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# Farm Policy in the 1990's



## An Interview with Clayton Yeutter, U.S. Secretary of Agriculture

*In early February, the Administration presented its proposal for the 1990 Farm Bill. Because of its great relevance to the ensuing debate and the eventual choices made by the Congress and the Administration, we are pleased to include this interview with U.S. Secretary of Agriculture, Clayton Yeutter.*

**CHOICES** Editor Lyle Schertz opened the interview by asking the Secretary what his major objectives are for farm policy in the 1990s.

**Yeutter:** The 1990s represent a crossroads for global agriculture. Many factors will influence the agriculture policy debate in capitals around the world. For instance, technology continues to play a major role in developing new crops and new uses for existing crops; environmental concerns being expressed both in and outside the United States will have a major impact on agriculture; and the quest for leveling the playing field for agriculture through the Uruguay Round of multilateral negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT) could shape world agriculture for several decades.

My desire for American agriculture in this decade is to develop policies which will allow farmers to get more of their income from the marketplace and less from the government. Some may disagree with that thrust, but I believe strongly that it is in the long-term best interest of farmers and ranchers to look for ways to grow what the market wants, not what they might prefer to grow or what the government mandates that they grow. It is also in their best interest to market their products instead of storing them for the government.

We must also concentrate seriously on our environmental objectives for clean water, clean air and the protection of our soil. As I have said repeatedly, farmers are environmentalists. They must get their living from the soil and they want clean

water and air for their children and grandchildren, so it's unfair to claim that they intentionally harm our environment. In addition, farm chemicals are costly and if we can show farmers how they can reduce such inputs, while maintaining or improving net income, they will change their practices very quickly.

Also, we can't lose sight of how important research and development is to the nation's oldest profession—farming. Research is the one factor that has consistently kept America ahead of its competitors in agriculture. In recent years, unfortunately, we've lost some of our technological lead. During my tenure at USDA I will aggressively seek additional funds for research programs which will prove crucial to the long-term viability of American agriculture.

**CHOICES:** Why didn't you propose a simple one year extension of the 1985 Farm Act? Some people suggest that such an extension is, in fact, your hidden objective.

**Yeutter:** I never have a hidden agenda. That's not my style. I intend to be straightforward in my dealings with Congress and with our agricultural community, and there are good reasons to have a five-year farm bill passed in 1990. Though the Uruguay Round of GATT talks is scheduled to conclude at the end of this year, and though the results may call for modifications of our traditional farm programs, other items on the policy agenda call for a five-year bill. For instance, we have made a number of creative environmental proposals. They have five to ten year time frames. School lunch and other food programs also require reauthorization this year, so implementing agencies can plan for the next five years. I'd like to have a five-year bill on the President's desk by the summer recess. It can be done!

**CHOICES:** But, wouldn't a one year extension make it easier for both USDA and the Congressional Agricultural Committees to avoid compromises with the food safety and environmental groups?



“*Export subsidies... ought to be phased out, the sooner the better.*”

**Yeutter:** If there are to be compromises, they'll have to come sometime. Why delay a year? Leadership calls for confronting such tough issues now, not later.

**CHOICES:** Mr. Secretary, why should American taxpayers continue to support the large budgets for farm price supports and export subsidies?

**Yeutter:** Actually the taxpayer tab for farm price supports and export subsidy programs has diminished dramatically in recent years. In 1986 farm programs hit an all time high of \$26 billion, a huge expenditure, but one that helped agriculture pull a foot from the grave. Now farm support programs run \$8-10 billion annually. I consider that to be a reasonable safety net at the moment. If, however, we can increase demand for our farm products, domestically and internationally, we should be able to lower that safety net over time.

**CHOICES:** How can you justify these agricultural budgets when the major share of the program benefits go to people with incomes and assets significantly greater than most of the people who pay taxes?

