PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

If others cannot afford what we produce, how does that play out?

The need to increase the world's agricultural production to meet both an increasing world population and changing diets, which include an increasing amount of grain-fed meat, has caught the attention of policy makers, agribusiness firms, and farmers alike. The implicit assumption in what we read is that most of this increase will come from the current set of major exporting countries including the US.

Most discussions of the need for increased production are accompanied by a call for increased investment in the agricultural sector. It is often stated that the current short-supply of grains is the result of lagging investment in agriculture over the last decade or so and that trend needs to be reversed. As part of the investment discussion, major multinational seed companies are talking about ever-increasing yields in corn and soybeans as the result of their proprietary technologies.

All of this leads farmers in the US to expect that farm-commodity prices will remain relatively high for the foreseeable future, and their major challenge will be to grow enough to meet the ever-increasing market demand.

All of this discussion seems vaguely familiar to us. We remember a similar period of optimism in the mid-1970s when the US Secretary of Agriculture promised a coming golden age of agriculture and that world export demand would take all that farmers could produce. He told farmers to plant fencerow to fencerow and they did. But, by the early 1980s, exports dropped off, and US farmers were left with bins full of grain that they could not sell at a profitable price.

We are also reminded of the book "Who will feed China?", only this time it seems that the question being raised is "Who will feed Africa?" With the exception of soybeans and occasional modest fill-in purchases of corn and other commodities, the answer to the first question is Chinese farmers. Over the last decade and a half, primarily driven by self-sufficiency concerns, they raised their level of production in wheat, rice, and corn sufficiently to match domestic demand and rebuild their internal reserves. In addition, they have been net exporters of some corn during many of those years.

So, who will feed Africa? Here again, the answer is likely to be "African farmers." We say this for several reasons. First, they cannot afford to import grain, and many of the people cannot afford to buy it, especially at today's prices. The need is there, but they lack the ability to pay the market prices. This situation is what economists call the lack of effective demand.

Second, in some countries, well over 60 percent of the population relies on its own farm production as a major source of food. Wholesale displacement of farmers to make way for the large, high-technology-based agricultural production systems, either in the developing countries themselves or in the form of "cheaper" food imports, is not practical or politically feasible. There are simply not enough jobs to absorb the rural population if a structure-changing portion of farm families leave the land and migrate to major urban areas. And without jobs people cannot afford to buy grain in any large quantity anyway.

While increasing the productivity of subsistence farmers as a major development strategy has its advantages, that approach has less than "new era" implications, at least in the short-run, for the "let-us-do-it-for-you" crowd, whether that be multinational agribusinesses or US farmers. Yet, the fact remains that the greatest hunger in most developing countries is among farmers who do not grow enough to meet the nutritional needs of their families. Since the overriding objective is to increase the nutritional well-being of the undernourished in developing countries, to us the first step is to lift "subsistence" farmers up to a subsistence level of food production. After they meet the nutritional needs of their families, then a portion of their resources will naturally move to production of crops to sell into local and international markets.

Such an approach does not "hold them back" or "keep them down" as some would contend but instead provides short-run survival and, potentially, a path to longer-run mobility for future generations.

Increasing their yields of locally-adapted grains from 20 bushels per acre to 40 bushels per acre is very achievable.

As we have seen in our recent articles, crops like stinging nettle, teff and baobab have the potential to provide significant nutritional benefits to subsistence farm families while strengthening their ability to increase their level of food security. What seems to be lacking is the commitment to public research and extension to enable farmers to increase the production of crops like these that are adapted to local conditions and a part of the customary diet.

Cont. on p. 2

Originally published in *MidAmerica Farmer Grower*, Vol. 32, No. 30, July 29, 2011

Cont. from p. 1

With regard to US farmers, the current prices are certainly a relief after a long trough of extremely low prices that would have bankrupted many of them if it had not been for the emergency payments in the 1998-2001 period.

As we look forward to writing a new farm bill, it is important to remember that, historically, each time "we" have been uncharacteristically or overly optimistic about future demand growth, it has indeed turned to be just that—overly optimistic. Of course, this time the obligatory justification—things are different this time—might actually be true.

Changing weather patterns, political instabilities world-wide, and other unknowns may keep agricultural supplies on the short side for years to come. But, even with continuing "external shocks" that adversely affect agricultural production, the historical tendency for growth in agricultural production capacity to catch up to, and then surpass, demand growth will still be there.

That being the case—from a public policy viewpoint—we need to be ready for either eventuality: a) continual shocks that whipsaw commodity markets or b) a repeat of the 1980s when increased worldwide production and decreased export demands smothered the market with unsold grain.

As we have seen with the economic displacements of the last three years on the one hand and the overproduction-relative-to-demand that occurred as recently as 1998 to 2001 on the other, not being prepared can be extremely costly.

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). Harwood D. Schaffer is a Research Assistant Professor at APAC. (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://www.agpolicy.org.