

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Exports, uncertainty and the size of the ongoing "food crisis"

In creating computer models of the agricultural sector, modelers have often treated stocks as a demand factor, leaving exports to take up whatever is left over-residual demand. As a consequence of this assumption, analyses of policies or conditions that cause grain supplies to increase while domestic demand remains relatively stable result in the overestimation of exports and prices.

As we read Derek Headey and Shenngan Fan's "Reflections on the Global Food Crisis," we were pleased to see their quote from Congressional Research Service Specialist in Agricultural Policy Randy Schnepf's 2006 report, "Price Determination in Agricultural Commodity Markets: A Primer." In that report Schnepf wrote, "most market observers consider exports to be the great uncertainty underlying commodity supply, demand, and price forecasts."

Ignoring the uncertainty of exports has driven agricultural policy since the adoption of the 1985 Farm Bill, when we lowered the loan rate in an attempt to "recapture" the exports that many argued rightfully belonged to the US. As we have seen, export markets are not the property of any nation and our attempt to lower loan rates were unsuccessful in increasing US exports.

In addition, it is important to understand that, for the most part, many countries only import the amount of agricultural commodities that they cannot produce themselves. If their production increases their imports decline and vice versa.

Perhaps if we remember that exports are uncertain, we will be less likely to take seriously policy proposals that will work only in the presence of booming exports.

While the Headey and Fan report focused on the 2006-2008 run-up in the price of agricultural commodities, and subsequently food prices, we could not

ignore the reality that even before the crisis many people found themselves standing on the outside of the food market. The number of the world's hungry has remained locked at about 850 million people over the last 45 years.

For them, every day has been a food crisis, with some days and years being worse than others. As we acknowledge that the 2006-2008 food crisis added some 200 million people to the roll of the chronically hungry and seek to find ways to prevent a repeat, we must not forget the other 800 million.

Chronic hunger has consequences including high infant mortality rates, high under age 5 mortality rates, stunted physical and intellectual development, diminished access to education as children are needed to work at home. Women and girls have suffered the effects of chronic hunger to a greater extent than men and boys.

Though agricultural commodity prices fell following their 2008 peak, they are currently on the rise, again placing additional people at risk of hunger. As we were writing this column, we read about the food riots in Algeria. If 2008 is any measure they will not be the last to take place this year.

If we are to take the world food crisis seriously, we need to look not only at policies that will prevent a repeat of the 2006-2008 food crisis, we need to identify policies that will end the food crisis for the other 800 million people.

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