**Yeutter:** Your question implies that consideration might be given to a means test for the distribution of farm program benefits. One can make a theoretical case for that, but no one has yet come up with a practical way to do it while still achieving the other objectives of farm programs. The distribution of benefits may not be perfect from the standpoint of social policy, but neither is it so with a lot of other government programs. In farm policy we attempt a balance of social and economic objectives, and we've done that at least reasonably well over the past 20 years.

If we succeed in generating more farm income from the private sector, thereby reducing our dependence on government, any shortcomings in this area will become increasingly irrelevant over time. That's probably the best way to deal with the issue, though we'd be pleased to evaluate any proposals which surface in this area.

**CHOICES:** President Bush's budget documents discuss targeting farm program payments and limiting their size. However, your proposals do not address these concerns. Why not?

**Yeutter:** For the reasons just outlined. If we are to move from theory to legislation that would further target or limit benefits, we need a lot more debate on the policy trade-offs. Achieving a sensible outcome will not be easy. For example, payment limits assuredly do not target farm program benefits to those most in need. Payments to "small" farms often go to people with full time off-farm employment whose net income is substantially higher than that of producers with "large farms" and no off-farm employment.

**CHOICES:** A lot of people say that agriculture is no longer the backbone of most of our rural communities. Isn't it time to examine how farm commodity program funds can be switched to rural community needs such as education and help all the people in rural America, not just farmers?

**Yeutter:** Rural America is populated by 55 million people who do not live on farms and about 5 million who do. So it is important that the Department of Agriculture look for creative ways to enhance job creation in rural communities and to diversify jobs. Agriculture does, however, play a very major role in the viability of rural areas since it is the economic engine. A healthy agriculture is imperative, but we also need a healthy non-farm economy in those areas.

In the 1980s we saw devastating effects on regions who were solely dependent on one or two economic sectors—agriculture and energy, for example—when those sectors were in trouble. That's why rural areas need to "put their eggs in several baskets" when developing their economies. Many rural citizens have significant pluses over their urban counterparts in the job market, if we can get business firms to realize that. I also feel that rural regions can attract high tech firms. Look at how well Sioux Falls, South Dakota has done with Citicorp credit card services. That firm employs many people and pumps millions of dollars into the Midwest economy.

Tourism is another way in which rural areas can economically diversify. There are beautiful spots in rural areas that are close to major population centers and can offer relatively low cost recreation. I would like to see more tourism, high tech firms, and service industries attracted to rural areas around the country.

The federal government can play a catalytic role in these endeavors. We have limited resources, but I would like to see

*But we have to  
protect our own interests.* ”



Photos courtesy USDA

them targeted better. President Bush recently announced a rural development initiative which calls for improved coordination of federal programs and an advisory council made up of local, state, federal and private sector representatives who will advise him under this plan. Coordination at the federal level will also be done through a working group of the President's Economic Policy Council.

**CHOICES:** Are you being even handed when your proposals call for "combatting fraud" in the food stamp program, but do not give attention to possible fraud in farm commodity and farm credit programs? Are farmers more honest than rural and urban food stamp recipients? Or do the regulations just make it easier to be honest?

**Yeutter:** We are working diligently to combat fraud in all USDA programs. Our Office of the Inspector General is extremely active in this area, and with considerable success. Most Americans are honest, but not all. And some seem to want to "work the system" as much as they can, operating always on the edge of legality.

The main reason for focusing on the integrity of the food stamp program is a simple one—we spend more money there than in any other single USDA program. Therefore, operating that program with integrity should provide an excellent payoff to the American taxpayer.

**CHOICES:** You expect a successful conclusion of the GATT negotiations. Help us understand how you visualize prospective progress in GATT will be coordinated with U.S. farm legislation. Do you anticipate that the GATT agreement, once completed, will be ratified or rejected as a package by the U.S. Congress?

**Yeutter:** The Uruguay Round is scheduled to conclude the first week in December, four years after it began. The farm bill will likely become law well ahead of that. So the policy coordination will come next year, not this year, though we certainly do not wish to do anything in the 1990 farm bill that will diminish our leverage in the Uruguay Round.

