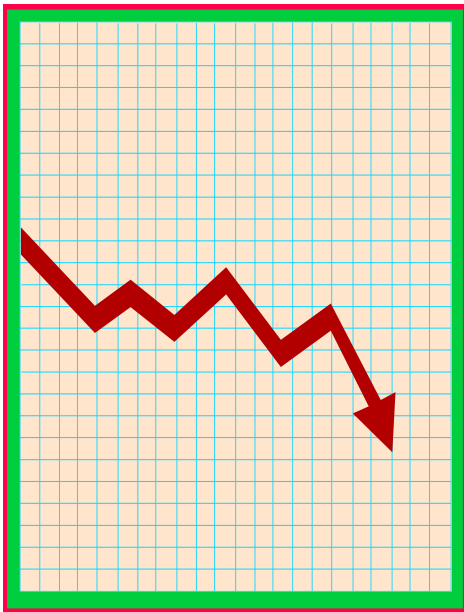


RECENT TRADE & AGRICULTURAL POLICY:

Tough Questions about the Market and Policy for Agricultural Trade



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Claims of Economists & Politicians & A simple Question

“Trade is good;
protection is bad;
trade agreements
that reduce
protection are
good.”

“For whom?”



Predictions & Reality

Predictions in 1990s

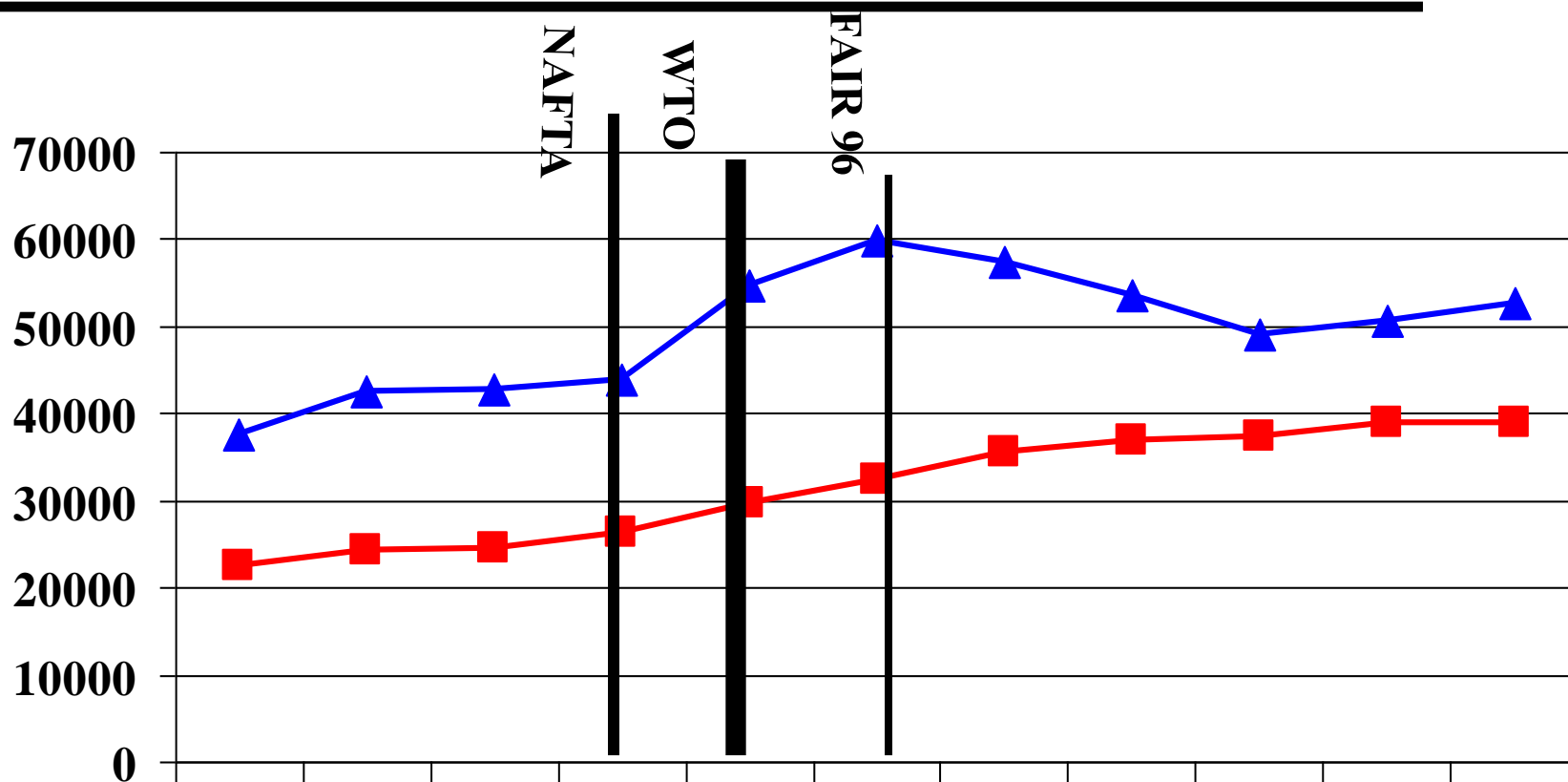
- (1) Government support would decline.*
- (2) The market would more than compensate for the loss of government support.*
- (3) With reduced government intervention, efficiencies would be captured by the industry.*

