



Food & Agricultural
Policy Research Institute

University of Missouri

Future agricultural market conditions and their role in United States agricultural policy

Wyatt Thompson

Adana, Turkey

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Preview

Market conditions

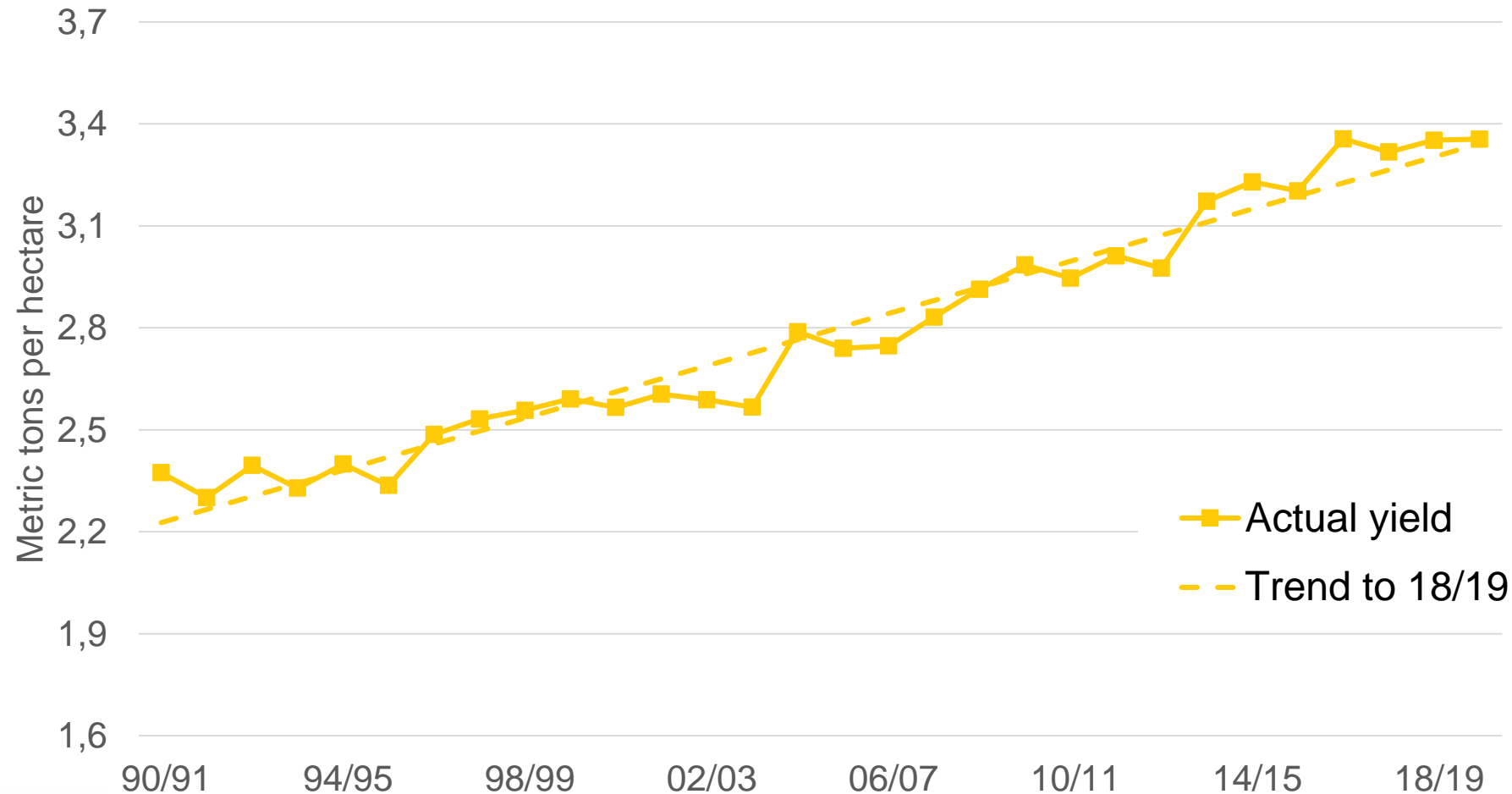
Trends suggest flat or weak prices and farm income in near future, subject to uncertainty.

Markets and policy

In the past, policy support in the United States tends to increase when prices are low, although the nature of support can be important.

