

The World's Largest Open Access Agricultural & Applied Economics Digital Library

# This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search http://ageconsearch.umn.edu aesearch@umn.edu

Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C. USDA's Economic Research Service has provided this report for historical research purposes.

### Current reports are available in *AgEcon Search*

(http://ageconsearch.umn.edu) and on https://www.ers.usda.gov.



United States Department of Agriculture Economic Research Service https://www.ers.usda.gov 93.44 AGES 850328

A

pited States epartment of priculture

onomic search rvice

rvatural Resource Economics Division

## The Role of Irrigated Agriculture in a Changing Export Market

Gerald L. Horner Daniel S. Putler Susan E. Garifo

> WAITE MEMORIAL BOOK COLLECTION DEPT. OF AGRIC. AND APPLIED ECONOMICS

THE ROLE OF IRRIGATED AGRICULTURE IN A CHANGING EXPORT MARKET. Gerald L. Horner, Daniel S. Putler, and Susan E. Garifo. Natural Resource Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250. June 1985. ERS Staff Report AGES850328.

#### ABSTRACT

Irrigated acreage in the United States would increase by 5.5 million acres if export demand for agricultural products increased by 90 percent, according to analytical research projections reported here. Ground water use would increase by 42 percent. This analysis of the effect of increased export demand for agriculture commodities on irrigated agriculture also projects substantial increases in ground water pumping costs for the Mountain and Northern Plains regions.

#### AUTHORS

Horner and Garifo are agricultural economists with the U.S. Department of Agriculture and Putler was a graduate research assistant with the University of California, Davis.

#### CONTENTS

INTRODUCTION	3
THE USMP MODEL SPECIFICATION	4
PRIMARY AND SECONDARY COMMODITY ACTIVITIES	5
FACTOR INPUT ACTIVITIES	6
MODEL MODIFICATIONS	6
ALTERNATIVE EXPORT DEMAND LEVEL SIMULATIONS	13
COMMODITY PRODUCTION AND PRICES	14
REGIONAL CROPPING SHIFTS	14
REGIONAL WATER USE	17
DRYLAND AND IRRIGATED PRODUCTION	19
SUMMARY AND CONCLUSIONS	24

The Role of Irrigated Agriculture in a Changing Export Market

Gerald L. Horner Daniel S. Putler Susan E. Garifo

#### INTRODUCTION

Export demand for agricultural commodities can change substantially depending on world weather conditions, prices, incomes, exchange rates, and the political environment. Domestic production of principal export commodities is affected by the weather conditions, government commodity programs, off-farm input prices, and the amount and quality of labor and natural resources available. Knowing the effect of changes in the demand for export commodities on resource use can assist the Federal Government in short- and long-run resource planning.

This paper examines the current role of irrigation in the production of principal U.S. agricultural commodities and projects how dryland and irrigated cropping patterns could change under alternative export demand scenarios.

A spatial equilibrium mathematical programming model was used in this study which assumes perfectly competitive product and factor markets. The U.S. Mathematical Programming (USMP) model was acquired from the National Economics Division of the Economic Research Service, USDA.[1] The original model was initiated at Purdue University as a computerized model of the U.S. agricultural sector. [2] In the model, national crop and livestock commodity production was specified for 10 regions and commodity use was specified for national domestic, stock, and export market demands. Agricultural labor, crop, and pasture land were specified as price elastic factor supply activities.

The model was modified by including irrigated cropping activities and water supply functions, and by replacing the risk specification with a quadratic cost term that accounts for all unspecified production costs and returns. This modification allows the model to reproduce a base cropping pattern without the use of constraints placed on acreages. The price sensitive labor supply activity was respecified with average regional wage rates.

The original specification of the USMP did not separate dryland and irrigated crop production, or specify water as an explicit resource input. By including both production technologies and the supply of irrigation water as nonlinear regional activities in the national model, better estimates of irrigated agriculture production response and resource use can be made.

- 3 -

#### THE USMP MODEL SPECIFICATION

The USMP optimizes the net social payoff of national agricultural production. This is equal to the area under the demand functions less the area under the supply functions which is commonly defined in the economic literature as consumers' plus producers' surplus. The problem was specified as a quadratic programming model and solved using Minos.[3]

Three final demands were specified at the national level: domestic, export, and stocks. Commodity supply sources specified at the national level were imports, beginning commercial inventories, and government stock release. Crop and livestock production, labor, and land resource supply functions were specified for the 10 USDA crop production regions (fig. 1).

#### Figure 1.

#### **Farm Production Regions**



Source: U.S. Department of Agriculture

- 4 -

The USMP contained 36 of the major agricultural commodities produced in the United States. These commodities were divided into two categories: primary and secondary products. Primary commodities were defined as those produced on the farm and include the following:

Crops	Livestock					
cotton .	fed beef for slaughter					
corn	nonfed beef for slaughter					
soybeans	beef calves for slaughter					
wheat	beef feeder yearlings					
sorghum	beef feeder calves					
rice	cull beef cows					
barley	cull dairy cows					
oats	cull dairy calves					
silage	milk					
hay	hogs for slaughter					
	cull sows for slaughter					
	feeder pigs					
	poultry					
	other livestock					

There were 143 primary commodity production activities specified at the regional level. Elasticities of demand for the crops included in the model are the same elasticities used in the USMP. These elasticities were estimated by the Food and Agricultural Policy Branch, National Economics Division, Economic Research Service, USDA. The elasticities by commodity are as follows

LIASL	110	
Domestic	Stocks	Exports
-0.22	-1.96	-0.18
23	-3.25	33
14	-2.01	80
07	90	35
01	-1.52	82
30	70	(1)
11	-1.30	(1)
09	63	46
	Domestic -0.22 23 14 07 01 30 11	$\begin{array}{cccccccccccccccccccccccccccccccccccc$

Elasticities of demand

(1)Not exported.

Secondary commodity production activities represent the processing of primary commodities into intermediate products or products that have an observable final demand. The following secondary commodity production activities were specified at the national level.

- 5 -

CropsLivsoybean mealfedsoybean oilnonlivestock feed grainveadairy protein supplementporlow protein swine feedhigh protein swine feedlow protein cattle feedhigh protein cattle feed

Livestock fed beef nonfed beef veal pork

#### Factor Input Activities

The USMP model regionally specified the supply of land, labor, and miscellaneous factor inputs. Cropland and pasture land were specified with price-responsive supply functions. The supply elasticities of land used in this study were estimated to be 0.3 for cropland and 0.6 for pasture. These estimates were done in the original formulation of the model at Purdue University and no attempt was made to estimate regional elasticities.

Family labor was specified with perfectly elastic supply functions and constrained to 1978 levels. Hired labor was specified with price-responsive supply functions. Miscellaneous factor inputs were supplied in perfectly elastic national markets at fixed national prices without constraints.

#### Model Modifications

The USMP was modified to include regional irrigated crop production activities, ground and surface water supply functions, and a subroutine to eliminate the need for regional production constraints.

#### Irrigated Production Activities

With the exception of rice and cotton, most principal U.S. agricultural crops are not irrigated (table 1). The 31 million irrigated acres represent about 11 percent of the total acreage of those crops. However increased production of export commodities in response to a change in demand can come from irrigated areas. Increases in export demand relative to other irrigated crops would shift resource use from nonexport to export crops. The extent of the changes in cropping patterns would depend on the value of growing the export crops relative to other crops, and the flexibility of farmers to irrigate both export and other crops.

The original USMP model specified one crop production activity for each crop in a region. This specification incorporates both nonirrigated and irrigated cropping technologies into a single activity. By forming an additional activity to represent the irrigated technology, a more accurate commodity supply response to changes in commodity demand scenarios can be projected. Most of the U.S. irrigated crop production takes place in the four Western regions, the Mississippi River Delta, and Florida (table 1). About 50 percent of the principal crop acreage in the Pacific region and 42 percent of the Mountain region is irrigated. In 1978, most of the irrigated cotton was grown in the Southern Plains, Arizona (Mountain region), and California (Pacific region).