Reality in 2002

- (1) Government support has greatly increased.*
- (2) The market contribution to net farm income has declined.*
- (3) Distributional inequity continues, & efficiency remains elusive.*



**Figure 1. US AGRICULTURAL TRADE
BALANCE (\$mil/FY; ag product only)**



	91	92	93	94	95	96	97	98	99	0	1
—■— IMPORTS	2258	2436	2445	2643	2980	3245	3565	3683	3729	3885	3902
—▲— EXPORTS	3760	4256	4280	4385	5468	5989	5729	5364	4910	5074	5273

—■— IMPORTS —▲— EXPORTS

Figure 2a. US Wheat price & exports, 1991-2002

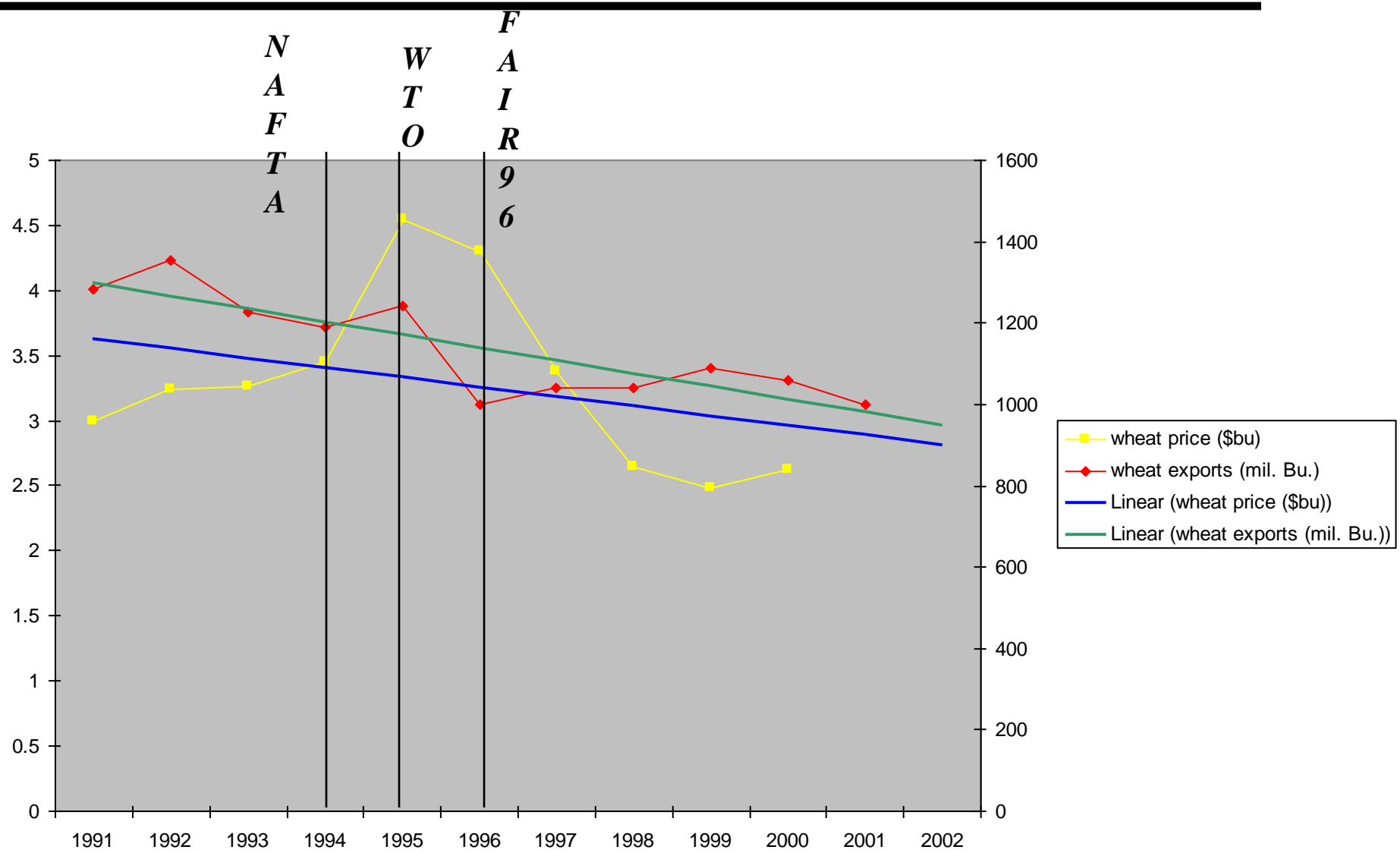


Figure 2b. US Corn price & exports, 1992-2002