Global grain and oilseeds yield growth continues

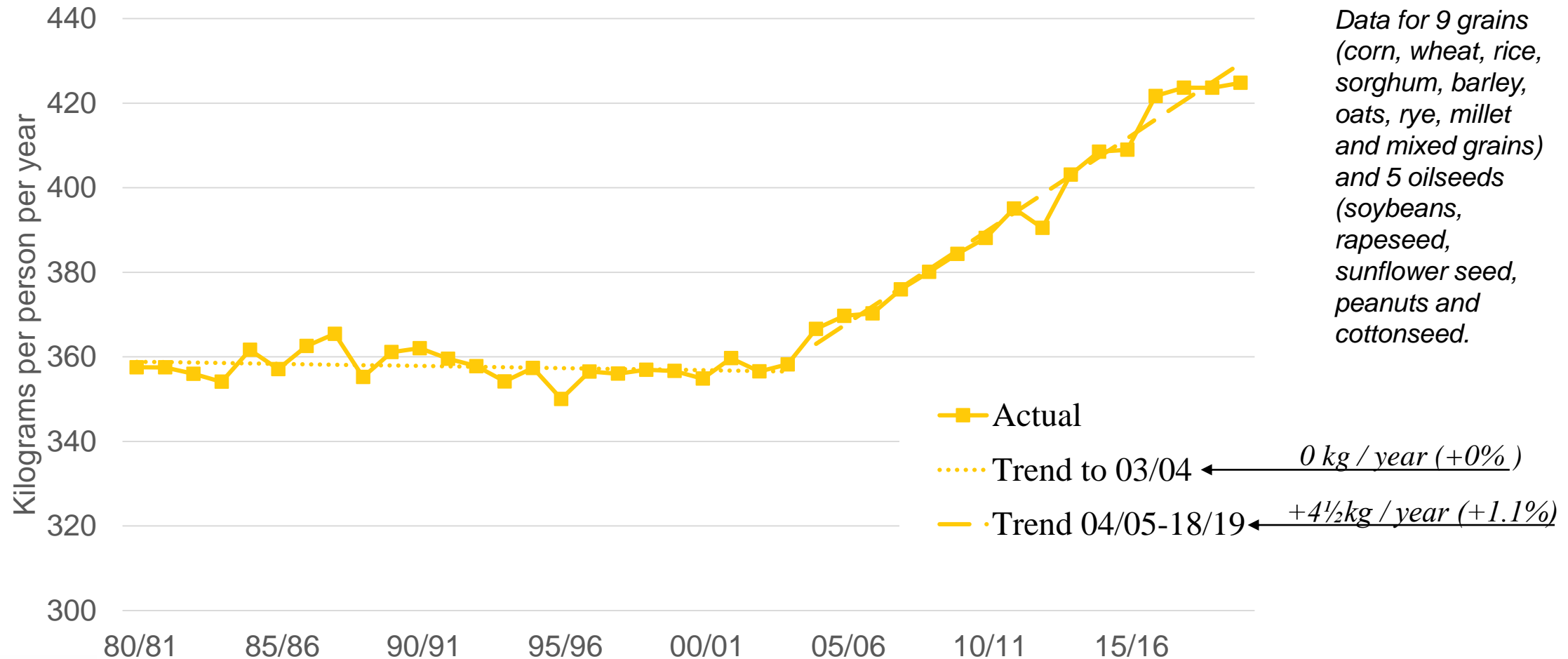
Trend growth: +38kg/ha/year (+1.2% in 2018)



Yields per hectare for an aggregate of 9 grains (corn, wheat, rice, sorghum, barley, oats, rye, millet and mixed grains) and 5 oilseeds (soybeans, rapeseed, sunflower seed, peanuts and cottonseed).

