



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



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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

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Gray payments: linked to either price or quantity

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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

Year	Farm/Total Population (%)	Avg. Farm Size (acres)	Products per farm (number)
1900	39	146	5.1
1930	25	151	4.5
1945	17	195	4.6
1970	5	376	2.7
2000/02	1	441	1.3

Diverse farms: income

Sources of farm household income (1999)

