LETTERS
From You...

From: George W. Ladd

Iowa State University
Re: "Social and Ethical Norms: Appropriate Subjects, etc."

Reading Otto Doering's article on "Social and Ethical Norms: Appropriate Subjects in Universities, Too" stimulates this letter for publication in *CHOICES* (Fourth Quarter 1991).

I challenge agricultural scientists to disapprove any one or any combination of the following assertions.

- It is not possible to justify the Agriculture Colleges' emphasis on and promotion of increasing efficiency and productivity without making any reference to human values, ethics, or sentiments.
- We publicly employed scientists cannot justify our requests for public financial support without using arguments that concern human values, ethics, or sentiments.
- Science cannot justify its own existence. Extra-scientific considerations must enter into any argument that successfully justifies the existence of science.

CONGRESS' SWEET TOOTH

From: Luther A. Markwart

American Sugarbeet Growers Association
Re: Love and Nuckton's "Sweet Tooth"

Your recent article "Congress' Sweet Tooth" (First Quarter 1992) on contributions from sugar growers' political action committees was incomplete, confused, and misleading.

First, why would your authors examine contributions by only one side of a political issue? Any legitimate analysis on this or any other issue requires close examination of both sides of the equation. If the authors had made any effort to track PAC contributions by the large sweetened-product manufacturing companies that have traditionally opposed the sugar producers on sugar-program votes, they would have found that the growers have been significantly outspent over the years. Why no regressions on the correlation between sweetener-user contributions and sugar program votes?

Second, the authors have their *a priori* argument on our contributions backwards. PAC funds provided by our growers are limited and go only to members who have supported us in the past or who are likely to do so in the future. Thus their past, or expected, behavior influences our choices. Why would we make contributions to our opponents?

Third, references to the "minimal" taxpayer cost of the program, to "subsidy," and to sugar consumers' "higher prices" are misleading. Not only has there been *no* cost to the U.S. Treasury from the sugar program since 1985, as mandated by law, but Commodity Credit Corporation data reveal *net revenues* from timely repayment of producer loans and from sugar import duties and fees. There are *no* subsidies to the U.S. sugar industry. And U.S. consumers, according to USDA, enjoy retail sugar prices *below* the world average and more than 20 percent *below* the developed country average.

Members of Congress have several very good reasons to support the U.S. sugar program:

- It assures reliable supplies of an essential food ingredient to consumers at fair and equitable prices;
- It is a proper response to unfair foreign trade practices;
- The sweetener industry provides 360,000 jobs and generates $18.5 billion in economic activity; and
- It makes money for the U.S. Government.

You have done a great disservice to your readers by providing them with only half of the story. It seems that the only choice they have is to draw the wrong conclusion.

From Eiler C. Ravnholt

Kensington, Maryland
Re: Love and Nuckton's "Sweet Tooth"

I read with some interest the puzzling article entitled "Congress' Sweet Tooth." While the area of expertise of the authors, Professors Love and Nuckton, is not identified, it is obviously not the subject of their article.

To write on the subject of the impact of political contributions on Congressional actions and then to examine the political contributions made on only one side of an issue, as the professors have done, is neither professional nor instructive. A review of the reports of the Federal Election Commission for the election cycle prior to the vote on the sugar program in the 1990 farm bill reveals that the political contributions of the giant sweetener user companies, the chief opponents of the sugar program, far exceeded those of the domestic sugar producers. Moreover, such study showed that a great many who voted against cuts in sugar supports received more from user interests than from producer PACs. Certainly a *fair* examination of the issue must be based upon a full study of the political contributions emanating from PACs, and from top corporate officials, by both proponents and opponents of the measure at issue.

As a post Watergate campaign finance reform, Political Action Committees (PACs) were authorized to collect and distribute small campaign contributions from individuals with a shared interest, to permit clear identification of contributor interests. As one who has had some experience with the distribution of such PAC funds to candidates for public office, let me say that we try very hard to assure they are not made to candidates who, if elected, will oppose the wishes of the contributors. While we sometimes fail, the correlation of campaign contributions with a congressional vote on an issue is really a measure of members voting consistency and of PAC managers success in predicting their voting behavior.

A more useful examination of the influence of campaign contributions might emerge from a study of changes, if any, in the pattern of pre vote contributions and honoraria to those members who subsequently voted contrary to their prior votes on that issue. However, to suggest that a sinful relationship exists between campaign giving and past political behavior is to assume that elements of the public share no legitimate economic constituent interest in forthcoming election results.