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Total
					Millio	n acres		**. *	<b></b>		
Cotton:					<u></u>						
Dryland			0.183		0.275	0.547	2.344	4.701			8.050
Irrigated							.128	2.343	0.694	1.521	4.686
Total			.183		•275	.547	2.472	7.044	•694	1.521	12.736
Corn:	0 (7)										
Dryland	2.674	11.184	35.740	5.559	4.205	2.644		.414	.040	•007	62.466
Irrigated	2.674	11 10/	AF 7/0	5.640		.234		.932	.911	.365	8.082
Total	2.0/4	11.184	35.740	11.199	4.205	2.878		1.346	•951	.372	70.548
Soybeans:	.926	1 001									
Dryland Irrigated	• 920	4.864	21.596	3.043	3.495	4.944	10.697	.916			50.481
Total	.926	4.864	21 506	.220	2 /05	.078	.591	. 187			1.076
Wheat:	• 920	4.004	21.596	3.263	3.495	5.022	11.288	1.103			51.557
Dryland	.372	2.908	3.249	24.234	• 581	000		7 ( / 0	0 544		
Irrigated	• 572	2.900	3.249	.531	• 201	•228	•312	7.642	8.546	4.086	52.160
Total	• 372	2.908	3.249	24.765	.581			.149	1.111	.511	2.302
Sorghum:	• 572	2.900	3.249	24.703	• 201	•228	.312	7.791	9.657	4.597	54.462
Dryland			.923	5.198			201	2 002		001	
Irrigated			• 72.5	•647			•206	3.983	.110	.004	10.424
Total			.923	5.845			.206	1.050	.219 .329	.104	2.020
Barley:			• 725	J.04J			.200	5.033	• 3 2 9	.108	12.444
Dryland	.208	1.009		3.063					1.597	.827	6.704
Irrigated	•200	1.007		3.003					1.286	•641	1.927
Total	.208	1.009		3.063					2.883	1.468	8.631
Oats:									2.005	1.400	0.031
Dryland	.788	3.839	2.993	4.638							12.258
Irrigated											0
Total	.788	3.839	2.993	4.638							12.258
Hay:											12.20
Dryland	4.434	6.949	6.676	8.704	3.332	1.128	1.397	3.333	1.771	.818	38.542
Irrigated				.556		.023		.267	4.164	1.674	6.684
Total	4.434	6.949	6.676	9.260	3.332	1.151	1.397	3.600	5.935	2.492	45.226
Silage:									50755	20472	431220
Dryland	1.305	1.732	1.236	1.000	.614	.189	.068	.031	.023		6.198
Irrigated				.324		.015	.003	.097	.485	.204	1.128
Total	1.305	1.732	1.236	1.324	.614	.204	.071	.128	.508	.204	7.326
Rice:											
Irrigated			.025				1.895	. 598		•485	3.003
<b>Fotal:</b>											
Dryland	10.707	32.485	72.596	55.439	12.502	9.680	15.024	21.020	12.087	5.742	247.282
Irrigated	0	0	•025	7.918	0	.350	2.617	5.623	8.870	5.505	30.908
Cropland	10.707	32.485	72.621	63.357	12.502	10.030	17.641	26.643	20.957	11.247	278.190

Table 1---Dryland and irrigated crop acreage by USDA crop reporting regions, USMP base solution, 1978

Sources: U.S. Dept. Agr., Agricultural Statistics, 1981, and U.S. Dept. Commerce, Bureau of the Census, 1978 Census of Agriculture, "Irrigation," Vol. 4, Feb. 1982.

1

Rice production was limited to Texas (Southern Plains), California (Pacific), and the Delta States. There is substantial acreage of dryland wheat and barley acreage in the Mountain and Pacific regions. These crops are usually grown as winter crops in the West where most of the rainfall occurs during the winter and, in some areas, no irrigation water is applied.

#### Surface Water Supply Functions

The USMP, as modified, requires the specification of a surface water supply function. Such a function must contain the amount of water that can be used on export crops and the price changes that will occur if the amount of water use changes.

About 54 percent of the total water used for irrigation in the United States is diverted from surface watercourses.[4] The remainder is pumped from ground water aquifers. Where surface water occurs in the arid West, agricultural development has, for the most part, thrived because of low capital investment requirements of the farmer and stable irrigation costs.

The pattern of water allocation in the West is based on court-determined arbitrary rights originating from the Riparian Doctrine and the Doctrine of Prior Appropriation. This means that a low probability of reallocating water from low-value agricultural uses to higher value agricultural and non-agricultural uses exists. Also, physical water requirements that are determined under the assumption of a lower than market determined water price will exceed existing supplies.

The U.S. Constitution delegated to the Congress the paramount authority to control the use of the Nation's navigable surface waters. Most Western States have declared that natural streamflow is the property of the public and therefore the property of the State in trust for the people. However this is subject to the authority of the U.S. Congress. As a result of rigid surface water allocation in the West, the surface water supply functions were specified in the USMP with a perfectly elastic price for each region. Quantities of surface water available for use were constrained by the amount of surface water applied in 1978 to the crops that were included in the model. The amount of surface water applied to crops included in this analysis and their average costs by region in 1978 were:

	Surface	Average
Region	water use	cost
	Million acre-feet	<u>\$/AF</u>
Northern Plains	1.738	4.78
Southeast	.113	4.45
Delta States	1.309	4.37
Southern Plains	2.217	8.18
Mountain	14.462	4.27
Pacific	13.126	9.46

#### Ground Water Supply Functions

Ground water has also played an important role in the irrigation of the West. With the development of the high-volume turbine pump, water could be economically pumped from depths up to 700 feet for irrigating agricultural crops. Vast amounts of ground water are available in some areas of the United States that could be developed for irrigation. The following citation from a recent U.S. Geological Survey report supports the possibility of using greater amounts of ground water.

"The pumpage of fresh ground water in the United States in 1980 is estimated as approximately 88 billion gallons per day, which is on the order of 10 percent of the estimated natural flow through the Nation's ground water systems. From the national perspective, therefore, the resource is not overdeveloped; locally, however, the situation can vary widely, and a number of problems exist." -J.S. Geological Survey, Water-Supply Paper 2250, page 37.

Ground water aquifers, geological formations that have accumulated water over millions of years, are usually recharged naturally as water is removed. However the rate of pumping is sometimes greater than the rate of recharge and a temporary overdraft exists in several areas.

Ground water comprises about 46 percent of the total water used for irrigation in the Nation.[5] In 1978, about 29 million acres were irrigated with ground water. Overdrafting occurs in 11 of the major irrigated States and it directly affects agricultural production on 15 million acres.[6] Overdrafting is a rational procedure on the part of society if the financial returns from pumping are greater than the current costs of pumping plus the present value of future changes in pumping costs and environmental costs (user costs).[7] For example, benefits from pumping do exceed the pumping cost plus user costs for some aquifers in the San Joaquin Valley of California.[8] But, in other areas, the benefits from pumping are less than the pumping cost plus user costs. But overdrafting still occurs, however, as long as the user costs are not borne directly by the pumper. This is the case because ground water is a common property resource without exclusive rights being assigned to any one individual. Therefore future pumping and environmental costs are distributed among all of the users.

Some States have attempted to internalize user costs to the pumper by limiting the number or spacing of wells. For example, these policies slow the rate of extraction and bring private benefits and costs closer to presumed social benefits and costs. In areas of the country that have large ground water aquifers, overdraft could become a substantial but temporary source of irrigation water given stable energy costs and rising commodity prices.[9]

To accommodate the cost structure of ground water pumping in the USMP, we specified ground water supplies as price-responsive activities for each production region. The responsiveness of quantity supplied to changes in an output price sufficient to induce that level of output is referred to as the elasticity of supply of the product. Elasticity figures reflect the relative ease with which resources can be drawn into the production process. Supply is said to be inelastic (less than 1.0) if additional quantities are produced only at much higher costs (quantity is relatively unresponsive to output price). Conversely, supply is elastic (greater than 1.0) if more output produced is associated with very small cost increases (quantity is relatively responsive to output price). Time is a crucial element of supply elasticity: resources are

- 9 -

much more mobile in the long run than in the short run and therefore supply functions become more elastic over a longer time period.

The concept of supply elasticity as relates to water for irrigated agriculture applies in cases for which water production costs per unit rise. The most common example of increasing unit costs is that of water pumped from an overdrafted aquifer. Annual drawdown represents the magnitude of the decline in the water table for a given amount of overdraft (amount by which water withdrawals exceed recharge). Irrigators use pumps and irrigation equipment (fixed factors) and labor and energy (variable factors) to produce water for their own use in a vertically structured production process. Irrigators can be viewed as a suppliers of water because, in the absence of institutional barriers, irrigators would be able to sell the water to users who would be willing and able to pay the most for it.

Each additional acre-foot of water pumped from the aquifer results in cost increasing conditions brought about by the drawdown: water must be pumped a greater distance and well yields are decreased. In this analysis, energy prices, labor wages, and fixed costs are assumed constant so that water cost increases are associated with movements upward and along rather than leftward shifts in the water supply curve. Thus, for a given drawdown, input costs, and quantity of overdraft, an elasticity of ground water supply can be estimated. The following ground water supply cost and elasticities were developed from State-level information gathered by U.S. Geological Survey,[10] Farm and Ranch Irrigation Survey[11] and expert opinion.[12]

	Ground	Average	Supply
Region	water use	cost	elasticity
	Million acre-feet	\$/Af	
Northern Plains	8,077	12.77	0.6
Southeast	.423	14.39	1.5
Delta States	3.747	11.04	1.5
Southern Plains	5.624	18.74	.4
Mountain	2.735	16.54	.8
Pacific	2.192	18.99	.85

#### Positive Quadratic Programming

Duplicating actual regional cropping patterns with an unconstrained regional programming model is difficult to accomplish. The cause of this difficulty arises from the inability to estimate all costs and benefits from growing a particular crop. Economists have employed techniques to make regional programming models generate results closer to observed acreages. Day[13] and McCarl[14] have suggested procedures to estimate the magnitude of upper and lower bounds on regional crop acreages. One major deficiency of these approaches is the lack of data needed to implement these techniques in a national model.

