agricultural interests have propagated these projections and expectations. Commodity organization, general farm organizations, public research and outreach personnel and media all joined the chorus.

And there were lots of folks who desperately wanted to hear good-news export projections.

Congress, executive administrations, and economists like it because spontaneous export expansion requires little to no government intervention in agricultural markets and costs taxpayers little. Agribusiness like it because expanding exports means more inputs to sell and more agricultural output to process and transport. Farmers like export-based demand growth because they can produce full out and receive revenue from the market place rather than government payments.

That was the past, what about the future? The value of agricultural exports the last couple years have indeed been impressive. The questions are what will the volume and value of agricultural exports look like when the coming decade is in our collective rear view mirror?

To us, factors affecting the agricultural export crystal ball are world-wide production reactions to recent increased crop prices and how the countries that have fueled recent explosions in meat exports want to affect their future balance of production versus imports of meats and feed crops.

But those are big pieces to chew on, too big for the space left in this column. In a future column we will give our perspective.

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