Global grain and oilseeds per-capita use increased

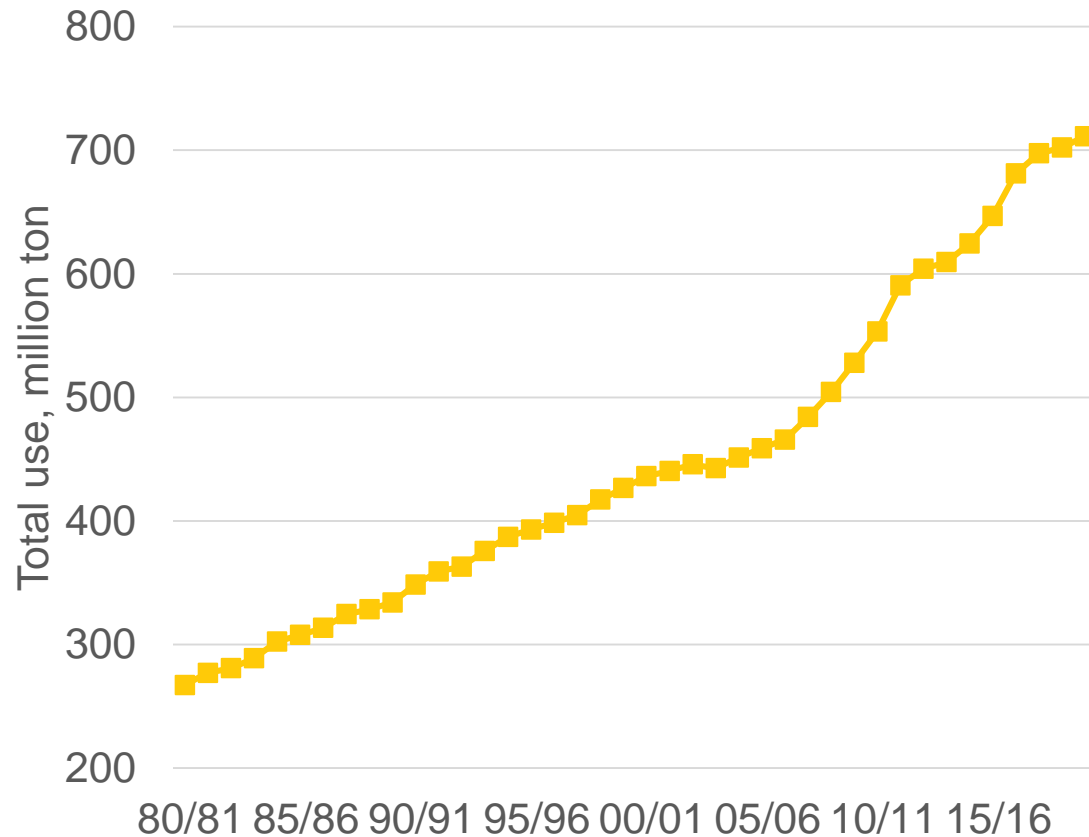
Trend growth over all this period: +1.6kg/person/year (+0.4% in 18/19)



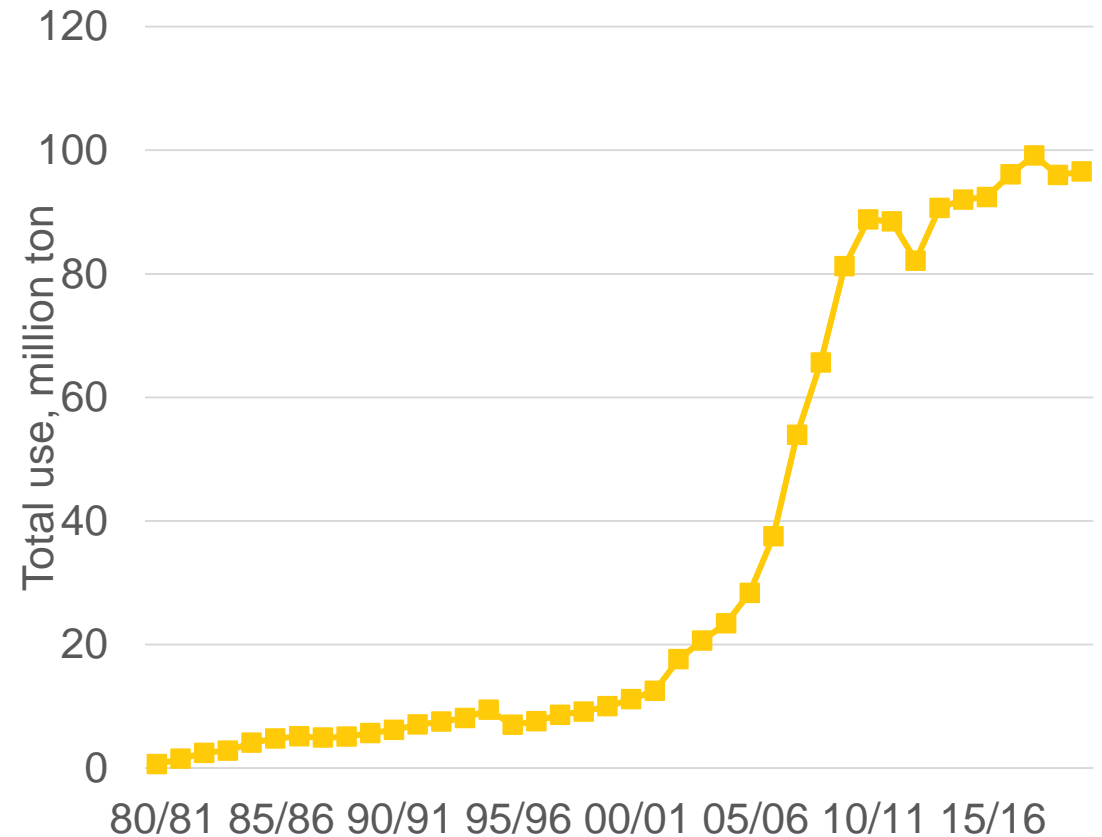
Source: Westhoff and Thompson, *Agribusiness* 2016 (DOI:10.1002/agr.21502), using USDA PSD data and US Census Bureau, updated in October 2019.