Howitt and Mean[15] proposed an alternative to estimating the amount of "flexibility" in upper and lower bounds:

"This paper proposes a method to amend normative linear microeconomic models by a positive measure of the nonlinear part of

- 10 -

the cost function based on the actual action of the farmers. Using this positive approach the linear model can be exactly calibrated to observed outputs for a single year or calibrated with a least-squares criterion if actual crop acreages for several years are known. The resulting optimization problem incorporates a quadratic cost term for each regional crop grown and is constrained only by those fixed input constraints that can be empirically justified. The problem is solved as a quadratic programming problem, and being only moderately constrained, the model reaction to policy changes is a smooth trade-off based on changed comparative advantage."

The Positive Quadratic Programming (PQP) technique was originally applied to only nonmarginal crops (underspecialized crops)[16] in a model[17] and existing regional resource constraints limited the acreage of the marginal crops. The implementation of PQP in the USMP was different in that both underspecialized and overspecialized cropping activities were specified to base-year levels and regional resources were specified as cost-responsive supply functions.

One assumption underlying the USMP is that firms act as profit maximizers within perfectly competitive markets. Economic theory indicates that firms will succeed if they can equate their marginal cost of production with the price they receive for their output. This relationship can be expressed as:

$$P = MC$$

where P is the unit price of the output and MC is the marginal cost of production.

The production processes within the USMP model are described as Leontief production functions exhibiting constant returns to scale. That is, each unit of output requires fixed levels of inputs. Given these assumptions, the total cost of production for a specific region and crop can be expressed as a linear function of the form:

$$TC = cQ + C$$
 (2)

where TC is the total cost of production, c is the variable cost per unit produced, Q is units of output, and C is the fixed cost of production.

The marginal cost of production is determined by differentiating the total cost function with respect to the quantity produced which in this case is:

$$MC = c$$

(3)

(1)

The price that producers receive for the commodities they produce is determined by a demand function for each commodity. The USMP assumes, for simplicity, that the industry faces a linear demand function of the following form:

$$P = a + bQ \tag{4}$$

where a is an intercept term and b is a slope coefficient.

- 11 -

The equilibrium condition for the production of each crop is determined by substituting equations (3) and (4) into (1) to obtain:

$$a + bQ = c \tag{5}$$

Rewriting the equation yields:

$$bQ - c = 0 \tag{6}$$

If the USMP is constrained to base period crop production levels, the constraints will be binding and take on a positive or negative dual value. A dual value indicates that the marginal costs of production estimated were not equal to the actual marginal costs of production that existed in the base year. Thus, the existence of dual values on these constraints indicates a violation of the basic assumption described by equation (6).

A positive dual value in the constrained run indicates that overspecialization of that crop occurred[18] and some of the costs associated with producing the crop were not measured. These unmeasured costs could be actual out-of-pocket costs such as transportation and insurance costs or costs not explicitly accounted for within the firm, such as risk.

A negative dual value in the constrained run indicates an underspecialization and that production costs were overestimated. Resource costs that could be overestimated are land rents and management costs. Positive externalities, such as the value of a crop in a rotational scheme, could also be present and would cause a negative dual value on a crop constraint.

The actual cost producers face can be defined as:

a +

$$MCA = c + f(Q^*)$$
(7)

where  $f(Q^*)$  is the negative of the dual value of a base-year level constraint on the respective crop activity. The value of  $f(Q^*)$  also represents the unmeasured or overestimated marginal cost of producing that crop in the original normative USMP model.

Assuming that the unknown marginal cost function f(Q) takes a linear form, then:

$$f(Q) = e + gQ \tag{8}$$

where e is an intercept term. When Q\* is equal to the base-year crop acreage levels, and

 $e + gQ^* = - RDG$  (9)

with RDG representing the reduced gradient or dual value of the the base-year constraint on the crop-activity level in the quadratic programming model.

The g coefficients of the unknown marginal costs are always negative. Costs increase with quantity produced. Therefore, for crop production activities that are overspecialized (positive dual value on acreage constraint), the unknown marginal cost function would be calculated as:

- 12 -

$$e = 0$$
, and (10)

 $g = - (RDG/Q^*)$  (11)

Unknown marginal cost functions for underspecialized crop activities (negative dual values in the constrained run) will take the following form:

e = -2(RDG), and	(12)
$g = RDG/Q^*$	(13)

Forming the total cost function yields the objective function for all crop activities

$$TC = (c + e + gQ)Q \qquad (14)$$

that is quadratic in form and can be solved using the Minos optimization program.

The inclusion of the PQP technique in the USMP model will allow the model to duplicate base-year acreage levels without constraining the acreage levels. When policy changes or demand scenarios are introduced into the model, changes in the regional cropping pattern are determined entirely by the economic condition for general equilibrium which is that price equals marginal cost.

#### ALTERNATIVE EXPORT DEMAND LEVEL SIMULATIONS

The objective of this analysis was to determine the supply response of irrigated and dryland agriculture to changing export demand levels for agricultural commodities. This analysis was based on simulations made with the modified USMP.

Crops included in this study and their 1978 production and quantity exported are listed in table 2. Large proportions of the 1978 cotton, soybeans, wheat and

Commodities, 1970	0		
			Percentage
Crop	Production	Exported	exported
· · ·			Pct.
Cotton (1,000 bales)	10,478	5,850	56
Corn (million bu.)	7,268	2,133	29
Soybeans (million bu.)	1,869	753	40
Wheat (million bu.)	1,776	1,194	67
Sorghum (million bu.)	731	207	28
Barley (million bu.)	455	26	6
Oats (million bu.)	582	13	2
Hay (million tons)	144	0	0
Silage (million tons)	118	0	0
Rice (million cwt)	133	76	57
Source: U.S. Dept. of Ag.	, Agricultural S	Statistics, 198	1.

Table 2--Production and exports of major U.S. agricultural

- 13 -

rice crops were exported. Barley, oats, hay and silage were grown mainly for domestic consumption.

The alternative export demand levels selected for analysis were a reduction of 30 percent, and increases of 30, 60, and 90 percent. The range of export levels were chosen to cover possible declines and increases that may be possible in the 1980's.[19] It is assumed that these changes represent shifts in the export demand functions rather than changes in 1978 export demand elasticities.

The effects of changes in export demand levels were examined with respect to commodity production and price changes, regional cropping shifts, regional water use changes, and dryland and irrigated acreage changes.

#### Commodity Production and Prices

As one would expect, production of principal export commodities varied directly with changes in the export demand level (table 3). Variations in production levels as a result of a constant export demand level changes depended on the proportion of the crop that went into the export market, the elasticities of demand in the domestic and export markets, technical coefficients, stock of carryover, and the amount of and competition for land and water resources.

A decrease of 30 percent in export demand did not cause a serious decline in corn production (-7 percent) while sorghum, barley, oats, hay, and silage production increased due to increased use as livestock feed. Cotton, soybeans, wheat, and rice production declined significantly under this scenario.

Rice, cotton, and wheat production increased substantially more than corn or sorghum production under a 60- or 90-percent increase in export demand. Over half of the total U.S. production of wheat, rice, and cotton was exported in 1978. Therefore with a 90-percent increase in export demand, a large increase in production could be expected. Feed grains produced for domestic consumption decreased as land and water resources would be bid away by export crops.

#### Regional Cropping Shifts

A 90-percent increase in export demand caused U.S. cotton production to increase by 37 percent. Most of this increase was projected to occur in the Mountain States (1.9 million bales) and the Delta States (1.78 million bales) (table 4). A relatively small increase (120,000 bales) in cotton production was expected in California because water costs increased with additional water use as production expanded. This caused the region to lose its cost advantage over other regions growing dryland cotton. Cotton in the Pacific region was also grown in direct competition with rice production.

U.S. corn production increased by 18 percent under the 90-percent demand increase scenario. A substantial amount of that increase was projected for the Corn Belt (572 million bushels) and the Northern Plains (260 million bushels). A 61-percent increase was projected in corn production for Appalachia; slight decreases were projected in the Mountain and Pacific regions. Irrigated corn production was expected to decline in this type of scenario because of corn's high water requirement relative to other export crops.

