

PolicyPennings by Dr. Daryll E. Ray

# Would switching to green payments prevent corn piles?

Raise your hand if you think that there wouldn't be any corn on the ground at the West Central Cooperative in Ralston, Iowa if all farm payments were made on the basis of environmental and conservation oriented activities and thus classified in trade circles as green box payments. Our guess is that there are not many readers out there with their hands in the air.

Most of us can remember seeing grain on the ground at harvest time many times over the last twenty, thirty or forty years. Why is it, then, that we have this level of production and the resulting low prices? Are amber box farm subsidies responsible for the continual increase in production in the US? Or is it something else?

Despite a warmer than average summer with below average precipitation and a drought in parts of Illinois, recent USDA estimates put this year's corn yield at 148.4 bu./ac. After nearly a decade of corn yields between 120 and 130 bu./ac., the 2003 crop hit a record of 142.2 bu./ac. followed by last year's record high 160.4 bu./ac.

Looking at US corn yields since 1996, one cannot help but notice how stable the yields are when compared to earlier periods in which the national yield was more variable. Prior to 1996, year-to-year yield variations of 20 bu./ac. or more were not uncommon.

Granted that the weather was relatively stable during the 1996-2002 period, we would argue that other factors were at work as well. Among those other factors are genetics and planting practices. While BT genetics has reduced the need for pesticides, other breeding factors seem to be at work including the generation of high corn yields from planting populations that would have yielded "nubbins" or, at best, stunted yields two decades ago.

Clearly current work in corn genetics is providing farmers with varieties that are better able to withstand variations in weather. It has been said that a "normal year" is simply the arithmetic average of ten abnormal years. Plant geneticists must have had that idea in mind as they developed today's hybrids.

Last year's weather throughout part of the western corn belt was cooler than usual with fewer growing degree days than desirable and yet corn yields set a record in places like Iowa. This summer,

Iowa's summer was the sixth warmest on record and corn yields are projected to be the second highest in history. Today's corn varieties are more robust than those in the past when it comes to drought tolerance and other weather related stresses.

That brings us back to our original question, "Are amber box farm payments responsible for the continual increase in US production? Or is it something else?" Our answer is "something else," and that something else is increased crop productivity. We are not saying that amber box payments have no effect on production, rather we are arguing that the improvement in genetics is a far more significant factor. And, as prices decline, farmers see increases in yields as necessary to maintain a stable level of income per acre.

With steadily increasing and less variable yields, moving farm payments from the amber box of trade negotiators to the green box will do little to slow the ever-increasing level of US farm production. Increased production beyond demand growth will bring with it lower prices over the long haul.

One of the reasons that trade negotiators want to move payments to the green box is the belief that such a change will bring about reduced in US production and an increase in prices in the US and for farmers in the developing countries of the world. If this shift in the mechanism used for distributing farm payments does not have a major impact on production we need to rethink our current trade negotiation strategy when it comes to agriculture.

We are very supportive of using green payments to target valid conservation and environmental issues. These are a necessary part of a comprehensive farm program. Rather we would argue that green payments ought to be made on their own merits and not be seen as a substitute for general commodity programs.

The second argument we would make is that given the ever increasing production levels of US crop agriculture, public policy ought to be oriented toward the responsible management of that productive capacity.

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Originally published in *MidAmerica Farmer Grower*, Vol. 22, No. 46 November 18, 2005  
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