



Kansas City Fed Symposium focuses on the global impact of agriculture

by: Megan Lutz

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The implications of agriculture's global connectedness for the years ahead were explored July 17-18 at the Federal Reserve Bank of Kansas City's annual Agricultural Symposium.

Agriculture is increasingly a global industry. Gaps between regions of excess and regions of scarcity have led to a growing reliance on agricultural trade, and the movement of labor and capital across borders also has become a pivotal component to the nature of food and agricultural production.

These topics and the implications of agriculture's global connectedness for the years ahead were explored July 17-18 at the Federal Reserve Bank of Kansas City's annual Agricultural Symposium. This year's event, held at the Bank's headquarters in Kansas City, was titled "Agriculture in a Global Economy." Attendees included U.S. and international participants representing agricultural producers, financiers, agribusiness, government and academia who shared insight and participated in discussions on the topic.

Recent developments surrounding trade and global markets played heavily into the conversation.

"It's hard to prepare for this talk and not think about a trade war," said speaker Michael Boland, professor and director of the Food Industry Center at the University of Minnesota. "We could not feed nutritional and varied diets for 330 million people in the United States without trade."

The Kansas City Fed is the Federal Reserve System's leader in agricultural economic research. The Bank has a longstanding commitment to focusing on issues important to the agricultural economy—regionally and nationally—which includes hosting the annual symposium. Nate Kauffman, vice president and Omaha Branch executive, directs the Kansas City Fed's work on the agricultural economy.

"Today, the outlook for agriculture depends, perhaps as much as it ever has, on the outlook for global trade and the structure of global markets," Kauffman said. "This symposium allows us to take a longer-term view of issues in the agricultural sector, and trade is an important component to future prospects."

Within the agricultural sector, there has been broad recognition that trade has increased significantly over the years. Joe Glauber, senior research fellow at the International Food Policy Research Institute, noted that, in fact, the value of agricultural trade has more than tripled since 2001, while the volume has doubled. However, Glauber pointed out, there really has been little progress in agricultural trade reform in the past two decades despite increased trade flows.

“Our biggest concern with the (recent) trade turmoil is the sense of security and knowing where you can invest,” said Dan Sumner, Frank H. Buck Jr. Distinguished Professor at the University of California-Davis.

Producers, agribusinesses and lenders perceive the advantages, disadvantages and risks of agricultural trade from differing perspectives in their assessments of long-term business strategies.

“Trade isn’t a two-way street – it is a road grid going in every direction,” Sumner said, adding to a discussion on why rules-based systems are critical for trade to be successful.

Symposium participants expressed optimism about the future for agriculture within a global economy, but they noted that increased uncertainty surrounding agricultural trade policy was clouding their near-term outlook. In addition to international trade, participants also discussed the significance of international labor flows in the agricultural sector.

In the United States, California accounts for about a third of all hired farm labor. Philip Martin, Professor Emeritus at the University of California-Davis, noted that the concentration of production on fewer and larger farms means that dependence on hired workers is increasing.

Pia Orrenius, vice president and senior economist at the Federal Reserve Bank of Dallas, added that there is an increasing demand for both farm labor and foreign labor solutions and the growth in the labor force will be a direct cause of immigration.

In the final session of the symposium, speakers discussed how foreign investment and the flow of capital across borders also has influenced the agricultural sector. J.P. Gervais, vice president and chief agricultural economist of Farm Credit Canada, commented that trade and foreign direct investments are complements, not substitutes. Growth in investment can facilitate growth in trade.

The symposium concluded with keynote remarks on free trade from Princeton University professor Alan Blinder. Blinder observed that, despite widespread agreement among economists about the value of trade, public opinion often skews toward opposition rather than support. Recent events have highlighted important and emerging obstacles to trade, raising questions that will need to be explored further.

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