- 14 -

Crop and scenario	Price	Percentage	Production	Percentage change	
erepresenterererererererererererererererererere					
	Per unit	Pct.	Unit	Pct.	
Cotton:					
1978 base	280.23	-	10.7		
Minus 30 percent	267.33	-5	9.3	-13	
Plus 30 percent	294.00	5	12.1	13	
Plus 60 percent	307.32	10	13.4	25	
Plus 90 percent Corn:	319.83	14	14.7	37	
1978 base	2.22		6010 0		
Minus 30 percent	2.10	-5	6848.2 6363.8	-	
Plus 30 percent	2.10	-5		-7	
Plus 60 percent	2.48	12	7321.0 7691.8	7 12	
Plus 90 percent	2.59	17	8062.4	12	
Soybeans:	2.55	17	0002.4	10	
1978 base	6.74		1732.8		
Minus 30 percent	6.04	-10	1492.4	-14	
Plus 30 percent	7.41	10	1939.9	12	
Plus 60 percent	7.99	10	2109.5	22	
Plus 90 percent	8.52	26	2256.2	30	
Wheat:			2230.2	50	
1978 base	3.03		1613.2		
Minus 30 percent	2.75	-9	1398.9	-13	
Plus 30 percent	3.31	9	1793.0	11	
Plus 60 percent	3.62	19	1992.3	23	
Plus 90 percent	3.90	29	2172.9	35	
Sorghum:				55	
1978 base	2.00		656.7		
Minus 30 percent	1.88	-6	803.9	22	
Plus 30 percent	2.15	8	710.4	8	
Plus 60 percent	2.30	15	730.5	11	
Plus 90 percent	2.44	22	740.6	13	
Barley:					
1978 base	1.92		413.5		
Minus 30 percent	1.78	-7	455.0	10	
Plus 30 percent	2.07	8	361.2	-13	
Plus 60 percent	2.24	17	348.9	-16	
Plus 90 percent	2.40	25	337.1	-18	
Oats:					
1978 base	1.23		600.0		
Minus 30 percent	1.16	-6	703.2	17	
Plus 30 percent	1.34		523.6		
Plus 60 percent	1.49		506.3		
Plus 90 percent	1.64		486.5		
Hay:					
1978 base	61.02		98.1		
Minus 30 percent	56.95	-7	99.0	1	
Plus 30 percent	65.58	7	97.4	-1	
Plus 60 percent	<b>69.9</b> 6	15	97.0	-1	
Plus 90 percent	73.90	21	96.7	-1	
Silage:					
1978 base	34.60		98.5		
Minus 30 percent	34.14	-1	99.3	1	
Plus 30 percent	35.15	2	97.7	-1	
Plus 60 percent	35.76	3	97.2	-1	
Plus 90 percent	36.31	5	96.8	-2	
Rice:					
1978 base	8.16		133.7		
Minus 30 percent	7.71	-6	115.1	-14	
Plus 30 percent	8.62	6	153.3	15	
Plus 60 percent	9.06	11	170.9	28	
Plus 90 percent	9.48	16	187.5	40	

### Table 3--Effects of alternative demand levels on commodity production and prices

Units are: cotton, 1,000 bales; corn, soybeans, wheat, sorghum, barley, and oats, million bushels; hay and silage, million tons; and rice, million hundredweight.

- 15 -

Table 4Effects of alternative export demand levels on regional commodity production in the United States, 197	78
---	----

Region & export level	Cotton	Corn	Soybeans	Wheat	Sorghum	Barley	Oats	Нау	Silage	Rice
			Percent cha	ange from	base produ	ction			-	
Northeast:									10.7	0
Base production1/	0	248.9	27.5	12.5	0	9.5	40.7	8.9	18.7	0
Minus 30 percent	-	-7.8	-12.7	-87.2	-	5.3	11.3	-3.4	•0	-
Plus 30 percent		8.6	11.6	77.6	-	-9.5	-7.1	4.5	•2	-
Plus 60 percent	-	15.3	20.7	172.8	-	-3.2	-4.9	6.7	•5	_
Plus 90 percent	-	21.6	28.7	266.4	-	3.2	-3.4	9.0	•8	-
Lake States:					•	10 7	10/ 2	10 1	20.6	0
Base production1/	0	1,050.2	151.3	97.7	. 0	48.7	196.3	18.1		-
Minus 30 percent	-	-5.6	-12.0	-26.6	-	9.4	16.0	-5.5	0.8	-
Plus 30 percent	-	6.3	10.6	21.6	-	-11.3	-11.6	6.6	-1.2	_
Plus 60 percent	-	10.6	18.8	47.5	-	-13.3	-14.4	11.6	-1.2	
Plus 90 percent	-	14.7	26.0	73.8	-	-14.8	-17.6	15.5	-1.0	-
Corn Belt:			0/0 7	110.0	(7.)	· •	161 7	15 /	18 7	1.0
Base production1/	0.2	3,760.0	969.7	118.9	67.1	0	151.7	15.4 7.8	18.7	-20.0
Minus 30 percent	-58.6	-6.5	-12.5	-1.9	171.2	_	10.3 -10.3	-16.9	-1.1	10.0
Plus 30 percent	44.2	5.5	10.7	-5.3	43.7	-		-30.5	-1.1	20.0
Plus 60 percent	91.7	10.3	19.8	-3.0	68.9	-	-15.2			30.0
Plus 90 percent	142.0	15.2	27.8	•8	85.5	-	-19.7	-44.8	-2.1	50.0
Northern Plains:			70.0	171 1	202 4	120.2	211 2	17.1	13.2	0
Base production1/	0	1,054.2	79.2	676.6	323.4	130.2	211.3	-4.7	1.6	-
Minus 30 percent	-	-9.4	-13.3	-11.5	1.5	13.4			-1.4	_
Plus 30 percent	-	10.4	11.4	8.4	8.0	-19.1	-16.7	6.4	-2.8	-
Plus 60 percent	-	17.8	19.8	17.6	10.7	-18.4	-19.1	8.8	-4.0	-
Plus 90 percent <sub>r</sub>	-	24.7	27.0	27.2	12.2	-17.3	-22.6	9.9	-4.0	_
Appalachia:					•	•	•		9.1	0
Base production1/	.3	328.1	134.6	20.1	0	0	0	5.7	0	-
Minus 30 percent	-20.2	-22.6	-13.2	-100.0	-	-	-	42.1 -49.1	.1	_
Plus 30 percent	20.6	22.4	11.7	158.7			-	-64.9	.6	_
Plus 60 percent	40.8	41.4	21.7	158.7	-	-	-		1.1	· _
Plus 90 percent	60.3	61.2	30.7	158.7	-	. –	-	-82.5	1.1	
Southeast:						0	•	2.2	2.3	0
Base production1/	0.5	146.6	95.8	6.9	2.7	0	0	9.1	2.1	-
Minus 30 percent	-7.7	13.2	-32.2	62.3	0	-	-	0	-1.5	_
Plus 30 percent	10.2	-10.5	27.9	-43.5	0		_	-4.5	-2.4	-
Plus 60 percent	21.4	-20.0	49.4	-2.9	-	_	_	-4.5	-3.1	-
Plus 90 percent	32.6	-28.1	67.9	50.7	0	-	-	-4.7	5.1	
Delta States:		•	050 7		11 4	0	•	2.2	.8	79.6
Base production1/	2.5	0	253.7	11.1	11.4	0	0	59.1	0	-13.3
Minus 30 percent	-21.2	-	-13.1	-6.3	10.5	-	-	-45.5	ŏ	14.3
Plus 30 percent	24.3	-	11.0	5.4	-2.6			-86.4	0	27.5
Plus 60 percent	49.6	- 1	20.0	18.9	-3.5	-	-	-100.0	ŏ	39.7
Plus 90 percent	71.2	-	26.7	29.7	-7.9		-	-100.0	Ū	33.1
Southern Plains:		110 5	21.2	180.8	223.2	0	0	6.1	1.9	27.8
Base production1/	4.1	119.5				-	-	-49.2	1.0	24.8
Minus 30 percent	•5	-10.2	-24.1	-4.0	11.2	_	_	57.4	8	26.6
Plus 30 percent	-4.0	11.4	20.3	•3	9	_	_	106.6	-1.2	49.6
Plus 60 percent	-7.0	17.3	36.8	6.0	-3.1	_	-	145.9	-1.6	71.9
Plus 90 percent	-7.9	22.8	51.4	12.6	-5.4	_		145.5		11.5
Mountain:		00 /	0	297 3	21 5	149.8	0	14.0	8.9	0
Base production1/	1.3	98.4	<u> </u>	287.3	21.5	149.8	-	9.3	1.6	-
Minus 30 percent	-51.1	2.3	-	-15.7	3.2	-9.5	-	-7.1	-1.5	_
Plus 30 percent	52.5	-2.1		14.0	4.2		-		-2.6	_
Plus 60 percent	99.6	-5.9	-	31.5	6.0	-15.1	-	-17.1	-2.0	-
Plus 90 percent	146.4	-9.8	- '	.41.1	4.7	-21.3	-	-20.0	-2.8	-
Pacific:			~			75 3	0	8.4	1.0	25.3
Base production 1/	1.9	42.3	0	201.3	7.5	75.3	-	-3.6	4.3	
Minus 30 percent	-2.9	1.9	-	-14.2	6.7	8.2			- 1.7	-3.6
Plus 30 percent	2.8	-1.7	-	14.1	-6.7	-9.0	-	6.0	-1.5	3.2
Plus 60 percent	4.3	-4.5	-	29.8	-12.0	-14.9	-	10.7	-2.7	4.7
Plus 90 percent	6.3	-7.1	-	44.6	-17.3	-20.2	-	13.1	-3.8	7.1

1/ Units are: cotton, 1,000 bales; corn, soybeans, wheat, sorghum, barley, and oats, million bushels; hay and silage, million tons; and rice, million hundredweight.