If the Administration is successful in delivering a comprehensive package of global agricultural reform, I believe the Congress will ratify it. Ambassador Hills is not likely to bring

back a package that is not in the U.S. interest, so I don't see the final outcome as being all that controversial—if there is a final outcome! That is by no means assured at this point. In addition, the Congress has been consulted consistently throughout the negotiations, and many have been in Geneva to confer with our negotiators and those of other nations.

**CHOICES:** We recognize that Congressional leaders and farm organization leaders will be consulted as the GATT negotiations proceed. Can you be confident that they will be able to gauge accurately how the entire Congress will, in the end, vote to make farm programs consistent with the conclusion of the GATT discussions?

**Yeutter:** If the Administration consults regularly and comprehensively with key Congressional committees and the private sector—not just in agriculture, but on industrial and financial issues as well—the probability of Congressional approval should be quite high. Our most recent gauge would be the U.S.-Canada Free Trade negotiation. We did consult regularly during that exercise, and the final agreement was approved overwhelmingly by the Congress.

**CHOICES:** What happens if producers, say rice farmers, don't like the GATT deal and Congress refuses to accept the call for, say, changing the way their income is supported? Would the entire Uruguay Round agreement on agriculture go down the drain?

**Yeutter:** Rice farmers, and all other farmers, need to express their views between now and December. There will be ample opportunities to do that, through direct contact with us at USDA or with the office of the United States Trade Representative which has responsibility for conducting the negotiations. USTR has a host of private sector advisory committees, chaired jointly with USDA, from which recommendations will be sought as the negotiations proceed.

Once the negotiations conclude, the Congress will vote up or down on the entire package emanating from the 15 Uruguay Round negotiating groups. Neither our Congress, nor the legislative body of any other participating country, will be able to change the work product at that point. In other words, the package will be handled very much like a treaty, except that both houses of Congress will vote on it. There will be an oppor-

tunity for farm groups and others to help shape the implementing language, but substantive changes can no longer be made. Were that permitted, in the U.S. or elsewhere, the entire negotiation would unravel.

**CHOICES:** Do the difficulties in deciding how to respond to the GATT sugar decision cause you uncertainty about how U.S. farm producers will respond to change? Are U.S. producers willing to do their part in making the field level?

**Yeutter:** There are a number of ways for us to bring our sugar program into compliance with existing GATT rules, so that is not a major problem. It has, however, been a distraction for sugar reforms should be undertaken in many other countries, not just in the U.S. That is what the Uruguay Round is all about. If there is to be reform, in sugar or in other agricultural products, all the major trading nations should go down the reform road together, not singly. Our sugar producers tell me they are prepared to do that, and I take them at their word. We're a lot more internationally competitive in sugar, dairy, and some of our other protected industries than many people realize. So we ought not fear having a level playing field.

**CHOICES:** Farm commodity groups have been ardent supporters of your proposals for changes in EC and Japanese farm and export policies. Suppose the efforts in Geneva are successful. How do you expect to persuade U.S. commodity groups that U.S. government support to them should be distributed in ways that do not distort production?

**Yeutter:** For centuries governments throughout the world have sought to provide income supports to farmers. Unfortunately, these efforts, though well meaning, have often been misguided. They've distorted both production and trading patterns at an immense annual cost to taxpayers and consumers, and often with few benefits to farmers. Sometimes these policies even turn out to be detrimental to farmers, the people they are designed to help, even though farmers get blamed for the cost! We in the United States are not free from criticism in this regard; we have our share of distortions, though not of the magnitude of some of our trading partners.

We all should be able to do a better job of running this store! That is our primary objective in the Uruguay Round. Shouldn't we collectively exercise discipline over export subsidies, which pit treasury against treasury instead of farmer against farmer? The present system makes farmers no more

than foils of high level subsidy combat. That's not the way to boost farm incomes anywhere; nor is it the best way to feed the world. And shouldn't we negotiate improved market access so that the world of agriculture becomes more competitive, and so that it rewards production and marketing efficiencies—much more than it does today? Those two objectives alone make the GATT negotiations worthwhile, and they ought to have the support of everyone.