China and U.S. biofuel demand growth ending?

Chinese grain and oilseed use

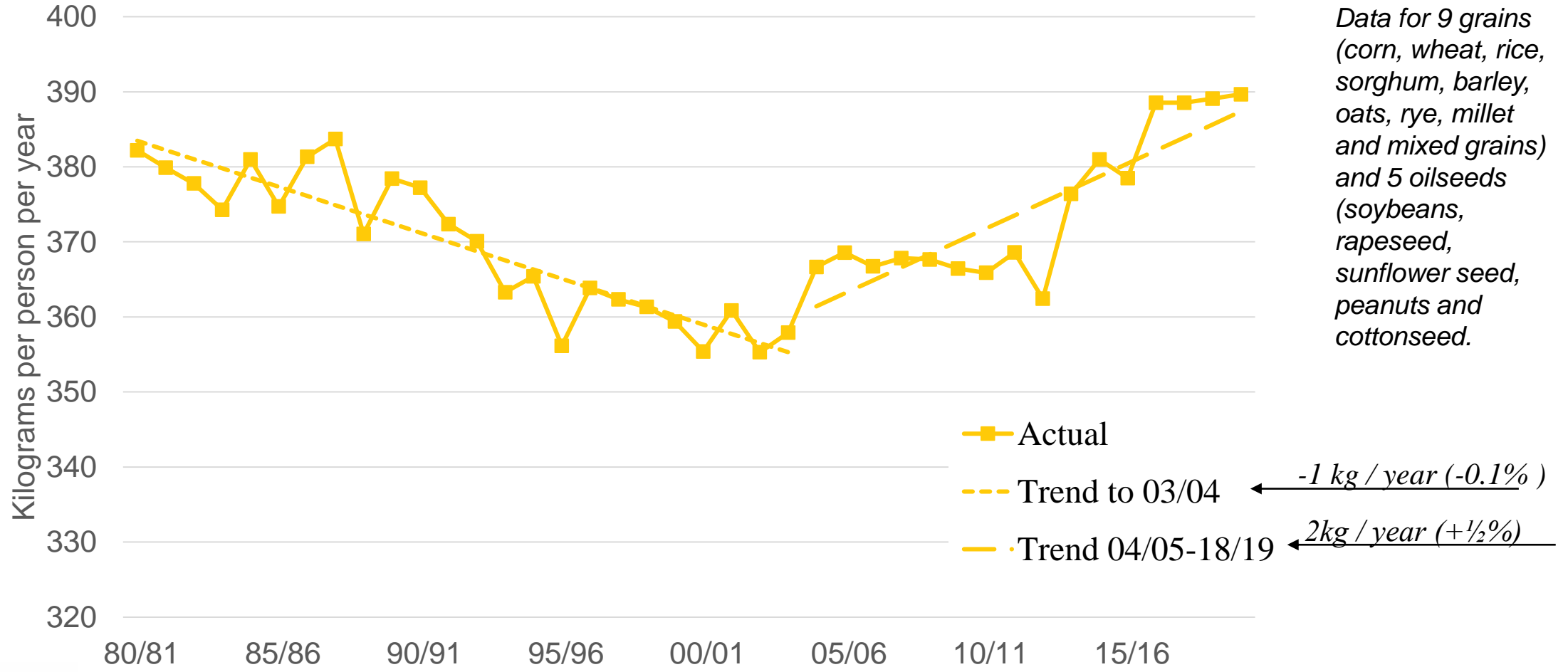