- 16 -

The projected increase in national soybean production of 30 percent was evenly distributed among the regions except the Southeast (68 percent) and the Southern Plains (51 percent). Most of the increase was projected for the Corn Belt (241 million bushels) where a substantial amount of soybean production currently exists. Moderate increases were projected for other soybean producing regions with the exception of the 68-percent increase in the Southeast and the 51-percent increase in the Southern Plains.

Increases in regional wheat production resulting from the 90-percent increase in export demand varied considerably. Large percentage increases occurred in the Northeast and Appalachia but relatively small increases were projected for the Corn Belt and the Southern Plains. Substantial increases in wheat production were projected for the Pacific and Mountain regions because of the crop's low water requirement relative to other irrigated crops.

The regional increase in sorghum production was even more diverse than the increase in wheat production. Production actually decreased in the Pacific region, Southern Plains, and the Delta States because of high water requirements and/or low returns to land and competition from other crops. A large part of the total increase was projected for dryland conditions in the Corn Belt and the Northern Plains.

As stated before, production of the non export feedstuffs declined under the export demand scenarios. With the exception of hay production, most of the decreases were fairly uniform across regions. Hay production declined substantially in the Corn Belt, Appalachia, and the Delta States. This was countered by an increase of 8.9 million tons in the Mountain region's hay production and smaller increases in the Lake States and Northern Plains.

Total rice production was projected to increase by 40 percent as a result of the 90-percent increase in export demand. Texas rice production (Southern Plains) was projected to almost double. California production increased only 9 percent due to the crop's high water requirement and the higher opportunity cost for water in competing export crops.

#### Regional Water Use

As stated before, regional surface water supplies were constrained to the amount of water from surface sources that was applied to the crops included in the study in 1978. Surface water applied to other agricultural crops was not included in the water supply because of the problem of physically reallocating surface water from other crops and because the crops not included in the model are usually higher valued crops.

The weighted average regional costs of surface water were substantially less than average ground water costs in all irrigated regions, but the use of surface water was constrained to 1978 levels and, as a result, changes in export demand levels did not change the use of surface water. However increases in export demand levels caused significant increases in the amount of ground water pumped and the per unit cost (table 5). Under a 90-percent increase in export demand, total ground water pumped increased over 42 percent from 22.8 million acre-feet to 32.5 million acre-feet.

- 17 -

Region & export	Quantity	Percentage	Cost per	Percentage
level	pumped	change	Acre-foot	change
	<u>Mil. acre-ft</u> .	Pct.	<u>Dollars</u>	Pct.
Northern Plains:				
1978 base	8.081		12.76	
Minus 30 percent	6.981	-13.6	9.86	-22.7
Plus 30 percent	9.277	14.8	15.91	24.7
Plus 60 percent	10.305	27.5	18.62	45.9
Plus 90 percent	11.258	39.3	21.13	65.6
Southeast:				
1978 base	.429		14.26	
Minus 30 percent	.393	-8.4	13.46	-5.6
Plus 30 percent	. 46 9	9.3	15.15	6.2
Plus 60 percent	. 504	17.5	15.93	11.7
Plus 90 percent	.536	24.9	16.66	16.8
Delta States:				
1978 base	3.754		11.03	
Minus 30 percent	2.913	-22.4	9.38	-15.0
Plus 30 percent	4.661	24.2	12.81	16.1
Plus 60 percent	5.530	47.3	14.51	31.6
Plus 90 percent	6.317	68.3	16.05	45.5
Southern Plains:				
1978 base	5.632		18.67	
Minus 30 percent	5.215	-7.4	15.20	-18.6
Plus 30 percent	6.055	7.5	22.19	18.9
Plus 60 percent	6.460	14.7	25.56	36.9
Plus 90 percent	6.800	20.7	28.87	54.6
Mountain:				
1978 base	2.744		16.47	
Minus 30 percent	2.165	-21.1	12.11	-26.5
Plus 30 percent	3.371	22.8	21.20	28.7
Plus 60 percent	3.970	44.7	25.71	56.1
Plus 90 percent	4.502	64.1	29.72	80.4
Pacific:				
1978 base	2.202		18.88	
Minus 30 percent	1.901	-13.7	15.83	-16.2
Plus 30 percent	2.535	15.1	22.26	17.9
Plus 60 percent	2.841	29.0	25.37	34.4
Plus 90 percent	3.125	41.9	28.25	49.6
Total:				
1978 base	22.842			
Minus 30 percent	19.568	-14.3		
Plus 30 percent	26.368	15.4	,	
Plus 60 percent	29.610	29.6		
Plus 90 percent	32.538	42.4		

Table 5--Effects of alternative export demand levels on regional ground water pumping and costs in the United States, 1978

- 18 -

The Northern Plains ground water pumping was projected to increase by 3.2 million acre-feet and the pumping cost to increase from \$12.76 to \$21.13 per acre-foot. The greatest percentage increase in regional pumping was projected for the Delta States (68 percent); but, due to the relative high elasticity of water supply, pumping cost was projected to increase by only 45.5 percent. Pumping cost for the eight-State Mountain region was projected to increase from \$16.47 to almost \$30.00 per acre-foot. This projected cost would be comparable to costs projected for the other western regions.

One of the overdraft problem areas is the Southern Plains where a substantial portion of the increase in ground water use (about 1.17 million acre-feet annually) was projected to occur. Southern Plains farmers in the pump most of their water from the Ogallala aquifer. Some areas of this aquifer have experienced substantial annual overdrafting. Increasing the overdraft by over 1 million acre-feet may quickly exhaust the economic water supply in the western part of the Southern Plains. These projections are based on ground water supply functions that existed in 1978; no attempt was made to estimate the change that may occur in those functions as a result of the export demand scenarios. A long-run increase in export demand would certainly change the nature of the water supply functions in critical ground water areas.

#### Dryland And Irrigated Production

Tables 6 through 9 present the change in regional dryland and irrigated crop acreages resulting from the four export demand scenarios. The percentage change in dryland and irrigated acreages by scenarios is presented in appendix tables 1-4.

As export demand decreased, total cropland use decreased by 14.7 million acres from 278 million acres (table 6). This decrease was distributed almost proportionately between dryland and irrigated acreage (app. table 1). As exports increased by 30, 60, and 90 percent, total cropland use increased by 15.9, 31.8, and 46.6 million acres (tables 7, 8, and 9). However irrigated acreage increased proportionally more than dryland acreage (app. tables 2, 3, and 4). Since irrigated yields are generally higher than dryland, the production response from irrigated agriculture was greater than dryland agriculture despite the higher ground water prices.

Irrigated wheat acreage was projected to increase by 1.135 million acres or 49 percent under the 90-percent increase in export demand (table 9 and app. table 4). About half of this increase (571,000 acres) was projected for the Northern Plains. This projected increase was expected because 67 percent of the total wheat production was exported in 1978. Dryland wheat acreage was projected to increase by only 32 percent from 54.4 million acres (app. table 4).

Soybean acreage was projected to increase by over 16 million acres under the 90-percent export increase scenario. Almost all of the increase is projected for dryland production because soybeans are not produced easily under irrigated conditions.

Corn acreage was projected to increase by 3 million acres under the high-export demand scenario with the irrigated acreage increasing by 21 percent and the dryland acreage increasing by 17 percent (app. table 4). Almost all of the

- 19 -

Table 6Change in dryland	and irrigated	crop acreage	due to	a 30-percent	decrease in	n exports, b	y USDA crop
reporting region							

