

THE MEASUREMENT OF DECOUPLED PAYMENTS' EFFECTS ON U.S.
AGRICULTURAL PRODUCTION

TaeHun Kim

Dr. William H. Meyers, Dissertation Supervisor

ABSTRACT

In the current WTO negotiations, the developing and the developed countries take an opposite view regarding the criteria for green box subsidies supposed to be decoupled from current production levels and prices. This study investigates whether U.S. PFC and direct payment subsidies are truly decoupled from production or not by modeling the farmers' risk attitudes in a non-structural approach and estimating the effect of decoupled payments on production by the change in risk attitudes. The results show that farmers' risk attitudes are mostly risk loving and change over time, which is different from other studies. The results also show that only the amount of money matters in determining risk attitude. The effect of decoupled payments is not only statistically insignificant on corn and soybean acreage but also very small in magnitude.