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AGRIBUSINESS IN THE 1980'S: EXPORTS OR EXCESSES?

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THE U.S. AGRICULTURAL SECTOR IS SUFFERING FROM THE DEEPEST AND LONGEST ECONOMIC SLUMP IN 50 YEARS. REALIZED NET FARM INCOME, ADJUSTED FOR INFLATION IN 1980, 1981 AND 1982 HAS BEEN LOWER THAN DURING THE GREAT DEPRESSION. ADMITTEDLY, THIS NET FARM INCOME IS SPREAD AMONG FEWER FARMERS, BUT EVEN ON A PER FARM BASIS IT IS THE LOWEST ON A SUSTAINED BASIS FOR OVER 2 DECADES. THE RETURN TO FARM EQUITY CAPITAL IS THE LOWEST IN 40 YEARS.

THE ECONOMIC ILLS OF FARMERS HAVE SPREAD TO THE MANUFACTURERS AND DISTRIBUTERS OF FARM INPUTS AND THE BUYERS AND HANDLERS OF FARM OUTPUTS. ALMOST EVERY ISSUE OF THE WALL STREET JOURNAL REPORTS CLOSINGS OF FERTILIZER PLANTS AND FARM SUPPLY STORES, DECLINES IF NOT NEGATIVE NET EARNINGS, SHOTGUN MERGERS TO SAVE FALLEN FIRMS, AND THE FINANCIAL WOES OF FARM MACHINERY MANUFACTURERS. ONLY THOSE IN THE GRAIN BIN BUSINESS SEEM TO BE PROSPERING.

IT IS TEMPTING TO SUCCUMB TO THE PRESENT GLOOM AND DOOM AND TO FORECAST MORE OF THE SAME. INDEED, THERE ARE SEVERAL REASONS FOR PESSIMISM. THE ANTICIPATED RECORD CARRY-OVER GRAIN STOCKS FOR 1983-84, THE SNAILS PACE OF THE ECONOMIC RECOVERY, THE HIGHLY COMPETITIVE AND TIGHTLY PROTECTIVE NATURE OF WORLD AGRICULTURAL

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MARKETS, THE SLOWING POPULATION GROWTH, AND THE ESCALATING BURDENS OF GOVERNMENT FARM PROGRAMS ALL POINT TOWARD A CONTINUED SQUEEZE ON FARM INCOME FOR AT LEAST ONE IF NOT TWO OR MORE YEARS. THUS THE SHORT-TERM OUTLOOK FOR FARMERS AND HENCE FOR AGRIBUSINESSES IS NOT BRIGHT.

WHAT ABOUT THE LONGER-TERM OUTLOOK FOR THE REMAINDER OF THE 1980's? IS IT ALSO ONE OF GLOOM AND DOOM OR IS THERE A BASIS FOR OPTIMISM? IN ATTEMPTING TO COME TO GRIPS WITH THE QUESTION OF WHERE IS AGRIBUSINESS HEADED, I WILL FIRST ASSESS WHERE THE FARM SECTOR IS COMING FROM. SECOND, I WILL REVIEW HOW AGRIBUSINESSES HAVE BEEN DOING. THIRD, I WILL FORECAST FARM CASH RECEIPTS AND FARM USE OF FEED, SEED, FERTILIZER, FUEL AND PESTICIDES ASSUMING A MODERATE 4% AND A BRISK 8% EXPORT GROWTH RATES. I WILL CLOSE WITH AN EXHORTATION TO AGRICULTURAL ECONOMISTS AND AGRICULTURAL LEADERS NOT SIMPLY TO ASSESS THE PAST AND FORECAST THE FUTURE, BUT TO CREATE THE FUTURE OF U.S. AGRICULTURE.

WHERE AGRICULTURE IS COMING FROM?

THE PAST TWO DECADES OF U.S. AGRICULTURE CAN BE SUBDIVIDED INTO THREE DISTINCT ERAS: 1965 TO 1971 AN ERA OF STEADY EXPANSION; 1972 TO 1979 AN ERA OF BOOM AND VOLATILITY, AND 1980 TO 1982 AN ERA OF SEVERE RECESSION. LET'S BRIEFLY EXAMINE THE FARM TRENDS FOR EACH OF THE THREE ERAS. (SEE TABLE 1.) IN ORDER TO REMOVE THE OVERALL INFLATION RATE, ALL DOLLARS IN TABLE 1 HAVE BEEN CONVERTED TO CONSTANT ("REAL") 1982 DOLLARS BY ADJUSTING WITH THE CONSUMER PRICE INDEX.