United States corn for ethanol



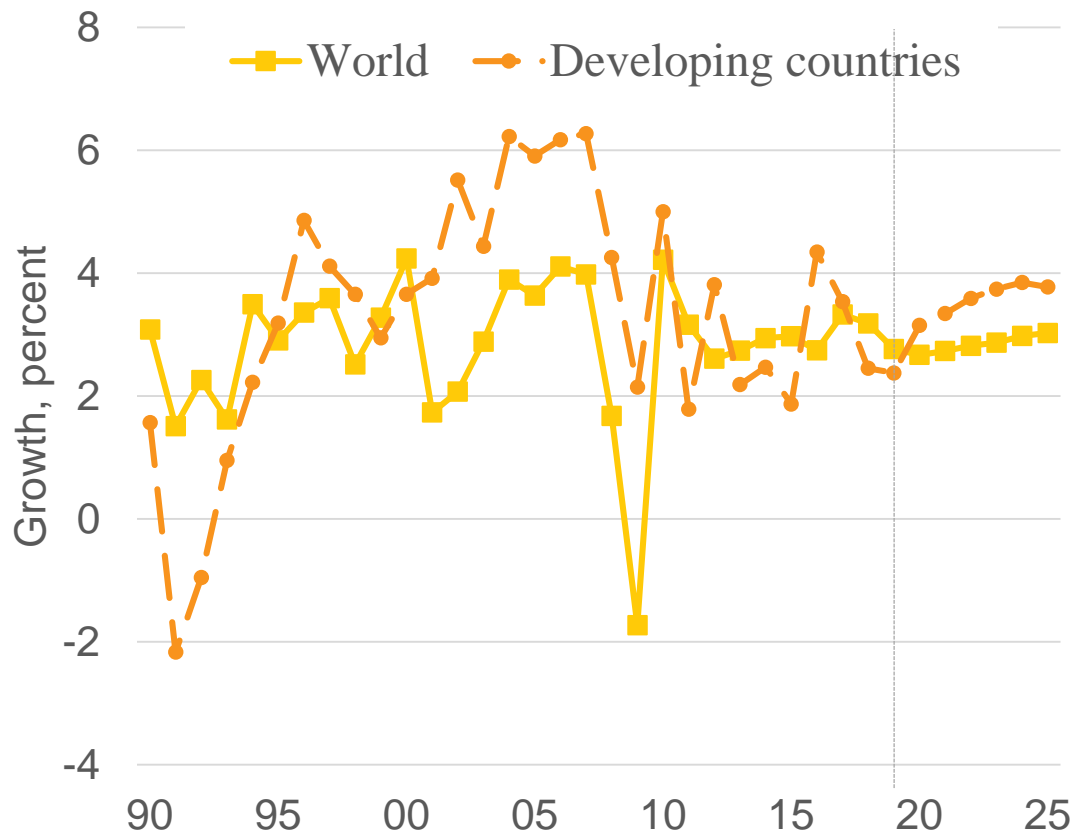
Weaker global use, excluding China & U.S. ethanol

