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3rd Quarter 2001

CHOICES

THE MAGAZINE OF FOOD, FARM, AND RESOURCE ISSUES

Ellis Island to *The Ellis Farm:*

IMMIGRATION REFORM AND RURAL AMERICA

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So They Say

What agricultural and resource economists are finding about food, farm, and resource issues

■ **PROFITABLE BEEF PRODUCTION:** Edward Luttwak writes, “[W]hile European and North American cattle raisers pay their dues to the corporations that supply them with everything from tractors and fuel to bagged concentrates, we [ranchers in Bolivia] pay our dues to nature by accepting its pace and limits. So far that has been a rewarding choice: our return on cattle capital exceeds 30 percent, more than twice what North American and European cattle raisers can expect, though their corporate suppliers fare much better of course. The profitability of the entire sector is so tenuous in the United States that many ranchers stay in business only because they are not in business at all but rather keep their ranches for pleasure and display....” Luttwak, Edward. “It’s What’s for Dinner.” *Harper’s Magazine*, August 2001, pp. 11-16.

■ **GLOBALIZATION, PROGRESS, AND POVERTY:** Thompson says, “It is very likely that globalization will be debated for as long as there are some who perceive its undoubted advantages, while others fear its unsettling consequences. Also, many will resent modernization itself, at least in its current guise — capitalist, liberal, democratic, and secular — as an affront to their cherished social, political, and cultural beliefs. The listing of globalization’s defenders includes some luminaries as Adam Smith, Nobel Prize winner Milton Friedman, trade expert Jagdish Bhagwati, and M.I.T. professor Rudi Dornbusch who makes repeated use of the well-known University of Chicago doctrine that markets solve problems best.” Thompson, James W. “Globalization: Its Defenders and Dissenters.” *Business and Society Review*, 106 no. 2(2001), pp. 170-79.

■ **BIOTECHNOLOGY CAN BE GOOD:** Writing in *Environment*, Per Pinststrup-Anderson says, “Modern biotechnology is not a silver bullet for ending hunger, but, used in conjunction with traditional and conventional agricultural research methods, it may be a powerful tool that should be made available to poor farmers and consumers. It has the potential to help enhance agricultural productivity in developing countries in ways that reduce hunger and poverty and promote sustainable natural resource use.” Pinststrup-Anderson, Per. “Feeding the World in the New Millennium: Issues for the New U.S. Administration,” *Environment*, July/August 2001, pp. 22-31.

■ **LABELING BEEF:** The writers of *The Economist* say, “One of the few beneficial side-effects of the foot-and-mouth epidemic and the even more dreaded BSE, or “mad cow” disease, has been a rush

among farmers to adopt new technology. The disease outbreaks have accelerated the introduction of individual identification of cattle. Every newborn calf has to have an identity tag, and every time it is moved from one farm to another, or sold through a market, its details have to be logged. This has two benefits: its history is known if it contracts a disease and other animals it has been in contact with have to be traced; and butchers can inform shoppers of the origin of meat that they are selling.” *The Economist*, July 28, 2001, p. 57.

■ **GROWTH MANAGEMENT QUESTIONS:** Riddel says, “One important outcome of the Boulder [Colorado] open space purchase program has been leapfrog development of areas outside the greenbelt. Many critics of the program maintain that development was not thwarted, but rather relocated. Our [research] results support this conclusion. In fact, commercial and residential expansion occurred because of the program. However, the positive implicit price of open space clearly expresses the value of the program to residents, even though growth management goals were not realized.” Riddel, Mary. “A Dynamic Approach to Estimating Hedonic Prices for Environmental Goods: An Application to Open Space Purchases.” *Land Economics*, in press.

■ **PERSISTENT FOOD SECURITY PROBLEMS:** Davis, Thomas, and Amponsah say, “...to supply enough food to the growing populations of Asia, Africa, and Latin America without increasing dependence on international markets for food aid, more food has to be produced where people live. This will predominantly be in the tropical and subtropical, low-yielding farming systems. Imports may be appropriate to bridge short-term gaps or during emergencies, but for most developing countries, imports cannot substitute for local production. Therefore, even the argument that global food production is sufficient and that food security problems can be solved by redistribution is inadequate....” Davis, Carlton G., C.Y. Thomas, and W.A. Amponsah. “Globalization and Poverty: Lessons from the Theory and Practice of Food Security.” *American Journal of Agricultural Economics* 83(3), (August 2001):714-721.

■ **CHOICES APOLOGIZES:** Production and publication of the 3rd Quarter issue of *CHOICES* were delayed by travel restrictions imposed as a result of the tragic terrorist attacks of September 11. The editors regret any inconvenience readers may have incurred as a result of the delay.