1965-1971: ERA OF STEADY EXPANSION:

THE 1965 TO 1971 ERA EVOLVED FROM THE BURDENSOME SURPLUSES OF THE EARLY 1960's. PRICES PAID AND RECEIVED BY FARMERS CREEPED UP 3% COMPARED TO A MODERATE 5% RISE IN THE CONSUMER PRICE INDEX. THE PRICES PAID FOR FERTILIZER ACTUALLY DECLINED AND THE PRICES PAID FOR FEED, PESTICIDES AND FUELS ROSE LESS THAN 2% PER YEAR. REAL CASH RECEIPTS ROSE 1% PER YEAR. REAL VALUE OF EXPORTS WERE STEADY. REAL EXPENDITURES ON CONSUMABLE INPUTS ROSE AT A BRISK 5% PER YEAR WHEREAS CROPLAND ACREAGE WAS CONSTANT. OVERALL, THIS WAS A RATHER TRANQUIL AGRICULTURAL ERA OF A TRANSITION FROM AN ERA OF SURPLUSES TO AN ERA OF SHORTAGES. AN ERA OF QUIET BEFORE THE BOOM.

1972-1979: ERA OF BOOM AND VOLATILITY:

THE SOVIET GRAIN DEAL USHERED IN AN ERA OF BOOM AND VOLATILITY IN AGRICULTURE. DEVALUATION OF THE DOLLAR, CROP FAILURES, OIL EMBARGOES, AND INFLATION PROMPTED A SERIES OF UNPRECEDENTED GOVERNMENT INTERVENTIONS IN AGRICULTURAL MARKETS DURING PEACETIME. GRAIN EXPORTS WERE EMBARGOED, FUEL WAS ALLOCATED, AND PRICE CEILINGS WERE CLAMPED ON FOOD. EARL BUTZ, THE IRREPRESSIBLE SECRETARY OF AGRICULTURE, GOT SWEEPED-UP IN THE EVENTS AND BEGAN PROPOUNDING "PLANTING FENCE-ROW-TO-FENCE-ROW" AND "FOOD POWER."

PRICES RECEIVED BY FARMERS GALLOPED UPWARD BY 13% PER YEAR - FASTER THAN THE 11% ANNUAL RISE IN THE CPI. PRICES PAID BY FARMERS SHOT UPWARD 15% PER YEAR. FARM FUEL PRICES ROSE 22% PER YEAR. SEED AND FERTILIZER PRICES ROSE 16% PER YEAR. REAL CASH RECEIPTS ROSE 3% PER YEAR. HALF OF THE INCREASE IN REAL CASH RECEIPTS WAS DUE TO THE DOUBLING OF AGRICULTURAL EXPORTS. NET CASH FARM INCOME INCREASED FROM AN AVERAGE OF \$45 BILLION DURING 1965-71 TO

\$55 BILLION DURING 1972-79.

THE RISE IN REAL NET CASH INCOME INDUCED FARMERS TO TRIPLE THE NOMINAL VALUE OF FARM LAND AND TO EXPAND CROP ACREAGE BY 46 MILLION ACRES. ALTHOUGH FARM OUTPUT AND CROPLAND ROSE FASTER IN 1972-79 THAN DURING 1965-71, REAL EXPENDITURES ON CONSUMABLE INPUTS ROSE MORE SLOWLY. APPARENTLY THE RAPID RISE IN CONSUMABLE INPUT PRICES INDUCED FARMERS TO PARTIALLY SUBSTITUTE LAND FOR CONSUMABLE INPUTS.

CLEARLY, THE YEARS 1972-1979 WERE VERY DIFFERENT FROM THOSE BEFORE OR SINCE. THE RECORDS ESTABLISHED FOR INCREASES IN EXPORTS, NET INCOME, LAND PRICES, AND CONSUMABLE INPUT EXPENDITURES WILL NOT BE ECLIPSED ANY TIME SOON.

1980-1982: RECESSION

THE BOOM THAT BEGAN WITH THE SOVIET GRAIN DEAL ENDED WITH PRESIDENT CARTER'S JANUARY 4, 1980 PARTIAL EMBARGO ON SOVIET GRAIN SHIPMENTS. SINCE 1980, EXPANDING PRODUCTION IN FACE OF SLUGGISH U.S. AND FOREIGN DEMAND RESULTED IN A SEVERELY DEPRESSED FARM ECONOMY. PRICES RECEIVED BY FARMERS STAGNATED WHILE THE CPI ROSE 9% PER YEAR AND PRICES PAID ROSE BY 5%. TOTAL REAL CASH RECEIPTS AVERAGED \$15 BILLION BELOW 1972-79. THIS DECLINE RESULTED FROM A DROP OF \$21 BILLION IN THE DOMESTIC MARKETINGS AND A \$6 BILLION INCREASE IN EXPORTS. REAL NET CASH INCOME AVERAGED \$35 BILLION IN THE 1980'S VS. \$55 BILLION IN 1972-79 AND \$45 BILLION IN 1965-71.

IN 1982, FOR THE FIRST TIME IN 13 YEARS, THE NOMINAL VALUE OF AGRICULTURAL EXPORTS DECLINED. FOR THE FIRST TIME IN 30 YEARS, FARM LAND VALUES SLUMPED RATHER THAN JUMPED. HOWEVER, CROPLAND

USED HAS BEEN MAINTAINED AT VERY HIGH LEVELS. IN FACT, THE 319 MILLION CROPLAND ACRES USED IN 1981 ECLIPSED THE PEAK ESTABLISHED DURING WORLD WAR II. WITH FARM LAND PRICES DECLINING AND CROPLAND USE PEAKING, THERE IS LITTLE MENTION OF THE FARM LAND SHORTAGE WE HEARD SO MUCH ABOUT JUST A COUPLE OF YEARS AGO.