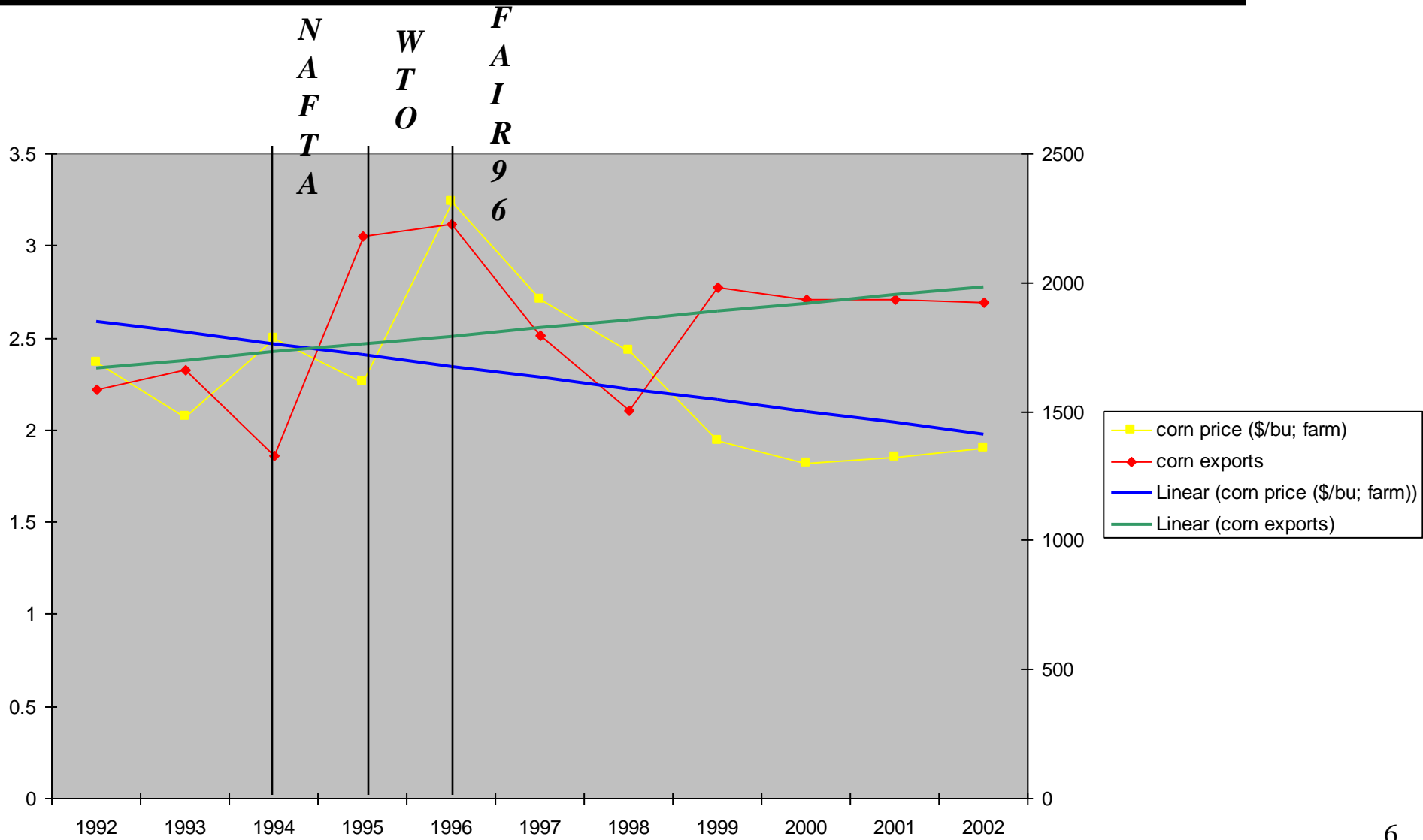


Figure 2c. US Cotton price & exports, 1992-2002

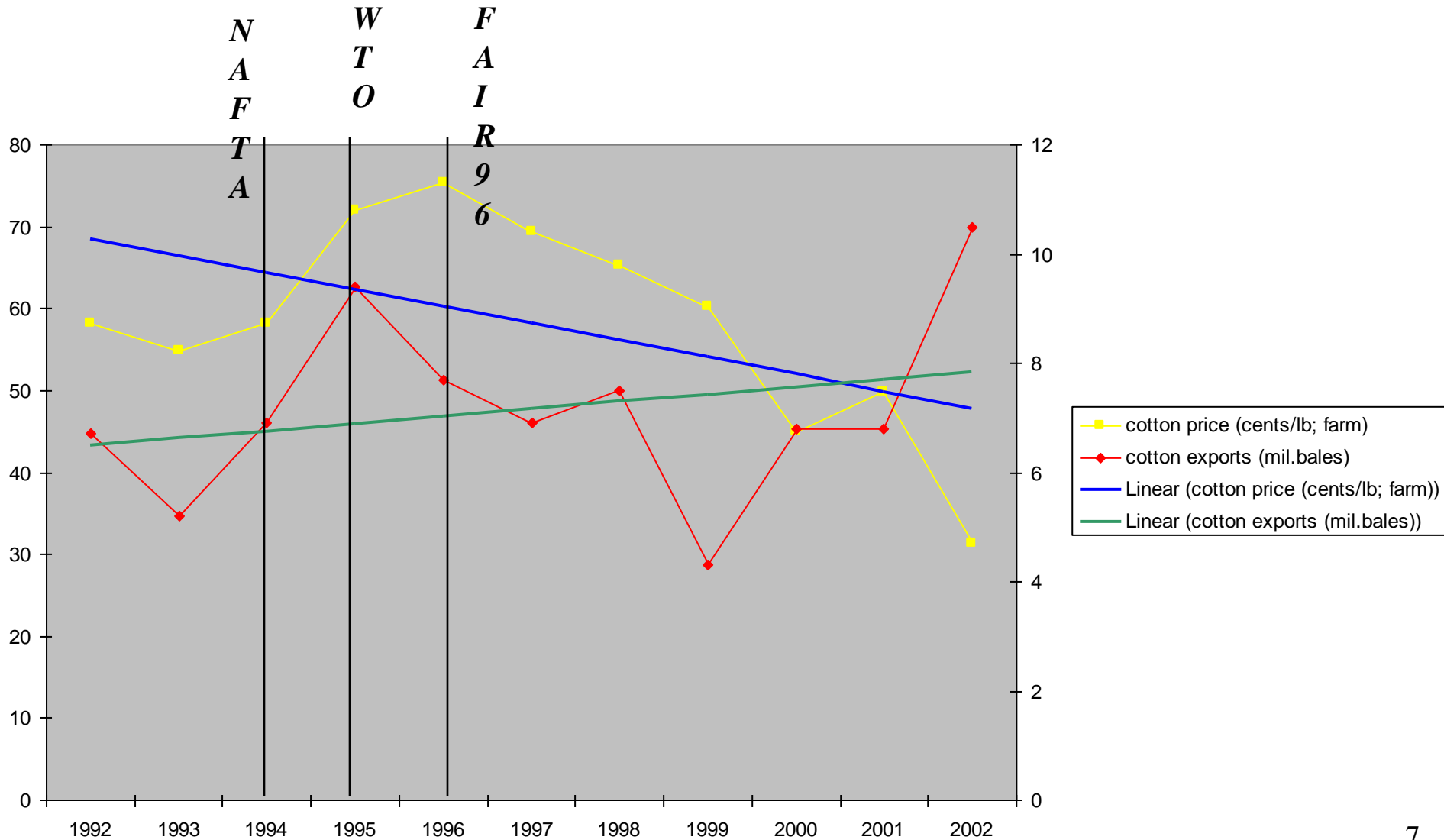


Figure 3. Net Farm Income & Government Payments

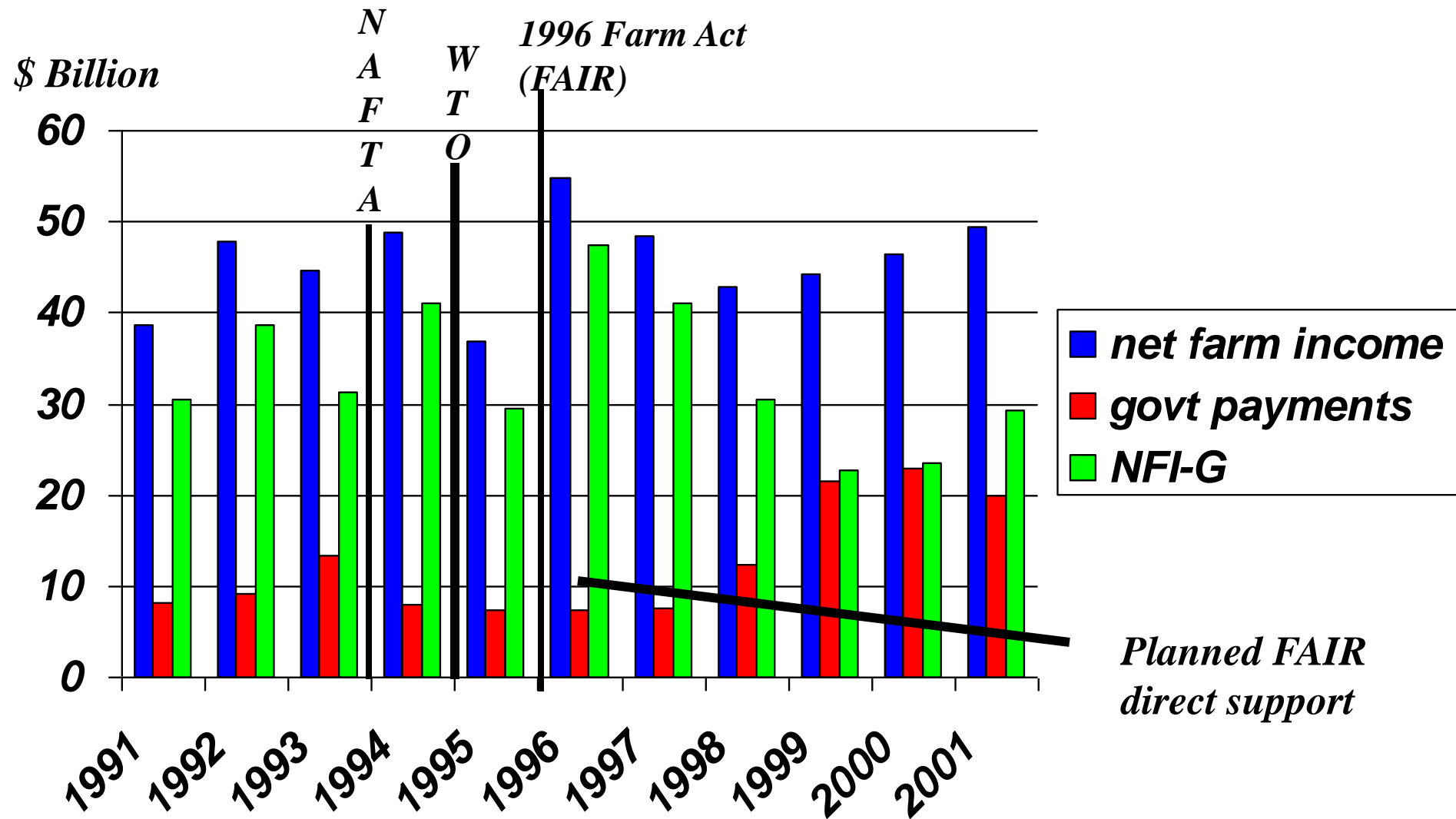


Figure 4. 1999 Net Farm Income by Sales Class –Oklahoma sample

	<u>\$/ac. Operated</u>	<u>% total NFI</u>	<u>% farms</u>
<\$2500	-31.79	-2.4	11
\$2500-4999	-20.82	-3.1	12
\$5000-9999	- 8.78	-2.2	15
\$10000-24999	- 2.15	-1.6	22
\$25000-49999	7.02	4.8	12
\$50000-99999	13.42	10.7	11
\$100000-249999	21.33	24.7	11
\$250000-499999	40.58	22.5	3
\$500000-999999	52.12	20.9	2
>\$1 million	49.85	25.7	1
State	18.79	100	100