From: H. Alan Love and Carole Frank Nuckton

Oregon State University
Re: The Authors Respond

Mr. Ravnholt and Mr. Markwart's main criticisms are: (1) that we investigate only sugar PACs' influence on congressional votes when other PACs might also affect vote outcomes, and (2) that we have reversed the causal relationship between PAC contributions and congressional votes. On examination, these criticisms are contradictory.

Their first criticism implies PACs are effective in changing congressional votes. We agree: If we also had included data on PAC contributions by large sugar buyers in our analysis, we expect they would have correlated negatively with the pro-sugar vote. Our point is still valid: Government policy is more strongly influenced by special interests' campaign contributions than by constituents' economic interests.

Behind their second criticism lies the premise that, unlike other PACs, sugar PACs do not change congressional votes (and hence are uniquely ineffective) since they only contribute money to politicians whom they expect will support their interest. However, it makes no practical difference whether PACs use money to support likeminded politicians or to try to directly influence voting behavior. The result is the same: keeping representatives elected whom special interests want, assuring their desired vote outcomes. A 1989 survey of 604 members of citizen panels developed by the Roosevelt Center for American Policy Studies, and reported by Harold Guither in a Third Quarter 1990 *CHOICES* article, indicates that only 27 percent of those surveyed want current sugar policy to continue. If sugar PACs were not influencing congressional votes, surely the modest sugar policy reforms recently rejected by Congress would have passed.

We want to thank Mr. Markwart for pointing out that the cost of the sugar program to U.S. taxpayers has not been "minimal"; it has been nil. However, we question Mr. Markwart's other policy comments. According to the USDA *Sugar and Sweetener: Situation and Outlook Report*, December 1991, the November world raw sugar price was 8.79 cents/lb, while the U.S. raw sugar price was 21.75 cents. At the same time, the world wholesale price for refined sugar was 12.71 cents/lb while the U.S. wholesale price was 24.50 cents. The fact is, import quotas keep U.S. sugar prices high and consumers pay the cost. That other countries, more protectionist than we, have higher retail prices is not relevant. We urge you to re-read the Fourth Quarter 1988 *CHOICES* debate and decide for yourself about this program.

Farm Returns: *They Measure Up*

From: John T. Scott, Jr.

University of Illinois
Re: Monke, Boehlje, and Pederson's "Farm Returns"

Reading these articles about how great farmland is as an investment always make agriculturalists feel good (and there have been several such articles recently); however, we need to be aware of several caveats which apply equally to all:

• Timing is everything on most investments which have a cyclical nature. The period selected by the authors (1960-1988) was a pretty good period, 1953 to 1981 would have been the best; but 1932 to 1960 (the previous 29 years) would have shown half as much total return or less and going from 1920 to 1948 would have been still less, maybe close to zero. I don't know what the relative returns would have been for the other investments cited during these other time periods. If a person analyzed the data in "real" terms, it would certainly present a different picture. Whether it would be more or less favorable to agriculture, I don't know. Most if not all the capital gain is due to change in the value of the dollar.

• The standard deviation which is supposed to show something about the "riskiness" of farmland is a non sequitur in the case of the farmland data. This standard deviation I'm sure was calculated from a time series of 29 numbers (one for each year), perhaps adjusted for the trend. However, each of these numbers is an average for its year of many farms which means that there is a variance in the number taken for each year which is not accounted for in the variation reported. So the variance is simply not comparable. For example, an individual parcel of land that an investor might buy will rarely, if ever, produce the average return and the variance of both current returns and capital gain or loss relative to the average will generally be larger. The same problem does not exist for the other assets, at least to the same degree.

• It is the future any investor is concerned about—not the past—as Shakespeare said, "The past is only prologue," so read pages 24-25 of the same issue of *CHOICES* and make your choice.

This certainly is not to say that we should not study the past in order to make inferences about the future. I'm a strong believer that we make better judgments about the future when we have a *good_knowledge* and *understanding* of history; but this means talking about the time period selected and handling the data (the variance problem) so as not to be misleading.

From: Tom Kriegl

University of Wisconsin
Re: Monke, Boehlje, and Pederson's "Farms Returns"

I'm concerned that less than careful readers would reach the wrong conclusion from Monke, Boehlje, and Pederson's article, "Farms Returns."