Trend growth over all this period: zero

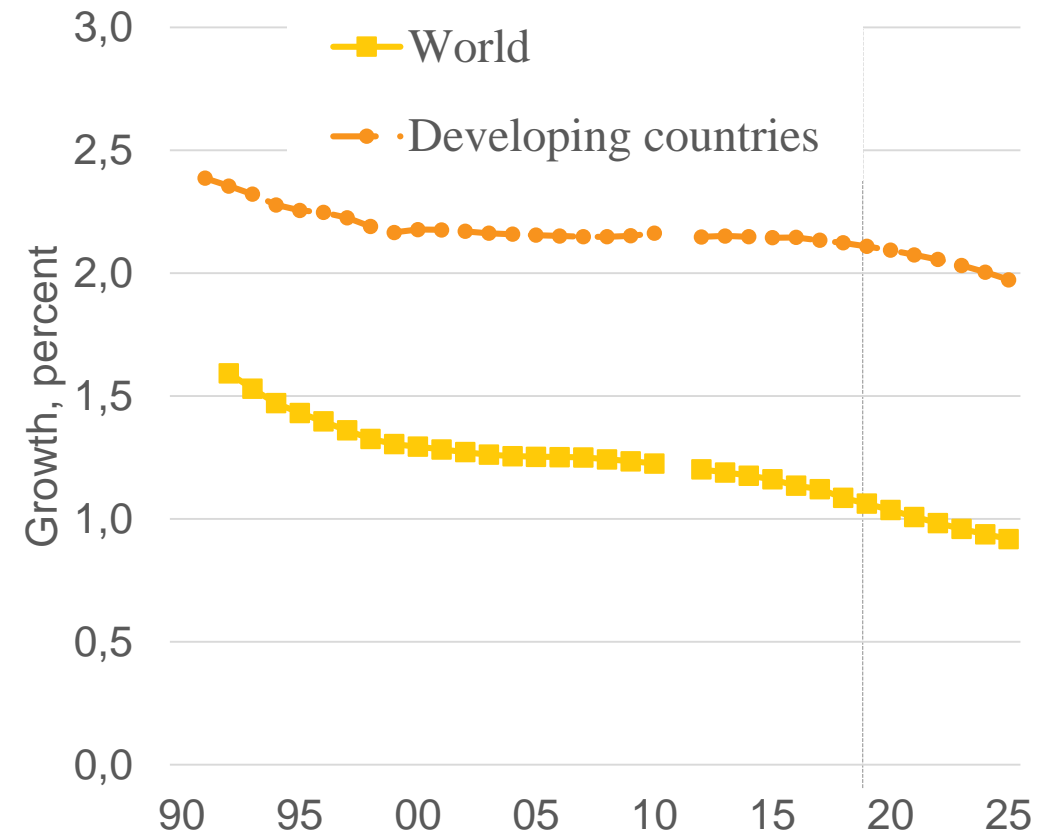


World income and population growth slowing

World GDP growth

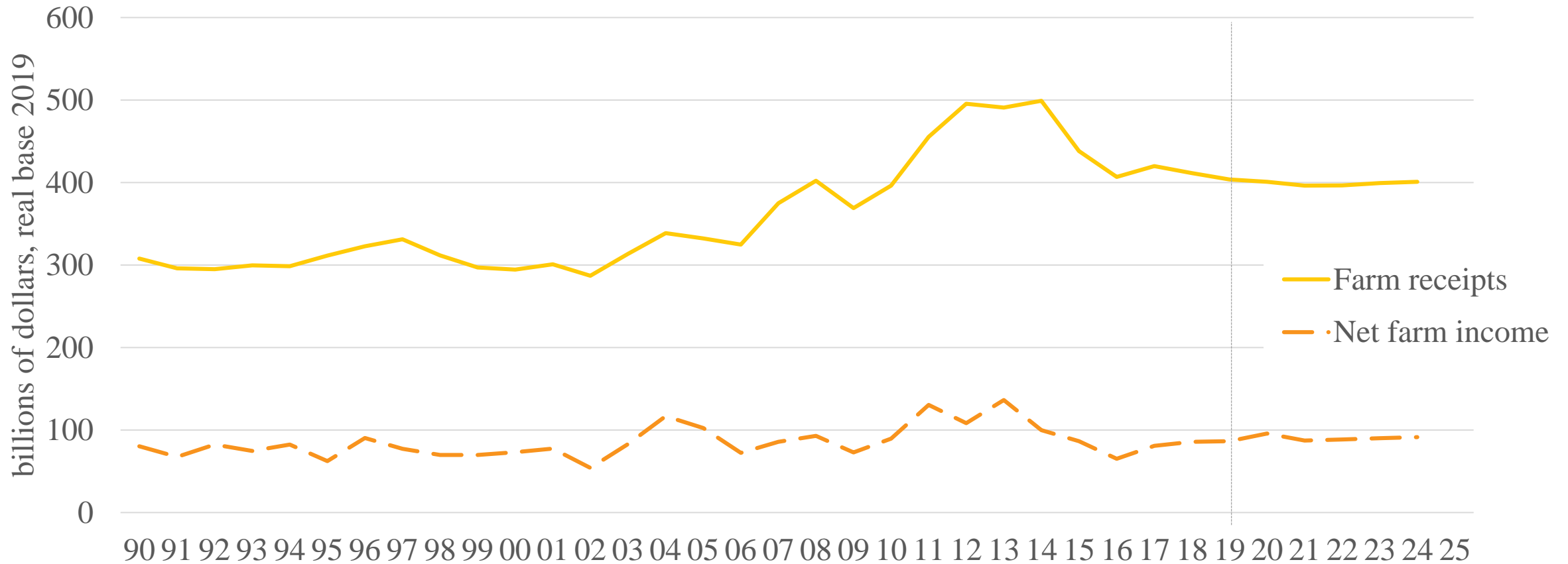


World population growth



Source: IHS Markit projections of July 15, 2019.