Figure 5. Food Industry Financial Indicators, selected crops, 1991-2002: Earnings/share (cents/share)

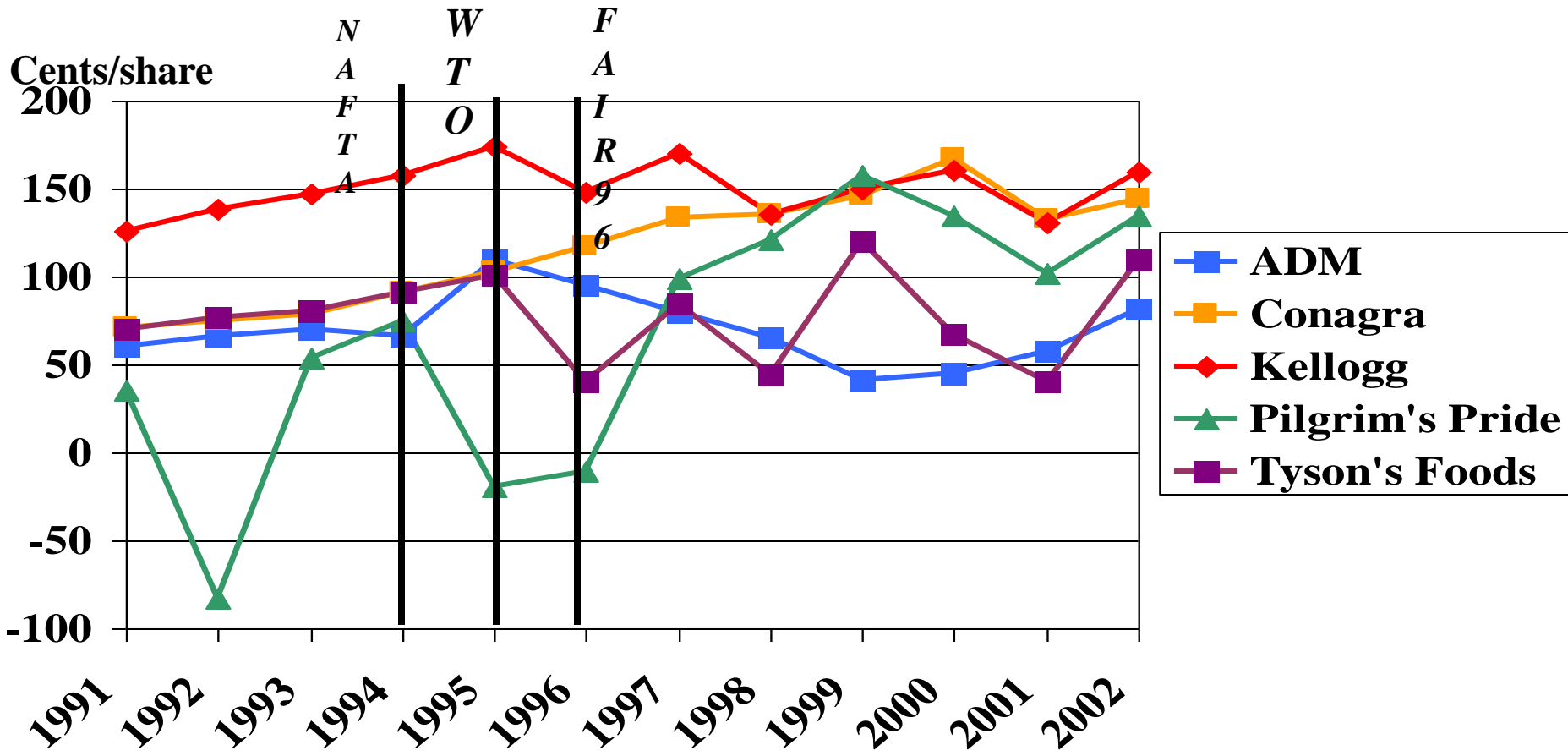
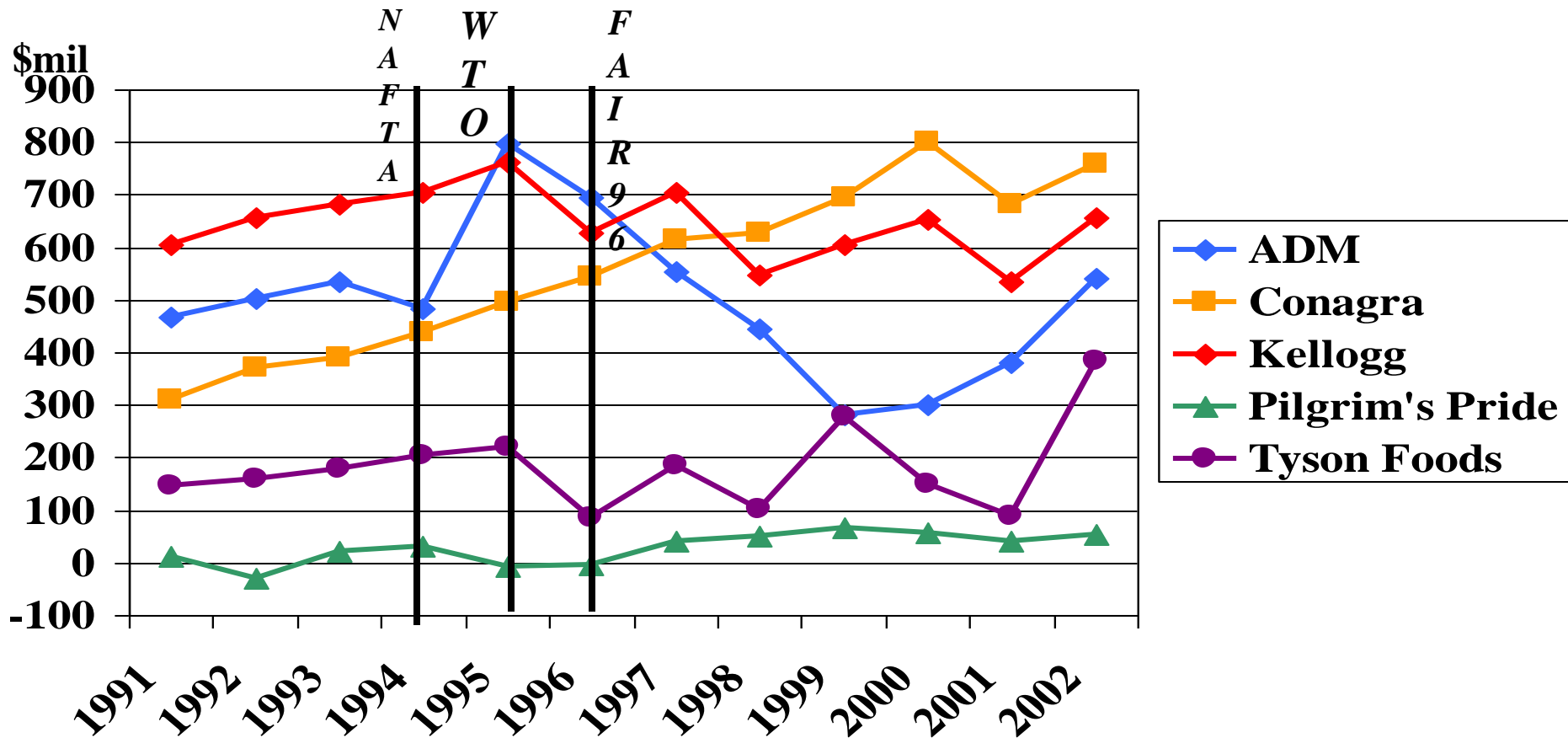
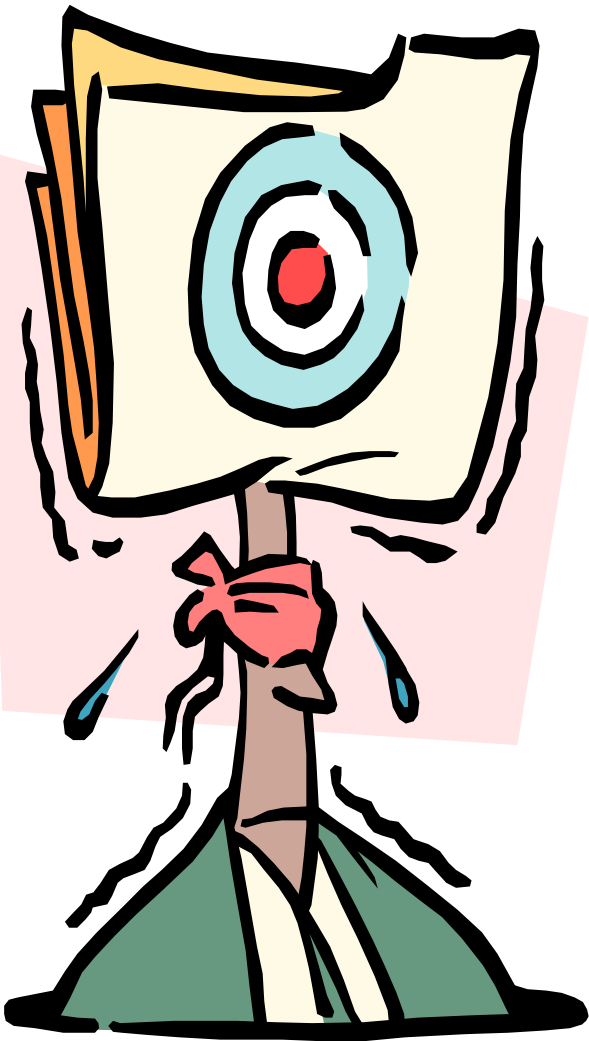