I had the opportunity to read an earlier draft of the article. I also noticed that the *Wall Street Journal* referred to that earlier draft. The *Journal* suggested from the article that farming is as profitable as other businesses.

If the farm financial data used in the study are similar to the farm financial data I get to see, it is possible for farms to be competitive as an investment and yet not be as profitable as other businesses. This is because hired labor (whether unionized or not) and hired management in other businesses receive higher compensation (wages plus fringe benefits) that is represented by the opportunity cost we typically charge for farm family labor and management. I think the article could benefit from a clarification of this point especially when made available to the popular press. (I'm classifying the *Wall Street Journal* but not *CHOICES* as popular press).

From: Roger B. Long

University of Idaho
Re: Monke, Boehlje, and Pederson's "Farm Returns"

I enjoyed the article on "Farm Returns: They Measure Up To Returns From Other Investments," by Monke, Boehlje, and Pederson. The article reminded me of a manuscript I sent to the

AJAE about 10 years ago. In this manuscript I added net farm income and capital gains from farm land together, and concluded that returns were at such high levels that it made no sense to subtract opportunity costs. Needless to say, this conclusion was treated as heresy, since it violated long established practices in the profession. Consequently, it was enlightening to learn that others might also use this concept as a measure of total returns. It was also refreshing to read an article by economists who have the ability to distinguish between the real and abstract worlds. Surely, reality and truth should be cornerstones of any research effort. Hopefully, there will continue to be a role for such thoughts in agricultural economics in the future.

From: James Monke, Michael Boehlje, and Glenn Pederson

University of Minnesota
Re: The Authors Respond

We are pleased that our discussion on the competitiveness of farm returns generated some commentary. Kriegl's concern about comparisons between returns in farm businesses and other businesses is valid in general. But in our case we are comparing investment in farm assets with that in nonfarm assets which is critically different. Furthermore, to obtain the return to farm assets from farm records data, we subtracted a labor charge from reported farm income for operator labor contributions, and this labor contribution was valued at the average labor rate for all employees (not just farm employees) from the Minnesota Department of Jobs and Training.

Scott's observation that "timing is everything" may be a comment on life in general, not just investment decisions. Choice of a data period is somewhat arbitrary, although we attempted to obtain a relatively long contiguous period (approximately 30 years) that included a wide phenomena of economic and political events. As Scott acknowledges, the real issue is relative returns for the various assets during the chosen period, not what was a "good" or "bad" time for a particular asset. The performance of particular assets was not a consideration in our choice of the data period. As to the concern about real versus nominal comparisons, one would not expect much difference if any (except for a possible Fisher effect) in the relative comparisons if the same deflator was used for all assets. A good argument for using different deflators for different returns series is not apparent.

The point is correctly made by Scott that the true variance of returns is understated when annual (instead of weekly, monthly, or quarterly) data is used. Since only annual data was available for farm assets and farm land, we used annual data for the nonfarm asset series as well. That being the case, we do not see that a significant bias occurs when the variances (standard deviations, or coefficients of variation) of farm and nonfarm asset returns are compared. If one could verify that financial markets are characterized by greater pricing efficiency than farm asset markets, and if greater efficiency implies less asset price volatility, then one may be able to argue that the comparisons we make are incorrect. Since we do not have the data from which to test that hypothesis, we find it hard to accept Scott's assertion that the "variance problem" does not exist for the other (financial) assets to the same degree.

Finally, as to Scott's quote from Shakespeare that "the past is only prologue", we agree and acknowledged so in our article. But as Scott admits, understanding history does provide a useful perspective on the future, and that was our intent.

Ag Policy

From: Turner L. Oyloe

Former Civil Servant
Re: Rossmiller's "Six Problems That Affect Ag Policy"

Dr. Rossmiller's final declaration, "For this is a way of reminding ourselves that no single interest, including our own, represents the public good," is, was, and remains, a truism which is well understood by those directly or indirectly engaged in agricultural policy. However, I fail to see the point of the article. Many "straw men" are knocked down, including Congress, political appointees and, naturally, the civil servants in the USDA. One would have to assume that the lay public has little or no understanding of how policies are made and carried out in our democratic society.