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop total
					Millic	n acres					
Cotton:											
Dryland			-0.107		-0.056	-0.042	0.440	-0.234	0.05/	0.011	-0.878
Irrigated			107		0.5.6	0/2	077	•183	-0.354	-0.044	293
Total Corn:			107		056	042	517	051	354	044	-1.171
Dryland	-0.208	-0.627	-2.310	-0.440	948	.398		092	0	0	-4.227
Irrigated		-0.027	2. 110	587	• > 40	.002		072	.022	.007	629
Total	208	627	-2.310	-1.028	948	.401		164	.022	.007	-4.856
Soybeans:	•200	•••=	20010			• • • • •		••••			
Dryland	119	584	-2.706	381	461	-1.578	-1.338	169			-7.336
Irrigated				048		032	120	080			280
Total	119	584	-2.706	429	461	-1.611	-1.458	249			-7.616
Wheat:											
Dryland	326	772	062	-2.597	580	.146	019	332	-1.497	614	-6.652
Irrigated				184				.012	123	056	351
Total	326	772	062	-2.781	580	.146	019	320	-1.620	670	-7.004
Sorghum:											
Dryland			1.578	.102			.021	.702	011	0	2.393
Irrigated				006				003	.020	.007	.018
Total			1.578	•096			.021	•699	•009	•008	2.411
Barley:	012	.094		.412					.043	•044	.604
Dryland	.012	•094		•412					• 154	.044	.004
Irrigated Total	.012	.094		.412					.197	.109	.824
Oats:	•012 F	•034		• 412					•101	•105	•024
Dryland	.089	.616	.310	1.127							2.142
Irrigated		•010	• 310								0
Total	.089	.616	.310	1.127							2.142
Hay:											
Dryland	151	366	•557	259	1.410	.087	.811	-1.948	•880	.041	1.061
Irrigated				085		001		032	.100	084	102
Total	151	366	•557	344	1.410	.086	.811	-1.980	<b>.9</b> 80	043	.959
Silage:		•									
Dryland	.001	•015	.011	.013	0	•004	•001	0	0		.045
Irrigated				•007		0	0	.001	•008	.003	.020
Total	.001	.015	.011	•020	0	•004	.001	.001	•008	.003	.065
Rice:	+										
Irrigated			006				251	149		017	423
Regional to		1 (0)		2 02/	624	- 005	0/0	0.070		500	10.010
Dryland	701 0	-1.626 0	-2.729	-2.024 903	634 0	985 031	963	-2.073	585 173	529	-12.849
Irrigated	701	-1.626	006	-2.903	634	-1.016	448	-2.214	173 758	118	- 1.819
Cropland	/01	-1.020	-2.735	-2.921	034	-1.010	-1.411	-2.214	- •/38	647	-14.699

Table 7--Change in dryland and irrigated crop acreage due to a 30-percent increase in exports, by USDA crop reporting region

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop total
					Millic	n acres					
Cotton:											
Dryland			0.082		0.056	0.057	0.500	0.157			0.851
Irrigated			.082		.056	.057	.090	322	0.364	0.042	. 175
Total			•062		•030	•057	•590	165	•364	•042	1.026
Corn:	0.228	0.701	1.973	0.488	.941	325		.062	0	0	4.068
Dryland	0.220	0.701	1.9/5	0.466	•941	•002		.082	020	007	4.068
Irrigated Total	.228	.701	1.973	1.132	•941	322		.161	020	007	4.788
Soybeans:	• 2 2 0	•/01	1.9/3	1.132	• 74 1	- • 522		• 101	020	007	4./00
Dryland	.106	.518	2.315	.333	.411	1.369	1.116	.137			6.304
Irrigated	•100	• 510	2.515	.038	• • • • •	.028	.113	.074			.253
Total	.106	.518	2.315	.371	.411	1.397	1.228	.211			6.557
Wheat:	•100	• 510	2.515	•371	• • • • •	1.577	1.220	• 2 1 1			0.557
Dryland	.288	.628	173	1.866	•920	099	.017	.074	1.299	.616	5.436
Irrigated	•200	•020	•1/5	.148	• > 2 0	••••	••••	035	.123	.054	. 289
Total	.288	.628	173	2.014	•920	099	.017	.038	1.422	.670	5.725
Sorghum:											
Dryland			.402	.408			004	330	.029	0	.505
Irrigated			• • • • •	.059				.132	011	006	.173
Total			.402	.467			004	199	.018	006	.679
Barley:			• • • •								
Dryland	018	115		585					047	044	809
Irrigated									172	074	246
Total	018	115		585					219	118	-1.055
Oats:											
Dryland	056	445	308	774							-1.582
Irrigated											0
Total	056	445	308	774							-1.582
Hay:											
Dryland	.203	.461	-1.113	.436	-1.619	030	650	2.216	683	036	814
Irrigated				.101		.001		041	077	.111	.176
Total	.203	.461	-1.113	•537	-1.619	029	650	2.257	760	.075	638
Silage:											
Dryland	.002	011	012	011	.001	003	001		0		036
Irrigated				007		0	0	001	007	003	018
Total	.002	011	012	018	.001	003	001	001	007	003	054
Rice:											
Irrigated			.003				.271	.158		.015	•446
Regional t							_				
Dryland	.753	1.736	3.167	2.161	.710	•969	.977			.537	13.923
Irrigated		0	.003	.984	0	•032	.474			.132	1.969
Cropland	•753	1.736	3.169	3.144	.710	1.000	1.451	2.461	.798	•669	15.892

Table 8Change in dryland	and irrigated	crop a	creage due	to a 60-percent	increase	in export	demand, by	USDA
crop reporting t	region							

Crop	Northeast	Lake States	Corn Belt	Northern Plains		Southeast	Delta	Southern Plains	Mountain	Pacific	Crop total
					Millic	n acres					
Cotton:						<u> </u>		0 205			1.717
Dryland			0.168		0.111	0.117	1.016	0.305 584	0.692	0.066	.363
Irrigated						.117	1.206	279	•692	.066	2.080
Total			.168		.111	•11/	1.200	- •2/9	•092	.000	2.000
Corn:	0 / 07	1 107	3.680	0.785	1.742	620		.075	0	0	7.256
Dryland	0.407	1.187	3.000	1.137	1./42	•006		.160	054	017	1.232
Irrigated			2 ( 00	1.137	1.742	615		.235	054	017	8.488
Total	.407	1.187	3.680	1.922	1.742	- •012		•235	034	017	0.400
Soybeans:			/ 070		7/1	2.422	2.006	.245			11.388
Dryland	.191	.915	4.270	•577	.761		.211	.137			.466
Irrigated		••-		•066	7/1	•052		.13/			.400
Total	.191	.915	4.270	•643	•761	2.474	2.218	. 382			11.034
Wheat:											
Dryland	.639	1.382	098	3.862	•920	005	.061	•497	2.973	1.287	11.517
Irrigated				.361				019	.261	.119	.722
Total	•639	1.382	098	4.223	.920	005	.061	•478	3.233	1.406	12.239
Sorghum:											
Dryland			.634	.505			007	713	•052	0	.471
Irrigated				.102				•246	025	012	.311
Total			.634	<b>.</b> 607			007	467	•027	012	.781
Barley:											
Dryland	006	135		565					047	076	829
Irrigated									287	119	405
Total	006	135		565					333	194	-1.234
Oats:											
Dryland	040	553	454	887							-1.933
Irrigated											0
Total	040	553	454	887							-1.933
Hay:											
Dryland	.337	.802	-2.007	.446	-2.144	042	-1.193	4.114	-1.744	083	1.514
Irrigated				.193		.002		•080	174	.206	.307
Total	.337	.802	-2.007	.638	-2.144	040	-1.193	4.194	-1.918	123	-1.207
Silage:											
Dryland	•006	022	019	022	.004	005	002	0	0		060
Irrigated				013		0	0	001	013	006	033
Total	.006	022	019	035	.004	005	002	001	013	006	092
Rice:											
Irrigated			.005				.521	.297		.024	•847
Regional t	ot el ·		.005								
0	1.535	3.577	6.175	4.700	1.394	1.868	1.881	4.522	1.234	1.128	28.013
Dryland		0	•005	1.846	0	.059	.922	.317	.400	.261	3.809
Irrigated		3.577	6.180	6.546	1.394	1.927	2.803	4.839	1.633	1.389	31.82
Cropland	1.535	3.3//	0.190	0.040	1+374	1.721	2.003	4.033	1.000	1.303	51.02

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop total
					Millic	n acres					
Cotton:					-						
Dryland			0.260		0.165	0.178	1.459	0.508			2.571
Irrigated							• 274	773	1.016	0.095	.612
Total			•260		.165	.178	1.733	265	1.016	•095	3.183
Corn:											
Dryland	0.577	1.648	5.427	1.064	2.574	875		.116	001	001	10.530
Irrigated				1.600		•009		.203	090	026	1.695
Total	• 577	1.648	5.427	2.664	2.574	866		.319	092	027	12.225
Soybeans:											
Dryland	.265	1.263	6.009	•788	1.075	3.328	2.657	.340			15.726
Irrigated				.088		.072	.300	.192			.652
Total	•265	1.263	6.009	.887	1.075	3.400	2.958	.532			16.378
Wheat:											
Dryland	•986	2.146	.028	5.924	<b>.92</b> 0	.119	.094	.993	3.734	1.922	16.865
Irrigated				.571				002	. 386	.180	1.135
Total	.986	2.146	.028	6.494	•920	.119	.094	.991	4.119	2.102	18.000
Sorghum:											
Dryland			.789	.548			016	-1.051	.065	0	.335
Irrigated				.136				.339	040	018	.417
Total			.789	.684			016	712	.025	018	.752
Barley:											
Dryland	.008	149		528					085	016	860
Irrigated									396	160	557
Total	.008	149		528					481	266	-1.417
Oats:		•••								•200	
Dryland	028	675	589	-1.048							-2.340
Irrigated	.020		• • • • •	10040							-2.540
Total	028	675	589	-1.048							-2.340
Hay:	.010	•075	• 505	1.040							-2+340
Dryland	.438	1.079	-2.986	.342	-2.734	058	-1.397	5.583	-1.771	131	-1.635
Irrigated	• 4 3 0	1.075	2.500	.270	-20734	.003	-1.57	.111	300	• 279	-1.05
Total	.438	1 079	-2.986	.612	-2.734	055	-1.397	5.695		.149	-1.270
Silage:	•430	1.075	-2.900	•012	-2.134	- •055	-1.337	5.035	-2.071	• 143	-1.2/(
Dryland	.010	031	024	033	.007	008	002	0	0		083
Irrigated	•010	031	024	033	•007	008	002	002	019	008	
Total	.010	- 021	024		.007	008	-				047
Total Rice:	•010	031	024	051	•007	008	003	002	019	008	129
			007				701			0.0-5	
Irrigated			.007				•754	.431		.035	1.227
Regional to		F 000	o o	7 057	a			<i>.</i>			
Dryland	2.255	5.280	8.914	7.057	2.007	2.684	2.795	6.490	1.941	1.684	41.110
Irrigated	0	0	.007	2.647	0	.084	1.328	. 499	.556	.377	5.499
Cropland	2.555	5.280	8.921	9.705	2.007	2.769	4.123	6.990	2.498	2.062	46.609

