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### AMERICAN FARM BUREAU FEDERATION

*Terry Francl*

The last two papers raised issues which must be addressed. Concerning the whole issue of harmonization, the question is not who is smaller or who is bigger, it is one of philosophy. In the United States, the majority of the members of the American Farm Bureau (AFB) believe that the free market is the best way to pursue agricultural policy. It is best for consumers, government and producers. While everyone in the United States may not believe that, a majority has come around to that viewpoint. This perspective is not going to be reversed in any meaningful way. We are on a road of taking government out of agriculture and that is going to continue.

I disagree with Don McClatchy's statement that U.S. support for agriculture is still high. In the mid-1980s, U.S. government expenditures on agriculture were \$26 to \$27 billion. They are now at \$7 to \$8 billion. U.S. farm program payments to farmers will decline to \$4 billion in 2002. The European Union is still at a level of \$40 to \$50 billion. So I do not think it is appropriate to characterize the U.S. level of farm support as still high.

Another issue—whether Canada is explicitly or implicitly moving toward the concept of a U.S. loan rate. The U.S. loan program is not set up as a support price for a commodity. There is, in fact, no support. If the market price goes below the loan rate, there is what is called a POP payment. That is the difference between whatever the loan rate is and the market price. The floor is gone. Our prices could literally go to zero. There is a payment to producers below the loan rate, but it is not a floor.

The comments about the food system were very insightful. Recently, I was at a meeting about grocery stores. The whole system of food preparation has changed. The majority of homemakers do not know how to cook a turkey. We are in a new world. Preparation is going to be more and more important.

With regard to new technologies, my local elevator operator recently indicated he was going to have to get into seed sales—a new enterprise. The reason is that he is losing his chemical sales due to biotechnology (GMO seed) and that is where the profit was. It is going to be difficult for my friend because many of the local farmers are seed salesmen as well. The point is that structural change is occurring throughout the whole system.

The movement to produce crops and livestock in less developed countries is occurring. This trend is less friendly to those environments. While it is possible to improve what we are doing in the United States and Canada, current practices are better for the environment than cutting down more rain forests.

It was mentioned that farmers are no longer perceived as being the stewards of the environment. I take issue with that. American Farm Bureau Federation focus group studies have indicated that farmers are still identified as having a positive impact on the environment. The negativism is coming from environmental organizations like Earth Justice.

The National Pork Producers Council's decision to support federal environmental permitting standards was based on overriding what was happening at the state level. The unfortunate part of this is that by setting up a permit process, the industry has gone from non-point to point pollution regulation. That is something which the environmentalists have been wanting to do to agriculture since the first day of the Clean Water Act. Until now they have never been successful. Consequently, the NPPC agreement with the U.S. Environmental Protection Agency (EPA) is setting an unfortunate precedent. It has raised the regulatory bar to a higher level. The various state legislatures are not going to go back and renegotiate. However, many states are going to say that this is where the bar is now and we are going to start negotiating from here on up.

This decision is also very unfortunate because we have cut pork producers from the rest of agriculture. The EPA is now talking to the poultry industry and saying that they are setting up a permitting process. If you join in the talks, you might have some input. If you do not join in this, we are going to push it through anyway. It is called divide and conquer. They are well on there way.

The Europeans are suggesting that trade in grain involves transportation which is more environmentally harmful because of the cost. In fact, international trade represents the most efficient cost. Environmental benefits are gained from trade as opposed to self-sufficiency orientated policies. This is just another attempt by the Europeans to install additional non-tariff trade barriers.