Modeling U.S. and EU Agricultural Policy: Focus on decoupled payments

Mary Bohman
October 5, 2004
Framing the question

- **International markets and trade negotiations**
  - Production and trade effects
  - Market access vs. domestic support trade-offs: developing countries, importer vs. exporter

- **Domestic policy**
  - Fewer unintended consequences: stocks, reduced efficiency, environmental externalities
  - Meet farm income goals: transfer efficiency
  - Targeting the distribution of farm income
What we know

Production and trade effects of:

Price support & other coupled payments

Gray payments: linked to either price or quantity

Payments decoupled from price & quantity

1 to 1 effect on net returns

Acreage and yield effects ~ 0.25 PS

Acreage effects from 0 to 0.25 PS
Future research directions

- Publication of existing research and more research
- Conceptual framework to test hypothesis
- Avenues for effects: Focus on gaps, e.g., structure
- More farm level analysis
  - Focus on farm / farm household decision making
  - Beyond changes in output
  - Recognize diversity of farms
## Long term structural change

<table>
<thead>
<tr>
<th>Year</th>
<th>Farm/Total Population (%)</th>
<th>Avg. Farm Size (acres)</th>
<th>Products per farm (number)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>39</td>
<td>146</td>
<td>5.1</td>
</tr>
<tr>
<td>1930</td>
<td>25</td>
<td>151</td>
<td>4.5</td>
</tr>
<tr>
<td>1945</td>
<td>17</td>
<td>195</td>
<td>4.6</td>
</tr>
<tr>
<td>1970</td>
<td>5</td>
<td>376</td>
<td>2.7</td>
</tr>
<tr>
<td>2000/02</td>
<td>1</td>
<td>441</td>
<td>1.3</td>
</tr>
</tbody>
</table>
Diverse farms: income

Sources of farm household income (1999)

- **Commercial farms**
  - Farm earnings
  - Wages & salaries
  - Other off-farm

- **Intermediate farms**

- **Rural residences**

Average U.S. household income ($51,885)