US farm receipts and income below recent levels



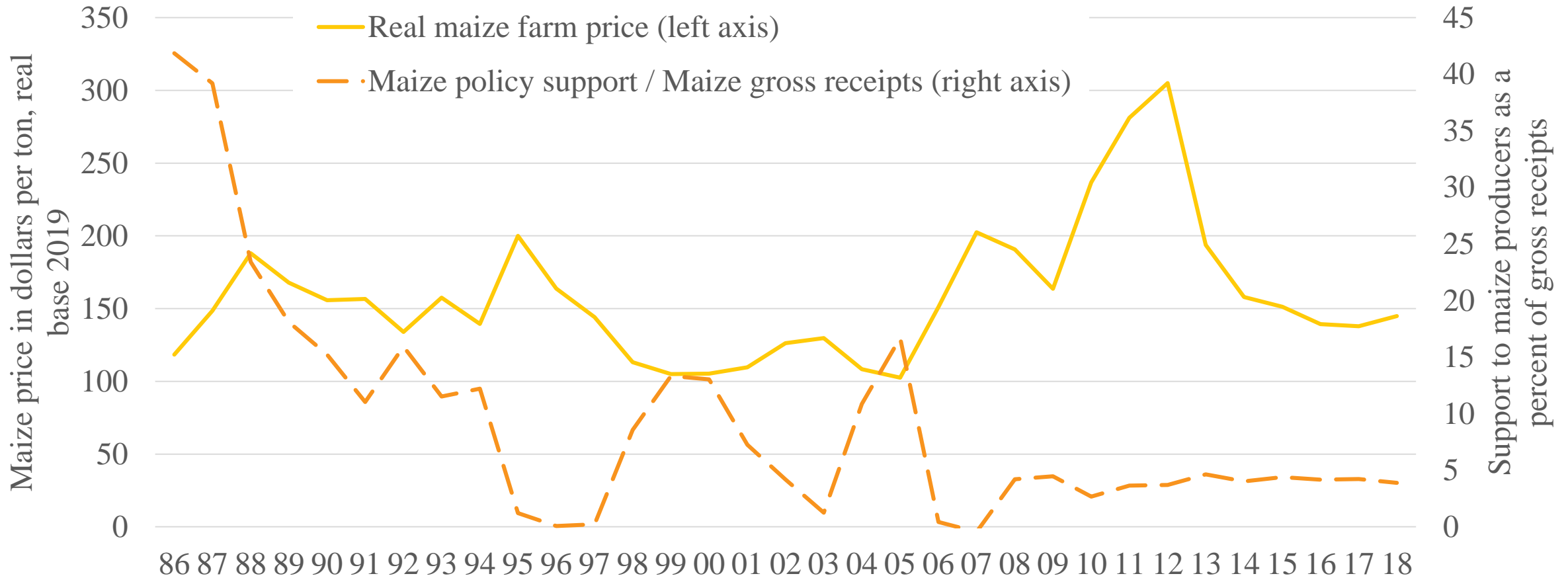
Markets set the stage for policy

❑ Policy making depends on context

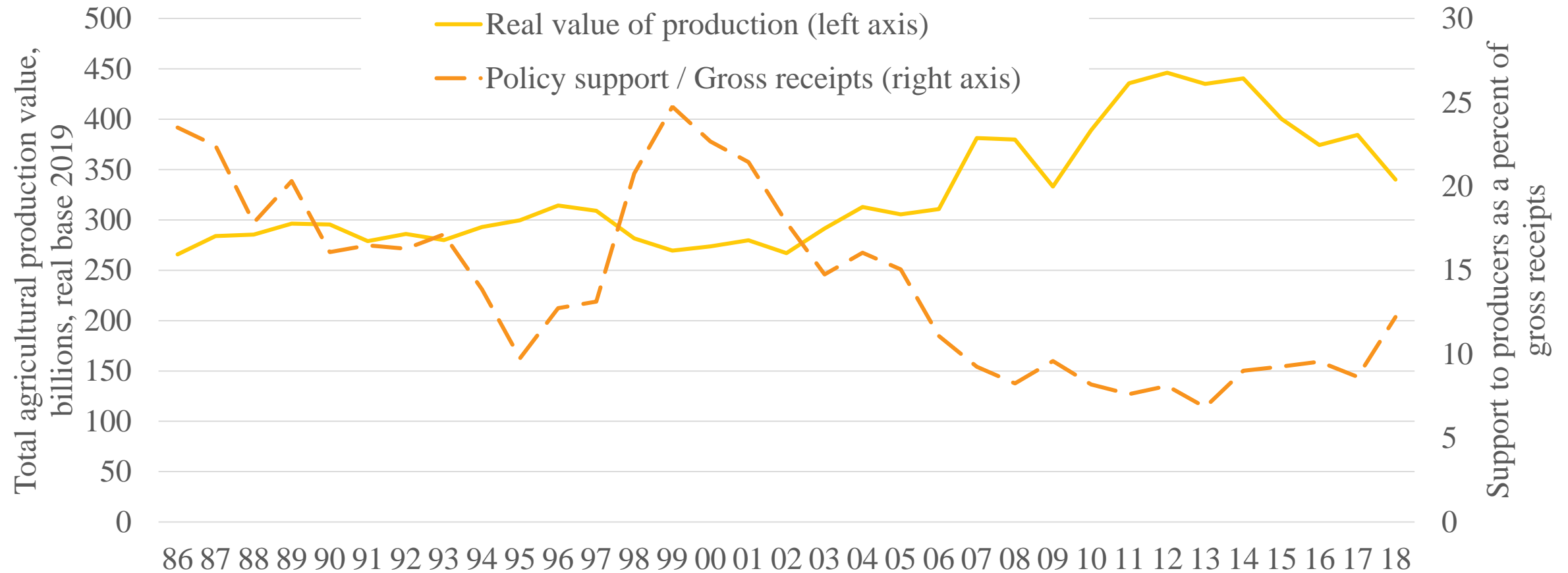
❑ Price levels or changes can affect agricultural policy

