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Statement by Clayton Yeutter

To the USDA 67th Annual
Outlook Conference
Washington, D.C.
November 27, 1990

Welcome to the USDA for the 67th Annual Outlook Conference. Observers of American agriculture during recent decades would have been witness to unimaginable change. They would have seen the establishment of the Soil Conservation Service, Rural Electrification Administration, and the first law to provide direct price support for basic commodities through non-recourse loan programs—all pivotal changes in agriculture during the 1930s.

They would have seen the application of system analysis to farming in the 1940s, and would have seen, for the first time, the number of tractors exceed the number of horses and mules on farms in the 1950s.

The 1960s brought American agriculture into the battle against hunger as a direct instrument of social policy as Congressional legislation made the food stamp program permanent. In the 1970s immense sales of American crops to other nations strained America's agriculture delivery systems. And the 1980s saw American farms pressured financially as never before. Many good farms did not survive the wide price swings, volatile exchange rates, and frequently unfair competition from overseas competitors.

"Agriculture in a World of Change" is the title of this year's Annual Outlook

Conference. And that is very appropriate. In this period of increasing change, two things can be stated with certainty: The survival and living standard of our nation depends upon a modern, thriving agricultural sector; and the survival of our agricultural sector depends on how well American farmers and ranchers are able to adapt to change and meet international competition.

Waves of Global Change

Large waves of change are pressing the globe and demanding immediate attention: There is profound economic and political change in Eastern Europe; the Middle East has entered a period of intensified crisis; and we are in the closing days of the most important multilateral trade negotiations in at least a generation. All of these global issues touch agriculture. I will take a few moments to speak about the impact of each of them.

Eastern Europe is making a courageous effort to lay a foundation for free governments and market economies, and the Soviet Union, too, is on a course of radical change. For these nations to succeed, they will need to enter the world economy and that includes the ability to sell abroad. The initial route for these countries to trade with more advanced nations is probably through agricultural goods. With greater agricultural production in Eastern Europe, they can export, earn currencies, supply the abundance of goods long denied to their populations, and begin to modernize their infrastructures. Without their rapid integration into the world economy, it is more difficult to be optimistic about their chances of surviving as democracies.

Events in the Middle East have obvious consequences for America's vital interests. America's military men and women

have been stationed in the Middle East to stop aggression and protect the West's supply of a vital resource. We pray for the success of their mission and their well-being and that of the hostages. Although these events are 5,000 miles away, their impact on American agriculture is profound and immediate. Iraq's aggression resulted in an international embargo to isolate it economically; consequently, large markets for agricultural goods were altered overnight. We know that halting the sales of American agricultural goods to Iraq has already had an impact on that nation, and that impact will only continue to grow. The Iraq crisis has also touched our farms as increased fuel costs can be a strategic asset and help reduce the need for imported oil through the production of synfuels.

The Uruguay Round

The Uruguay Round has been under way for a bit over four years, and is scheduled to be wrapped up in Brussels next week. It is the eighth round of multilateral trade negotiations under the General Agreement on Tariffs and Trade—the GATT. Previous GATT rounds, such as the Kennedy Round in the 1960s and the Tokyo Round in the 1970s, were successful in building a more evenhanded world trading system. Under commitments made in those rounds GATT members have reduced tariffs on manufactured goods from an average of 40 percent in the 1960s to 4 to 6 percent today. As a result, world trade has boomed, living standards have risen, and trade wars have been avoided—though not without some trade skirmishes here and there.

The success record of bringing discipline to world trade is clear. Since this is unmistakable, one would imagine that political leaders would be anxious to bring

disciplines to those areas of trade which remain outside the GATT. But after meetings with European agricultural and political leaders last week, I am disappointed to say that many of them are still resisting trade reform in agriculture.

GATT members have reduced tariffs on manufactured goods from an average of 40 percent in the 1960s to 4 to 6 percent today. As a result, world trade has boomed.

The opposition of the European Community to significant reforms in agricultural trade has deadlocked the GATT negotiations. The position of the EC is not easy to understand when one remembers that the present system of farm policies is costing industrialized nations \$250 billion each year, about half of that in the Community.

It appears that the EC is willing to reject a new GATT agreement in agriculture in order to protect a segment of its economy which only contributes 3 percent to its GDP. Last week in Europe, President Bush made it clear to EC leaders that the United States, and with us nearly every nation outside of the EC, is demanding true reform in agricultural trade.