Table 9---Change in dryland and irrigated crop acreage due to a 90-percent increase in export demand, by USDA crop reporting region

increase in irrigated acreage, 1.6 million acres, was projected for the Northern Plains where ground water cost was relatively low and other high-value crops such as rice and cotton were not competing for water.

About 2.5 of the 3.2 million acres of cotton projected to increase as a result of the high-export scenario were dryland. This increase is much more than the projected increase in irrigated cotton acreage of 13 percent. Most of the increase is projected for the Delta States. A switch from irrigated to dryland cotton is projected for about 500,000 acres in the Southern Plains.

The projected rice acreage increase of 1.2 million acres under the 90-percent export increase scenario was unevenly distributed among the rice producing areas (table 9). The largest projected regional increase was 431,000 acres (72 percent) in the Southern Plains. This is contrasted to the relatively low projected increase of 7 percent for the Pacific region (app. table 4). The regional differential in projected rice acreage can be explained in terms of the comparative advantage the Southern Plains has in growing rice due to lower water costs. Crops with high water requirements generally did not increase significantly in those regions with high water costs and high ground water supply elasticities.

With the exception of sorghum, feed grains grown mainly for domestic consumption declined under the increased export scenarios. The largest acreage decline was projected for oats (2.3 million acres). Hay, silage, and barley acreages were also projected to decline.

Irrigated agricultural production is projected to increase proportionality more than dryland production under the 90-percent increased export demand scenario. Some projected changes in regional irrigated and dryland acreages were also significant under this scenario. As one might expect, regions that had large cropland acreages in 1978 would have large projected increases in acreages. For example, total cropland acreage was projected to increase in the Northern Plains by 9.7 million acres of which 2.6 million acres would be irrigated (table 9). The projected increase in Northern Plains irrigated acreage was 33 percent (app. table 4). However, the largest projected percentage increase in irrigated acreage was 51 percent for the Delta States, a region with a relatively low ground water cost and a high elasticity of ground water supply. The largest projected increase in regional dryland acreage under the highest export demand scenario was 8.9 million acres in the Corn Belt.

#### SUMMARY AND CONCLUSIONS

Using a modified version of the USMP model that included irrigated cropping activities and water supply functions, we projected commodity production and regional cropping shifts under four export demand scenarios. Production of export commodities in irrigated regions would play a significant role in an expansion of export commodity demand. Under a 90-percent increase in export demand, irrigated acreage is projected to increase by 1.3 million acres or 51 percent in the Delta States. The Northern Plains can expect an increase of 2.6 million acres of irrigated land.

Ground water use was projected to increase by 42 percent under the 90 percent export demand increase scenario. Water use and costs were changed significantly

in some regions. Ground water pumping increased by 68 percent in the Delta States and 64 percent in the Mountain region. Water costs increased by 80 percent in the Mountain region to over \$28.00 per acre foot and by 66 percent in the Northern Plains to over \$21.00 per acre foot.

The results of this study are limited by the level of aggregation. In formulating a 10-region national model, one must make substantial aggregations in estimating production coefficients and specifying water supply functions. A good example is the Mountain region that includes such diverse agricultural areas as Montana and Arizona. Attempting to construct an irrigated wheat activity that would adequately represent the production of wheat from the Mountain region under various demand conditions is very difficult. The USMP model was developed to estimate national changes in income and agricultural production from changes in national policies. It serves that purpose very well. However, attempting to estimate regional changes in resource use as a result of those same policies needs to be done at a less aggregated level. A 48-state version of the USMP model is expected to be completed soon.

#### FOOTNOTES

1. Robert M. House, "USMP: A Mathematical Programming Model for Agriculture Sector Policy Analysis," forthcoming, U.S. Dept. Agr. Econ. Res. Serv.

2. Barbara L. Chattin, Bruce A. McCarl, and Harry Stephen Baumes, Jr. <u>User's</u> <u>Guide and Documentation For A Partial Equilibrium Sector Model of U.S.</u> Agriculture, Bulletin No. 414, Purdue Univ., Agr. Exp. Stat., Apr. 1983.

3. Bruce A. Murtagh and Michael A. Saunders, <u>Minos 5.0 User's Guide</u>, Tech. Rept. SOL 83-20, Systems Optimization Laboratory, Dept. of Operations Research. Stanford Univ., Dec. 1983.

4. Gordon Sloggett, <u>Prospects For Ground water Irrigation: Declining Levels and</u> Rising Energy Costs, AER-478, U.S. Dept. Agr., Econ. Res. Serv., Dec. 1981.

5. Sloggett, op.cit.

6. Sloggett, op. cit.

7. These costs are referred to as user costs in the economic literature

8. Richard E. Howitt, <u>Is Overdraft Always Bad?</u>, Proceedings of the Twelfth Biennial Conference on Ground Water, Sacramento, Calif., Nov. 1979, Univ. of Calif., Water Resources Center, pp. 50-61.

9. Optimal periods of overdraft can be determined quite easily. See Charles V. Moore, <u>Ground water Overdraft Management: Some Suggested Guidelines</u>, Giannini Foundation, Info. Series No. 84-1, Feb. 1984.

10. U.S. Geological Survey, Water Supply Paper 2250, 1984.

11. U.S. Bureau of the Census, 1978 Census of Agriculture, <u>1979 Farm and Ranch</u> Irrigation Survey, Vol. 5, Special Reports, Part 8, 1980.

12. Oral communications with Gordon Sloggett, agricultural economist, U.S. Dept. Agr., Econ. Res. Serv., Oklahoma State Univ.

13. Richard H. Day, "Recursive Programming and the Production of Supply," Agricultural Supply Functions, Heady et al., Iowa State University Press, 1961.

14. Bruce A. McCarl, "Cropping Activities in Agricultural Sector Models: A Methodological Proposal," <u>American Journal of Agricultural Economics</u> 64:768-772, 1982.

15. Richard E. Howitt and Phillippe Mean, "A Positive Approach to Microeconomic Programming Models," Working Paper No. 83-6, Dept. of Agr. Econ., Univ. of Calif., 1983.

16. Nonmarginal or underspecialized crops are those that are "underproduced" in

a programming solution when compared to a base-year production.

17. Howitt and Mean, op. cit., p 16.

18. The cropping activity level in the unconstrained model is greater than the acreage level observed in the base year.

19. Robert M. House, "Agriculture and Uncertainty in the 1980's." unpublished, U.S. Dept. of Agr. Econ. Res. Serv., 1983.

Appendix table 1Percentage in dryland and irrigated crop ac	res from 1978 base acreage due to a 30-percent
decrease in export demand by USDA crop report	orting region

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop change
						Percent					
Cotton:											
Dryland Irrigated Total			-58.4		-20.3	- 7.6	-18.8 -60.3	- 5.0 7.8	-51.0	- 2.9	-10.9 - 6.3 - 9.2
Corn:					,						
Dryland Irrigated Total	- 7.8	- 5.6	- 6.5	- 7.9 -10.4	-22.5	15.1 .9		-22.3 - 7.7	3 2.4	2.4 1.8	- 6.8 - 7.8 - 6.9
Soybeans: Dryland Irrigated Total	-12.9	-12.0	-12.5	-12.5 -21.8	-13.2	-31.9 -41.7	-12.5 -20.2	-18.4 -42.8			-14.5 -26.0 -14.8
Wheat: Dryland Irrigated Total	-87.5	-26.6	- 1.9	-10.7 -34.7	-100.0	63.8	- 6.1	- 4.3 8.0	-17.5 -11.1	-15.0 -11.0	-12.8 -15.2 -12.9
Sorghum: Dryland Irrigated Total			171.1	2.0 - 1.0			10.4	17.6 3	- 9.8 9.1	3.0 7.1	23.0 .9 19.4
Barley: Dryland Irrigated Total	5.9	9.3		13.4					2.7 12.0	5.3 10.2	9.0 11.4 9.5
Oats: Dryland Irrigated Total	11.4	16.0	•3	24.3						,	17.5 0 17.5
Hay: Dryland Irrigated Total	- 3.4	- 5.3	•6	- 3.0 -15.3	42.3	7.7 - 2.6	58.0	-58.5 -12.2	* 49.7 2.4	5.0 - 5.0	2.8 - 1.5 2.1
Silage: Dryland Irrigated Total	0	•8	.9	1.3 2.3	0	0 1.8	1.9 2.3	•5 1•1	.8 1.7	1.7	.7 1.8 .9
Rice: Irrigated Regional ch			-24.4				-13.3	-24.9		- 3.5	-14.1
Dryland	- 6.5	- 5.0	- 3.8	- 3.7	- 5.1	-10.2	- 6.4	- 9.9	- 4.8	- 9.2	- 5.2
Irrigated Cropland	0 - 6.5	0 - 5.0	-24.0 - 3.8	-11.4 - 4.6	0 - 5.1	- 8.9 -10.1	-17.1 - 8.0	- 2.5 - 8.3	- 2.0 - 3.6	- 2.1 - 5.8	- 5.9 - 5.3

