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Harvesting Rough Edges

by Randy Allen

If world agriculture were an orchestra, no one would attend the conference. Even after the GATT and NAFTA signings, world agriculture is still not playing on the same sheet of music. United States agriculture has concluded with an Apocryphal seven-year farm bill that is currently in its second year. The Australian Wheat Board has basically dissolved itself with freer enterprise replacing the older socialist ag programs. The Canadian Wheat Board is still hypnotized with antiquated government controls, while Europe continues to spend nearly half their national budgets on farm subsidies.

Recently, I had the opportunity to speak to the Western Canadian Wheat Growers near Calgary. I was very impressed at the positive attitudes the farmers held. They see their future with freer markets and less government control, although progress is sluggish at the government level. When I started asking about their future, they replied that it could only get better! A large number of Canadian producers want to accept their own financial risks and develop their own markets.

And why not?

When they harvest their wheat, they have no idea when to deliver it or how much they will get for it - sometimes waiting through the following year's crop! *You can't personally plan at all!*

Imagine having a closed wheat market. Even barley and other commodities, that are not governed by the Wheat Board, are usually directly contracted with end-users. Much like the United States, commercial end-users do not want the agricultural system to change because it places all the financial risks and responsibilities on the producer; therefore, *"We want what the U.S. farmer already has,"* could be heard through the hallways of the hotel.

In Australia, the Wheat Board was dealt with like the recent U.S. farm bill. Their old ag program completely ends by next year - 1999. Producers lobbied and gained control over government ag forces. Australian farmers have basically done away with the socialized medicine of their Wheat Board.

As I write this article, Australian producers can choose to make their marketing decisions or continue to place wheat under control



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of the Board. Most are choosing their own destiny.

In Australia, the process of removing the old guard took place on a faster track. Because of their geographic position, they could easily see how their exports could suffer if they continued to manufacture highly subsidized wheat at \$6.00 to \$7.00 (like Canada). This, it was very evident to see from both the producer and government perspectives, that their old program didn't work and needed to be changed.

Although I haven't traveled to Australia, it doesn't take a genius to see that the Australian farmer wanted what the U.S. farmer has.

What does the U.S. farmer have?

The U.S. producer has a lot of common ground with Canadian and Australian farmers. First of all, I can point to heavy U.S. government subsidization. U.S. farmers believe that they are individuals, on their own, and by themselves - to the point of reveling in it. Of course, it isn't true. The United States has subsidized farmers nearly all century. Even now, government payments remain at extremely high levels.

According to Secretary of Agriculture Dan Glickman, "I recently asked my chief economist: how much farmers would have gotten from Uncle Same these past two years if we still had commodity payments. The combined answer was somewhere between \$3 billion and \$4 billion. You know how much farmers got with market transition payments? About \$11.3 billion ... on top of strong prices and world demand. So it doesn't take a Harvard economist to figure out that generous, fixed payments and strong prices make for one very popular program." (January 12, 1998; Farm Bureau) Therefore, U.S. commodity programs are not as "free market" as the Canadians and Australians believe.

Secondly, the U.S. producer does not have a wheat board per se (although the USDA acts and works much like the other socialist boards). However, U.S. producers always think that commodity prices are too low and a few

even believe that the commodity exchanges manipulate prices. But for the most part, U.S. agriculturists have freer markets. At least they can plan and control their financial destiny by making their own marketing decisions with whom they chose.

And that's the problem!

The Canadian and Australian producers believe in their hearts that U.S. farms prosper and grow as a result of a freer marketplace.

Is it true? By all means, "No!"

Between the extremely generous government subsidies and a tremendous lack of agricultural financial education, the U.S. producer normally wastes profitable opportunities that arise. *Today, one only needs to drive down a Kansas road and witness the numerous amount of grain bins full of \$4.00 wheat to discover the vast majority of producers are risk management illiterate.*

Yes, the U.S. producer has a "freer marketplace." Yes, he has more choices and opportunities to pick from. Yes, our government is in the process of weaning producers from government checks. But for our agricultural friends north of the border and way down under, they are largely mistaken that U.S. producers are living, managing, and executing pure farm enterprises in a free market. Moreover, they do not realize that past U.S. government farm subsidies have never been production driven. In real terms, past subsidies have only been "margin calls" the government has paid to offset the U.S. producer's poor risk management and marketing skills. Essentially, Canada and Australia are no less prosperous.

In Italy, the average farm size is 14 acres. In Mexico, roughly 20 acres. In France farms average 70 acres. And in Great Britain, 168 acres. No wonder our farm brothers and sisters see the U.S. farmer as an elitist averaging 500 acres in an open and free marketplace. If they only know how much federal wealth is continuing to show up in the U.S. farmer's mailbox and how many profitable pricing opportunities they have squandered.

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