There is a tremendous amount at stake in the GATT negotiations. There are 15 areas of trade under discussion, including the very important areas of services, investment, and intellectual property rights. Presently, one-third of world trade, one trillion dollars, does not come under GATT disciplines. But without reforms in

agriculture, new agreements in these other areas will be lost. A news magazine wrote last month that if GATT fails, "Within a year or two, trade will be shrinking, and output prosperity with it." If we succeed in winning freer trade in Brussels, U.S. Trade Representative Carla Hills estimates the United States could increase exports to developing countries alone by \$200 billion over the next 10 years, a substantial portion of which will be agricultural goods.

Domestic Change: The 1990 Farm Bill

After months of hard work and harder negotiations, Congress and the Bush Administration have linked up on a new five-year farm bill. I doubt that any of us are completely satisfied with the new bill. But there are many in Congress and in the Administration who find a lot to endorse in this legislation—and I am one of them.

The 1990 Farm Bill will ease planting controls and give America's farmers new flexibility to plant and plan for the highest returns from the market on 15 percent of their base acreage. This flexibility is exactly what our farmers need, and I am happy that the new farm legislation grants it. The expiring 1985 Farm Bill helped bring America's farms out of an economic slump by allowing more flexibility, and the new bill will build on that sensible foundation.

The new farm bill will help American farmers become even more internationally competitive. That is vital to their future prosperity, and if a GATT agreement is reached, that competitiveness becomes more important than ever. A new GATT agreement will expand opportunities abroad and U.S. farmers will be in a good position to profit from them.

The environment is one of the most important ways in which agriculture is

merging into a world of change. Farmers have always been closely linked to the environment; now their stewardship of the environment is expanding. The new farm bill helps farmers in their enlarged environmental role. Included is a voluntary program to enroll up to one million acres of wetlands into paid 30-year or longer easements. A new water quality program is designed to help farmers develop plans and put into use farm management practices that protect water quality. And farmers must keep records on the use of restricted pesticides.

American farmers are being challenged not only to increase productivity, but to do so while maintaining a cleaner environment. They are up to the task, and the U.S. Department of Agriculture through its research, extension, and other branches will assist in every way possible. But even as we identify American environmental concerns, we must recognize that this is a global question as well. Problems such as acid rain and soil degradation are present in large parts of the world. Yet, even these problems may appear minuscule when compared to the still open question of global warming.

Nations are struggling to understand what global changes may be taking place, and how we can act to counter any damaging trends. Understanding those trends and isolating them from short-term changes is not easy work, and the top scientists do not always agree. What we do know is that any significant change in the world's climate will affect everyone, but it will affect farmers first.

We live in the most exciting age agriculture has ever seen. We have a stronger grasp of the relationship between farming the environment than ever before, but we are still learning. New agricultural technologies are emerging everyday. Advances

in hydroponic production, biocontrol, and biotechnology are among them and we seem finally to be on the verge of developing viable new industrial and consumer products from agricultural raw materials.

The Diversity of American Agriculture

"Agriculture in a World of Change."

Agriculture is one of the leading catalysts for change in the lives of people everywhere. American agriculture and its processing and delivery systems represent 17 percent of our nation's gross national product, generating about one out of every six jobs in the U.S.—about 20 million in total. Most of these jobs, about 90 percent, are off-the-farm. That means the wealth created by agriculture expands far beyond America's farms. U.S. farmers are well-known for their efficiency, and because of that America is also known for its generosity, contributing more than eight million tons of food annually to less fortunate people abroad.

Even though American agriculture represents only three-tenths of one percent of the world's agricultural labor force, American agriculture is immense and diverse. I am happy to release today a book which portrays that diversity in the Ameri-

can food and fiber industry: the 1990 Yearbook of Agriculture. I do not believe there is a better way to describe the initiative, efficiency, and creativity of the millions of Americans in agriculture. This Yearbook has substance too, but its primary focus is on the character of people in American agriculture, from the Mid-west to the West Coast, and New England to the South.

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its processing and delivery
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As I remove this embargo stamp, the 1990 Yearbook of Agriculture will be released to the public.

Some of the changes facing agriculture will be difficult, many will be encouraging, and you can be sure that we will be unable to foresee others. But our challenge will not change—to ensure that American agriculture continues to be the best in the world.