Figure 6. Food Industry Financial Indicators, selected crops, 1991-2002: Net Profit (\$mil)



Some Tentative Conclusions Since NAFTA, WTO & FAIR 96: Is this what we expected?



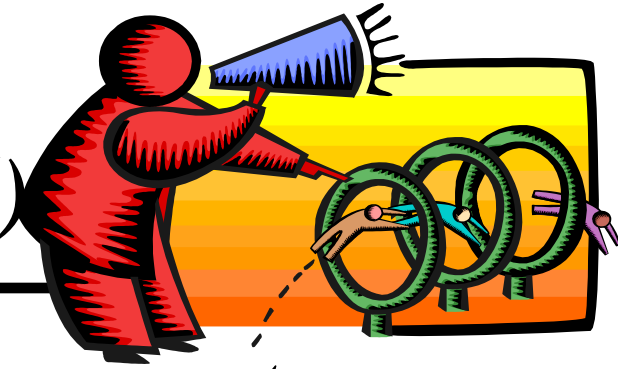
- 1. Trade has improved, with both imports & exports up.*
- 2. Net Farm Income has not improved.*
- 3. Distributional inequality continues.*
- 4. Major agribusinesses have done relatively well.*
- 5. Concentration has continued, perhaps accelerating.*
- 6. Rent-seeking by agriculture and agribusiness has increased & been successful.*

Some Suggestions for Future Education Programs



- 1. Free markets are a myth.*
- 2. Market power is a fact.*
- 3. Trade agreements are a form of govt. intervention.*
- 4. Capitalism is a govt-supported program.*
- 5. Trade agreements shift protection:*
 - ◆ Many firms & farms driven out of business*
 - ◆ Many forced to alter their practices & structure*
 - ◆ These protective responses further prevent self-regulating markets.*

Some Suggestions for Future Education Programs (continued)



6. Survivors continue to seek rents from govt
--Periods of profitability that are a result of this anti-free-market govt support.
7. Govt continues to be responsive to rent-seeking, especially from those w/market power.
8. Rural farm communities continue to face cyclical pressures and will fail unless sufficiently compensated by capitalized govt subsidies.
9. Choices for rural farming communities: rural economic diversification/economic malaise.

Some Suggestions for Future Education Programs (continued)



- 10. Choices for “excess” farm families and farm labor: off-farm employment, alternative education & training programs, entrepreneurial creativity, & relocation to urban centers.*
- 11. Consumers benefit: relatively cheap food & fiber, varied & convenient food choices, more simplified one or two-stop shopping experiences, & as much labeling information as they demand.*
- 12. Consumers lose: having a sense of community which supports local food production, losing locally rich markets because of the power of large chains, greater challenges in getting the market to be responsive to concerns about food safety.*

What is our role as public educators & economists?



*Are we part of the problem,
or
Are we part of the solution?*