But can we and other nations provide income supports, i.e., a safety net for our farmers, in a way that does not distort production? We may not be able to achieve perfection in responding to this challenge, but we sure ought to be able to do a lot better than we are today—in all countries. The level of distortions that exists today, and the cost thereby imposed on all our societies, is appalling. The GATT nations have a choice this year. They can continue to waste billions of dollars of scarce financial resources, or they can try to clean up their act and design farm safety nets in a wise and prudent manner. I hope they'll choose the latter.

**CHOICES:** Isn't that decoupling?

**Yeutter:** Farmers don't like the concept of decoupling because they feel that without the link to production government payments would be similar to welfare—or just transfer payments. I believe we can overcome that concern with a little imagination here and in other countries.

**CHOICES:** What happens if the GATT negotiations do not produce meaningful results in agricultural commodities?

**Yeutter:** Let's hope that isn't the case because it would be tragic, indeed, for American and world agriculture. If the Round is not successful, trade conflicts in agriculture will escalate and this will adversely effect our overall relations with other countries. We will have a more combative trading environment, an increase in protectionism, a probable expansion of export subsidy programs—treasury vs. treasury competition at great cost to taxpayers everywhere.

**CHOICES:** You suggest that it is necessary to continue to subsidize U.S. farm exports. Admittedly, Uncle Sam's pockets are deep; but, they too have limits. How long are you willing to run these kind of farm program costs if Europe and Japan are unwilling to adjust their policies.

**Yeutter:** No longer than absolutely necessary. From a public policy



standpoint I do not believe that one can defend export subsidies by a developed country on any product. They ought to be phased out, the sooner the better. But we have to protect our own interests. We need the capability to counter and neutralize the export subsidies of other nations until those subsidy programs are reformed. Otherwise we just hand market share to our subsidizing competitors on a silver platter.

**CHOICES:** Does that mean that you are willing to set a course now that may mean taxpayer subsidization of U.S. farm exports into the 21st century?

**Yeutter:** Let's hope not. But that's precisely why the GATT Round is so important.

**CHOICES:** Why don't you proclaim that food safety is your highest priority? U.S. agriculture's customers, domestic and foreign, want safe food. As consumers and taxpayers they are paying the bills. Why not give them what they want?

**Yeutter:** Food safety is near the top of my priority list. It also is high on President Bush's list as well. That is why he announced a Presidential food safety initiative several months ago. We are both interested in keeping America's food supply the safest in the world.

Unfortunately, our food safety debates have recently been characterized by too much emotion, too few facts. Hired public relations firms have manipulated the media with dubious "studies" and charges in an attempt to convince America that our food supply is unsafe. Well, that's not true! In debating this issue we need to eliminate the hysteria and allow science and good reason to prevail. We would all prefer a zero-risk food

supply, but nothing in this world is risk free. Nothing! We must strike a delicate balance in this area so that we have a safe food supply, farmers are not driven from the land, and our environment is preserved. We can do it.

**CHOICES:** Why don't you form an alliance with the environmentalists and the conservationists? The introduction to your briefing materials for the 1990 farm legislation states that you consulted with a wide range of people. There is no mention of environmentalists or conservationists. Do you consult with them? Don't you need the votes of the large majority of legislators that these groups influence?

**Yeutter:** We are prepared always to listen to people and organizations who have considered, thoughtful opinions to offer on issues of mutual interest. That applies to environmentalists, conservationists, or anyone else. This Administration is committed to sound, sensible conservation policies for all our natural resources. Were there any doubts about that they should have been dispelled by the President's America the Beautiful initiative, the Presidential initiative on food safety, and the many environmental initiatives that were included in our 1990 farm bill proposal.

We'll happily work with groups and organizations who share our fundamental objectives. There are many responsible environmental organizations who fit that description. Regrettably there are some who do not. We will never support radical environmental goals, and I hope the Congress will likewise avoid doing so.

**CHOICES:** Thank you, Mr. Secretary.