Perhaps the question posed by the author is, "Should we depend on our system of representation to carry out the task of government?" Perhaps one argument could be to have a "super-civil service" based on the British system but with more authority to evaluate all programs of government and decide what is in the public interest. The British comedy, "Yes Minister," might well become a guiding light rather than a comedy. I might end by saying optimality is most difficult to achieve in any society, including our own.

Training

From: Gerald F. Vaughn

University of Delaware
Re: Hoag and Pasour's "Mandated Training" and Schaller's "Opportunity"

In the debate between Dana L. Hoag, E. C. Pasour, Jr., and Neill Schaller about training of Extension workers so they can better teach sustainable farming, I have to lean toward the position taken by Hoag and Pasour that such training at this time would accomplish little. Until recent years, I leaned the other way.

Here's what changed my mind. A decade ago I was attracted to the concept of sustainable agriculture by its unique research emphasis on how to farm profitably with substantial reduction in use of farm chemicals. To me the eventual acronym LISA (Low Input Sustainable Agriculture) was appropriate. But when attempts to make sustainable farming more acceptable (i.e., less radically different from conventional farming) caused a downplaying of the "low input" aspect, the concept of sustainable agriculture lost its uniqueness and therefore its attractiveness. Now it is hard to see how the watered-down version of sustainable farming differs from increasingly resource-protecting conventional farming, which Extension workers already know and teach.

Farming profitably with substantial reduction in use of farm chemicals remains a highly desirable objective to me. If the concept of sustainable agriculture regains that research emphasis, related training of Extension workers could have considerable value. I could again support the Schaller position.

From: Neill Schaller
Institute for Alternative Agriculture
Re: The Author Responses

Jerry Vaughn is right when he questions the wisdom of training Extension agents in an agriculture that differs only modestly from conventional agriculture. I should have made it clear that I did not have that kind of agriculture in mind when I argued for agent training *(CHOICES*, First Quarter 1992).

I, too, am disturbed by the downplaying of "low input," though perhaps for a different reason. Vaughn says that without the low input aspect, sustainable agriculture is not too different from conventional farming. He sees low-input farming as "a highly desirable objective" or goal. I see it instead as one of a family of potential means to the goal of sustainable agriculture. Farming with fewer inputs, by itself, will not necessarily increase and could reduce sustainability. But whether a goal or a means, the low input aspect should not be a bargaining chip.

This leads me back to Vaughn's point about the wisdom of training Extension workers. Farmers, indeed all of us, need to continue sharing views and facts about the meaning of sustainable agriculture and how it might be achieved. Informed Extension workers can help make that happen. But Vaughn's message helps me see that it all depends on which version of the concept of sustainable agriculture Extension agents are taught and which one they teach.

pick up art from p. 42,
1st Q CHOICES 92

From: Bill Freiberg
Freiberg Publishing Company
Re: Hassebrook and Swenson's "Industrialization"

Both Chuck Hassebrook, of the Center for Rural Affairs, and Leland Swenson, of the National Farmers Union, wrote about their disagreements with Pioneer's Tom Urban's views of an industrialized crops agriculture.

In our magazines, we have been closely covering Pioneer and other companies' entry into this so-called "industrialized" crops agriculture.

And after reading Hassebrook and Swenson's letters, I think a main problem may be in the definition of "industrialized."

I don't think the kind of "industrialization" that Urban, and others in the industry, are talking about relative to crops, is the same thing as the "industrialization" of the poultry and hog industry.

"Industrialization" in the crops business, at least the way we write about it in our magazines, pertains directly toward obtaining more specialized, industrial uses of our nation's crop products, through development of unique "value-added" crops that farmers could grow for these markets.

This includes things like corn for ethanol, special grains for cereals, canola for biodiesel, sunflowers for biolubricants, high protein corn for livestock, and so on.

I've long believed that small farmers can benefit from this as much as anyone...in fact it could be a boon for them. All they have to do is jump in and become actively involved.

Small farmers can have plenty of clout, themselves, if they would only exercise it. They could, through their co-ops and other marketing organizations, become a major factor in this potentially profitable new era ahead.

If this sounds like a pipe dream, consider the following farmers who are already doing this:

First, there's The American White Wheat Producers Association in Kansas. These wheat farmers have organized a co-op just for the development of a new type of extra-nutritional, value-added white wheat for the "industrial" market. In joint ventures with Kansas State University, ABI seed company, and others, these farmers have developed their own patented brand of wheat flour, and are now selling directly to the big food chains. And the farmers own the company!