Appendix table 2referentage in dryland and irrigated crop acres from 1978 base acreage due to a increase in export demand by USDA area areas	
increase in export demand by USDA crop reporting region	0-percent
rest count by obby crop reporting region	

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop change
Cotton:						Percent					
Dryland Irrigated Total Corn:			44.6		20.5	10.3	21.3 70.7	3.3 -13.7	52.4	2.8	8.7 7.9 8.4
Dryland Irrigated Total Soybeans:	8.5	6.3	5.5	8.8 11.4	22.4	-12.3 1.0		15.0 10.7	•8 - 2•2	7 - 1.8	6.2 11.2 6.8
Dryland Irrigated Total Wheat:	11.5	10.6	10.7	10.7 17.4	11.8	27.7 36.5	10.4 19.0	15.0 39.6			12.5 24.1 12.8
Dryland Irrigated Total Sorghum:	77.5	21.6	- 5.3	7.7 27.8	158.6	-43.4	5.5	1.0 -23.6	15.2 11.0	15.1 10.5	10.2 16.3 10.5
Dryland Irrigated Total Barley: Dryland			43.6	7.9 9.1			- 2.0	- 8.3 12.5	26.7 - 5.1	3 - 5.7	4.4 10.2 5.3
Irrigated Total Dats:	- 8.9	-11.4		-19.1					- 2.9 -13.4	- 5.3 -11.5	-12.6 -11.6 -12.4
Dryland Irrigated Total lay:	- 7.1	-11.6	3	-16.7							-12.9 0 -12.9
Dryland Irrigated Total ilage:	4.6	6.6	- 1.1	5.0 18.1	-48.6	- 2.7 4.8	- 46.5	66.6 15.3	- 38.6 - 1.9	- 4.3 6.6	- 2.5 3.4 - 1.6
Dryland Irrigated Total ice:	•2	7	- 1.0	- 1.1 - 2.1	•1	- 1.1	- 1.5 - 2.0	4 9	6 - 1.5	- 1.5	7 - 1.4 .8
Irrigated egional cha			11.0				14.3	26.4		3.1	14.8
Dryland Irrigated Cropland	7.0 0 7.0	5.3 0 5.3	4.3 12.0 4.3	3.5 15.2 5.0	5.6 0 5.6	10.0 8.0 9.9	6.8 15.1 8.0	9.3 9.2 9.2	4.5 2.8 3.8	9.2 2.6 6.0	5.4 8.2 5.7

Сгор	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop change
						Percent					
Cotton: Dryland Irrigated Total			91.8		40.4	21.5	43.4 148.3	6.5 -24.9	99.6	4.3	21.3 7.7 16.3
Corn: Dryland Irrigated Total	15.2	10.6	10.3	14.1 20.2	41.4	-23.5 2.4		18.0 17.2	3 - 6.0	- 6.7 - 4.6	11.6 15.2 12.0
Soybeans: Dryland Irrigated Total	20.6	18.8	19.8	19.0 29.8	21.8	49.0 66.3	18.8 35.8	26.7 73.4			22.6 43.3 23.0
Wheat: Dryland Irrigated Total	171.9	47.5	- 3.0	15.9 68.0	158.6	- 2.1	19.4	6.5 -12.6	34.8 23.5	31.5 23.2	22.1 31.4 22.5
Sorghum: Dryland Irrigated Total			68.8	9.7 15.7			- 3.6	-17.9 23.4	47.1 -11.3	- 2.3 -11.7	4.5 15.4 6.3
Barley: Dryland Irrigated Total	- 2.9	-13.4		-18.5					- 2.9 -22.3	- 9.2 -18.5	-12.4 -21.0 -14.3
Oats: Dryland Irrigated Total	- 5.0	-14.4	5	-19.1							-15.8 0 -15.8
Hay: Dryland Irrigated Total	7.6	11.5	- 2.0	5.1 34.6	-64.4	- 3.7 10.1	- 85.4	123.6 29.9	- 98.5 - 4.2	-10.2 12.3	- 3.9 4.6 - 2.7
Silage: Dryland Irrigated Total	•2	- 1.2	- 1.5	- 2.2 - 3.9	•6	0 - 1.5	- 2.5 - 3.3	5 - 1.3	- 1.0 - 2.7	- 2.7	1.0 - 2.9 .4
Rice: Irrigated Regional ch			21.1				27.5	49.7		4.9	28.2
Dryland Irrigated Cropland	14.3 0 14.3	11.0 0 11.0	8.5 20.0 8.5	8.5 23.3 10.3	11.2 0 11.2	19.3 16.9 19.2	12.5 35.2 15.9	21.5 5.6 18.2	10.2 4.5 7.8	19.6 4.7 12.3	11.3 12.3 11.4

Appendix table 3--Percentage in dryland and irrigated crop acres from 1978 base acreage due to a 60-percent increase in export demand by USDA crop reporting region

Appendix table 4--Percentage in dryland and irrigated crop acres from 1978 base acreage due to a 90-percent increase in export demand by USDA crop reporting region

Crop	Northeast	Lake States	Corn Belt	Northern Plains	Appalachia	Southeast	Delta	Southern Plains	Mountain	Pacific	Crop change
and a second				Sec. 7		Percent					
Cotton: Dryland			142.1								
Irrigated Total			142.1		60.2	32.6	62.2 214.0	10.8 -33.0	146.4	6.2	31.9 13.1 25.0
Corn: Dryland	21.6	14.7	15.2	19.1	61.2						
Irrigated Total	21.0	14.7	15.2	28.4	01.2	-33.1 4.0		28.1 21.8	- 3.2 - 9.9	-12.7 - 7.2	16.9 21.0 17.3
Soybeans: Dryland	28.6	26.0	27.8	25.9	20.0	(7.0					
Irrigated Total	20.0	20.0	2/.0	40.1	30.8 92.3	67.3 50.8	24.8 102.5	37.2			31.2 60.6 31.8
Wheat: Dryland	265.0	73.8	.9	24.4	158.6	52.2	20.0				
Irrigated Total	205.0	13.0	.,	107.4	130.0	52.2	30.2	13.0 - 1.2	43.7 34.7	47.0 35.3	32.3 49.3 33.1
Sorghum: Dryland			85.5	10.5			- 7.7	ac 1			
Irrigated Total Barley:			05.5	21.1			- /./	-26.4 32.3	59.4 -18.2	- 4.3 -17.5	3.2 20.6 6.0
Dryland Irrigated Total	3.7	-14.8		-17.2					- 5.3 -30.8	-12.8 -25.0	-12.8 -28.9 -16.4
Oats: Dryland Irrigated Total	- 3.6	-17.6	6	-22.6							-19.1 0 -19.1
Hay: Dryland	9.9	15.5	- 3.0	3.9							
Irrigated Total Silage:	3.3	15.5	- 3.0	48.6	-82.1	- 5.1 14.7	-100.0	167.7 41.7	-100.0 - 7.2	-16.0 16.7	- 4.2 5.4 - 2.8
Dryland	.8	- 1.8	- 2.0	- 3.3	1.1	0	- 3.6	5	- 1.7		- 1.3
Irrigated Total Rice:				- 5.5		- 1.8	- 4.7	- 1.8	- 3.8	- 3.8	- 4.2 - 1.8
Irrigated			28.0				39.8	72.1		7.0	10.0
Regional cha	ange:						33.0	12.1		7.2	40.9
Dryland	21.1	16.3	12.3	12.7	16.1	27.7	18.6	30.9	16.1	29.3	16.6
Irrigated Cropland	0 21.1	0 16.3	28.0 12.3	33.4 15.3	0 16.1	24.0 27.6	50.7 23.4	8.9 26.2	6.3 11.9	6.8 18.3	17.8

Appendix designed and an and a second second and an array area and and are been been and an array of the second

and Marthanal Lafe an dign includes a sentence and real administration for a sentence and the sentence of the