Profiting in a New Policy Landscape

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Factors Affecting Agricultural Profitability

- Trade Policy
- Energy Policy
- Farm Policy
- Obviously Many Others
  - THE WEATHER
  - Competitors Reactions
  - Global Economic Conditions
  - Regulations
Current Trade Policy

• The overall rules of the game are well known... as are the repercussions for ignoring them
• No new market access unless in a Bilateral agreement
• President hasn’t had trade promotion authority since 2004-2007
Future Trade Policy

- It appears that Multi-Lateral Negotiations are just too difficult.
- Policy tools relatively less important than Prices and Incomes.
- As we move toward 9 Billion people on Earth – Governments will have to be less restrictive in terms of impediments to trade.
- U.S. already relatively low impediments.
Current Energy Policy

• Focus on Renewable Energy but... Cannot forget the implications of Fracking on Agriculture, Rural Communities and the Environment

• A lot of attention on RFS II much less so on a RPS
  – Relatively robust ethanol production, less so for wind energy, solar and biodiesel
Future Energy Policy

• Turnover in Midwest Representation will likely be the end of the RFS
  – Not likely to matter
• Relative oil prices much more important than RFS – now that plants are built
• The profitability of animal agriculture dependent on weather and oil prices -- not the RFS
  – 17 does not equal 56!
  – Animal agriculture is Not better off
Current Farm Policy

• Traditional farm policy tools are largely irrelevant under current market conditions
• Crop insurance key – sometimes to make large profits – others to stay in business
Future Farm Policy

• How could anyone paying attention to the farm bill process not think it will be much less important going forward – not a lot of safety in the safety net
  – Groups clamoring to reduce safety net must want agriculture left with nothing because there isn’t much there now

• IF crop insurance is not neutered in the FB process then it will be the centerpiece