Renewed Commitment to Agricultural R&D

Congress is now debating agricultural policy for the new millennium. There is great antipathy from the agricultural community surrounding the 1996 Farm Bill. The transition payments it provided have not fostered the anticipated conversion to a more market-based agriculture.

It was understood that the transition payments would be accompanied by a substantial increase in research and development funding. Farmers were advised that new technologies would be developed in order to provide long-term competitiveness in the global economy. Unfortunately, commitments to an increased federal role in research and development did not rise to the levels anticipated.

In 1998, Congress reauthorized the science title of the Farm Bill. It set forth broad policy objectives and priorities for redirection of agricultural R&D at the federal level. The reauthorization included requirements for relevance, accountability and broader stakeholder participation. It authorized a substantial new competitive research program funded from mandatory funds. The program has been susceptible to the quagmire of petty political bickering between authorizers and appropriators, but has resulted in substantial new competitive research and development awards.

However, while over \$200,000,000 in grants have been awarded, only about eight percent of the meritorious proposals have been funded. The low award percentage indicates the presence of a substantial reservoir of unfunded research and development

projects that could provide new technology for agriculture.

Congress has an opportunity to restructure the way agricultural R&D integrates with federal agricultural policy. R&D can add value to the commodity, conservation, and food and nutrition programs. A direct link of research and development to other titles of the Farm Bill will establish a relationship between research and the future competitiveness and sustainability of the food and fiber production system that has not previously existed.

The key to successful integration of R&D into the farm bill is establishing a funding mechanism that provides the necessary resources. It is unlikely that additional stand-alone funds will be made available. However, there are opportunities to develop creative funding mechanisms.

An ad hoc group of researchers, educators, and producers has been working on the development of an important new funding concept. It links research and development funding to mandatory funding for commodity programs. The concept assumes that the commodity program payments will be market driven. It also assumes that there will be a benchmark level of funding for budgetary purposes.

The framework of this funding concept is as follows:

- ◆ When commodity payments meet or exceed the budget target, no new funds will be committed to R&D.
- ◆ When commodity payments are less than the budget target, a portion of the sav-

ings below the target will be committed to an R&D fund or endowment.

- ◆ The existing program will continue as a base-level funding initiative to bridge years when commodity payments consume the entire budget target.

This concept will provide opportunities to make long-term commitments to research projects. Hopefully, it will generate funds necessary to enhance competitiveness and sustainability and reduce reliance on federal support programs.

The concept draws upon parallel investment strategies used in the private sector. Investments in R&D will be made when economic conditions in agriculture are strong. Only minimal additional commitments will be made when the agricultural economy is weak. Over the long term, this type of directed R&D will assist producers' transitions to a more market-driven model suited for the global economy.

It is important that Congress consider new and innovative means to enhance the federal commitment to research and development. This concept warrants specific consideration by Congress as the next Farm Bill develops.

Daniel Dooley is an attorney with the Visalia, CA firm of Dooley & Herr, a partner in Dooley Farms, former Deputy Director of the California Department of Food and Agriculture, and former chairman of the California Water Commission.



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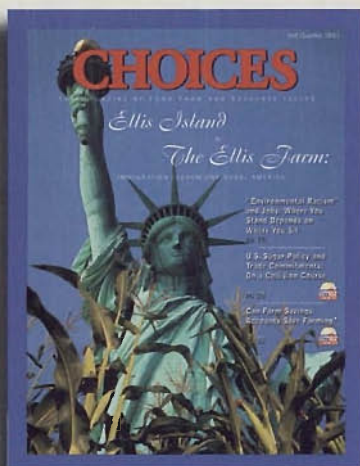
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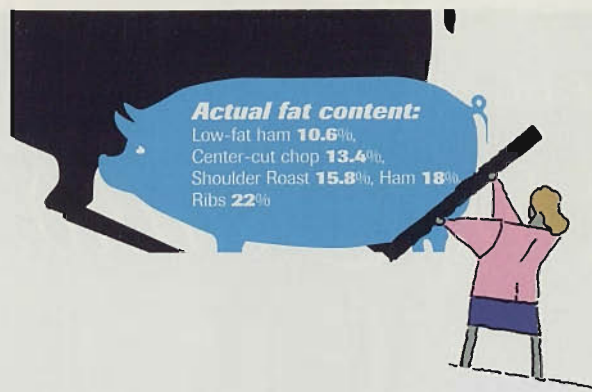
ON THE COVER Give Me Your Huddled Masses, Yearning to Pick Crops Rural America has replaced Ellis Island as the gateway to America for immigrants, argues Philip Martin.



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