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U.S. Grain Policies Viewed From Down Under

U.S. Grain Policies and the World Market. By Ivan Roberts, Graham Love, Heather Field, and Nico Klyn. Policy Monograph No. 4. Australian Bureau of Agricultural and Resource Economics, Canberra, 1990, xvii + 286 pages, \$39.95

Reviewed by Robert C. Green

The United States, according to the authors, talks of market orientation and trade liberalization while providing government support for grain production and exports. The authors agree that by lowering price support levels, the United States has made strides toward a more market-oriented policy. At the same time, there are those who lobby for continued support of agricultural production and exports and against policies promoting market orientation and trade liberalization. The authors encourage the United States to continue moving its agricultural policies toward market orientation.

The authors invite a wide audience by presenting their arguments in nontechnical language and locating the supporting analysis and more technical concepts in appendixes. They describe objectives and provisions of U.S. grain policy since 1950, characterizing by period according to policy objectives, approaches, and market conditions. Then they focus on the international effects of U.S. grain policies and other forces affecting world trade. The authors discuss the economic and political factors that affect U.S. grain policies and assess the performance of those policies in meeting their objectives of income support, price stability, and export market share. The paper concludes with policy alternatives open to the United States.

The authors peak with their presentation of international implications and forces affecting U.S. grain policies, providing a useful discussion of the history of grain markets and market shares and evaluating factors that affect wheat exports. They note the importance placed on export market shares in the making of the Food Security Act of 1985 but question whether any benefits were realized in the process.

They show the level of U.S. stockholding relative to world stocks and discuss stockholding policy and its effects on price stability. Stocks accumulated in the early 1980's, termed excessive, led to provisions in the Food Security Act of 1985, including the Export Enhancement Program (EEP). They discuss the effects of EEP on world trade and competitors' response to the program.

Three points focus on the performance of U.S. policies: (1) Although price stability has been a goal of U.S. policies, it has not been sustained over the long term. (2) Price reduction and destocking policies followed in the 1980's have regained export market shares but have not recovered export revenues. (3) U.S. grain policy is so complex and interactive that it is impossible to evaluate the costs and benefits of various provisions. I agree with the authors on the first two points. I also agree that grain policy is complex and interactive. But given a set of assumptions, we can evaluate the costs and benefits of various provisions.

The authors furnish an evaluation of policy alternatives for the United States, which, they believe, extends market power only to the United States. The alternative policies presented are classified as those which use present mechanisms, those which optimize benefits to the U.S. economy or to grain producers, or those which are practical reform options. This analysis demonstrates how alternative policies may benefit or cost U.S. producers, consumers, taxpayers, and the national economy, and foreign producers and consumers. The policy that provides the most benefit to the U.S. producer may not be the policy that provides the most benefit to the U.S. economy. The authors use a clearly detailed, informative static analysis to present structural effects of policy.

The authors provide a description of U.S. institutions and policy development, presenting the players in the process and how they operate. This is an important section which explains to general readers how politics cause or fail to cause change. The analysis falls short as an overall presentation of U.S. policy. The authors fail to form a comprehensive look at U.S. grain policies. They never really explain how the various components of grain price and income support programs interact.

The focus on nonrecourse loan activity and its price effects oversimplifies how U.S. policy operates. The authors introduce farmer-owned reserves, certificates, and the EEP and their price effects, but never fully describe the programs or cohere them. A general audience may not understand the objectives, structure, and operation of grain policy, and thus would not fully appreciate the points and issues of the authors.

In summary, the authors provide a good presentation of issues concerning U.S. grain policy and its effects on world trade. They argue for continuing market-oriented policy and trade liberalization. Their discussion of the politics of policy and why change is difficult is also useful. However, they do little to clarify U.S. grain policy and its operation.

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