And out in Illinois, under the direction of the Illinois Crop Improvement Association, farmers, seed companies, farmstores, elevators, and truck lines...big and small...are involved in a large ongoing project aimed at growing and marketing special soybeans designed for food processing markets and specialized livestock uses.

And then there's the French example. And while it isn't necessarily directly related to value-added industrialization, it shows what entrepreneurial farmers are capable of doing, once they decide to get off the sidelines and get actively involved. A group of several thousand French farmers organized their own co-op type company called "Groupe Limagrain" several years ago. Today, it's the third largest seed company in the world, with revenues in the hundreds of millions, and branches in many countries. And the farmers still own the company.

Anyhow, "industrial" marketing of value-added crops by small farmers is not new. Vegetable and citrus farmers have been doing this for decades, and profiting very well from it.

So my view on this has always been: If these farmers can do it, so can others. All it takes is some imaginative leadership, and a little organization, and most any group of farmers can jump in off the sidelines, take charge of their future, and profit from the new technologies and opportunities ahead.

PROPOSAL ON AGRICULTURE

From: Glenn C. W. Ames
University of Georgia
Re: Sanderson's "GATT Compromise"

Fred H. Sanderson concludes that Arthur Dunkel's "Compromise" Proposal on agricultural trade reform in the Uruguay Round of GATT retreats "from the original central theme of the negotiations." We shouldn't be surprised! If the original objective was a substantial reduction in agricultural support and protection; it was unrealistic. Marginal adjustments in internal support, border protection, and market access policies are a far more realistic expectation for the Uruguay Round of MTN than a "substantial reduction" in agricultural support and protection.

The public choice paradigm explains the EC's resistance to agricultural reform. It predicts that individuals will commit resources to influence the policy process in direct proportion to the degree to which their interests are at stake. The Common Agricultural Policy (CAP) creates large rents and financial interests for farmers, food processors, and politicians. Even Dunkel's compromise proposal threatens these rents and special interests.

French opposition to the Director-General's proposal, for example, is easily understood. Real farm income in France fell 15.5 percent in 1991. Overall, real farm income in the Community has fallen for two consecutive years. Moreover, the political strength of Community farmers cannot be underestimated in Paris, Brussels, or Geneva.

Farmers play a large role in European society, beyond the production of food and fiber, that is generally overlooked in the U.S. The EC, through the CAP, is concerned not only with farm income support but also with rural economic development. The European Agricultural Guidance and Guarantee Fund (EAGGF) has two sections: the Guarantee Section for price supports and the Guidance Section for structural investments and environmental aids. Since 1978, budget allocations have increased substantially for rural infrastructure, tourism and forestry in the economically depressed regions of the Community. These programs, while production positive in a broad sense, keep farmers on the land, an explicit Community objective. Sanderson simply categorizes structural funds as "subsidies" rather than recognizing their broad role in rural economic development.

Tariffication and rebalancing are other issues that need to be resolved. Under the tariffication proposal, existing nontariff barriers would be converted to their tariff equivalents and the level of protection cut. Where tariff equivalents are prohibitive, minimum access proposals are contained in Dunkel's compromise.

The rebalancing issue remains unresolved. Since 1962, a zero tariff-binding has covered protein feed substitutes. The EC has consistently demanded some form of border protection on these feed grain substitutes in exchange for a reduction in CAP supports and increased market access. The rebalancing issue was explicitly omitted from Dunkel's text, but it remains an implicit problem area.

A "voluntary" restraint agreement (VRA), or export quota, offers a bilateral solution outside of the GATT negotiations. Both the U.S. and EC have widely used voluntary export restraints (VERs) to limit imports of textiles, steel, automobiles, tapioca, and other goods that threaten domestic producers. The EC Commission has already proposed an annual restraint on U.S. exports of corn gluten feed. A bilateral VRA would allow the EC to claim that "rebalancing" has been achieved in exchange for its concessions on market access and internal support reductions. Clearly, a trade reform package under the GATT must provide a balance between benefits and costs to the Community.

Will Dunkel's proposal achieve a significant reduction in "uneconomic production?" Probably not. But efficient producers will gain some additional market access, while long-term mechanisms for growth in agricultural trade will be put in place. C