- Anderson, Neglen, World Dev., 2012: agricultural support response to deviations of international prices from trend is “shown to be equally substantial for agricultural-importing and agricultural-exporting countries...” for rice, wheat, maize, soybeans, sugar, and cotton
- Zhao, Miller, Thompson, JAE, 2018: wheat support tends to be higher in periods with low world prices, and lower when world prices are high

US maize price and support inversely related (*correlation = -0.3*)



Total US production value & support inversely related (*correlation = -0.8*)



Prices and policy

❑ Policy making depends on context

❑ Price levels or changes can affect agricultural policy

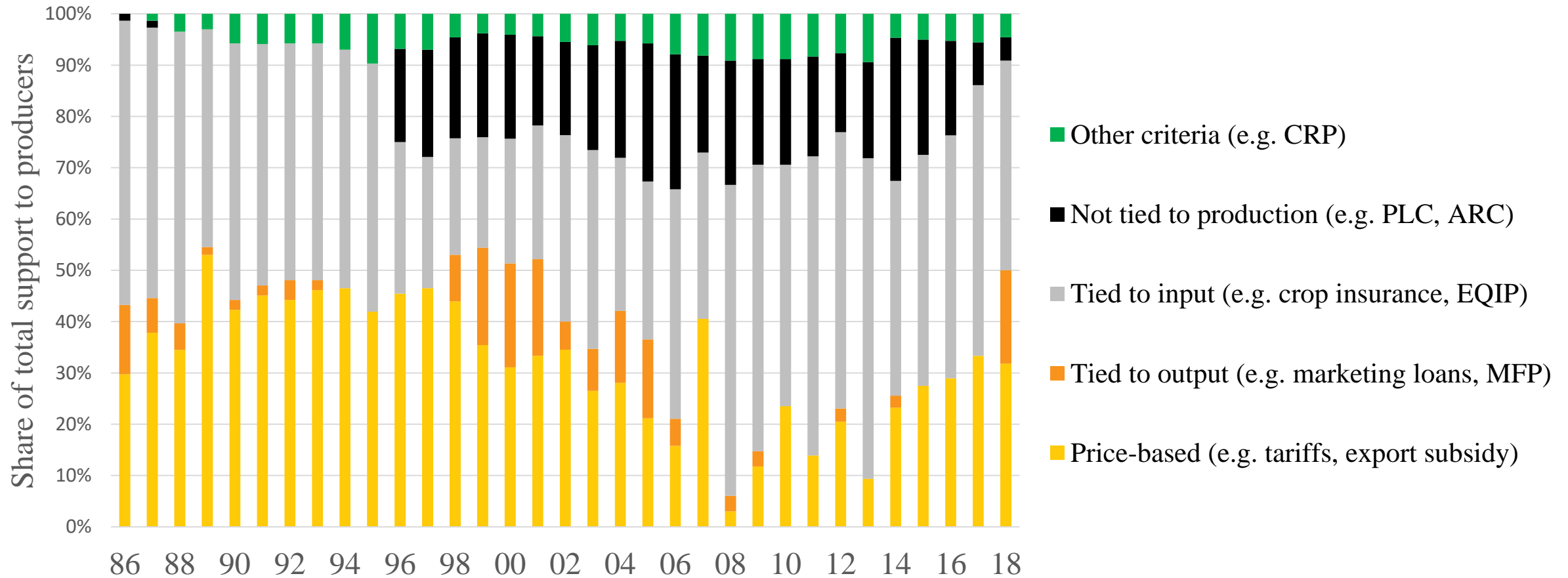
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❑ Not a question about policy goals, but observed past patterns

❑ Price, income, and policy mechanisms

- “Decoupling”: reduce link between policy support and production

US support tended towards decoupling



Market conditions and US policy

- Markets
 - Supply:
 - yield growth continues
 - Demand:
 - US ethanol and China demand stories seem to be ending
 - Income and population grow, but slower
 - Always surprises, but conditions suggest flat farm receipts and net income
- Markets and policy
 - Evidence suggests low prices → more policy support
 - “More policy support” \neq “more market intervention”, but the two are related

For more information

FAPRI-MU team:

- Julian Binfield
- Sera Chiuchiarelli
- Scott Gerlt
- Hoa Hoang
- Lauren Jackson
- Youngjune Kim
- Seth Meyer
- Wyatt Thompson
- Jarrett Whistance
- Peter Zimmel

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FAPRI-MU website:

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