LESSONS

THIS QUICK SYNOPSIS HIGHLIGHTS FOUR KEY LESSONS TO REMEMBER AS WE TURN TO ASSESS THE REST OF THE 1980's.

- (1) EXPORTS HAVE BECOME THE MAJOR DRIVING FORCE OF THE DEMAND FOR U.S. FARM PRODUCTION. IN 1965-71, ALL THE EXPANSION IN REAL CASH RECEIPTS CAME FROM THE DOMESTIC MARKET. IN 1972-79, 50% OF THE EXPANSION IN REAL CASH RECEIPTS CAME FROM EXPORTS. IN 1980-82, ALL THE EXPANSION IN CASH RECEIPTS CAME FROM EXPORTS.
- (2) CONTRARY TO THE WIDESPREAD PRONOUNCEMENTS IN THE 1970's, WE HAVE NOT ELIMINATED THE EXCESS CAPACITY OF U.S. AGRICULTURE AND ENTERED AN ERA OF SHORTAGES BROUGHT ABOUT BY INSATIABLE EXPORT MARKETS.
- (3) THE UPS AND DOWNS OF AGRICULTURE HAVE LARGELY SPRUNG FROM CHANGES IN GOVERNMENT POLICIES AND ECONOMIC CONDITIONS OUTSIDE THE AGRICULTURAL SECTOR AND INDEED OUTSIDE THE U.S. MANY OF THE MOST INFLUENTIAL CHANGES SUCH AS THE SOVIET GRAIN DEAL AND GRAIN EMBARGOES, DOUBLE DIGIT INFLATION, THE ENERGY CRISIS, ENVIRONMENTAL MOVEMENT, THE DOLLAR DEVALUATION, LIFTING OF THE BAMBOO CURTAIN, GREATER HEALTH AND DIET CONSCIOUSNESS WERE NOT ANTICIPATED BY THE MANY

DISTINGUISHED SPEAKERS WHO HAVE APPEARED AT
PREVIOUS AGRICULTURAL OUTLOOK CONFERENCES.

- (4) FARMERS RESPOND TO ECONOMIC INCENTIVES. THEY
HAVE A REMARKABLE ABILITY TO ADJUST THE MIX OF
COMMODITIES PRODUCED AND INPUTS USED. IF THE
PROPER ECONOMIC SIGNALS ARE TRANSMITTED, NO FARM
COMMODITY IS LIKELY TO BE IN PERPETUAL SURPLUS OR
PERPETUAL SHORTAGE. BUT ADJUSTMENT REQUIRES TIME
AND MAY BE THWARTED BY WEATHER AND OTHER RANDOM
EVENTS.

HOW'S AGRIBUSINESS BEEN DOING?

FARMER PURCHASES OF CONSUMABLE INPUTS:

FARMER EXPENDITURES ON THE MAJOR CONSUMABLE INPUTS - FEED, SEED, FERTILIZER, FUEL, AND PESTICIDES - EXPRESSED IN CONSTANT 1982 DOLLARS HAVE RISEN EACH SUCCESSIVE ERA, BUT THE AVERAGE RATE OF GROWTH HAS FALLEN. MOST DRAMATIC HAS BEEN THE REVERSAL OF PESTICIDE AND FERTILIZER EXPENDITURES WHICH GREW THE FASTEST DURING 1965-71, BUT DECLINED THE FASTEST DURING 1980-82.

PER DOLLAR OF CASH RECEIPTS, FARMER PURCHASES OF ALL THE CONSUMABLE INPUTS, EXCEPT FEED, HAS BEEN RISING. EXPENDITURES ON CONSUMABLE INPUTS HAVE RISEN FROM 25¢ PER DOLLAR OF CASH RECEIPTS IN 1965-71 TO 31¢ PER DOLLAR IN 1980-82. THE LONG-TERM INCREASE IN THE SHARE OF PURCHASED INPUTS AND DECLINE IN THE SHARE OF FARM PRODUCED INPUTS HAS CONTINUED DURING THE PAST TWO DECADES. BUT, THE PACE OF THIS SHIFT IS SLOWING. MOST FARMERS TODAY ALREADY USE CHEMICAL FERTILIZERS, PESTICIDES, FEED ADDITIVES, GASOLINE AND PROVEN SEED VARIETIES. FUTURE EXPANSION OF FARMER PURCHASES OF CONSUMABLE INPUTS WILL LARGELY ARISE FROM EXPANSION OF FARM PRODUCTION RATHER THAN EXPANSION OF THE SHARE OF FARMERS USING THEM.

RETURN TO EQUITY:

THE THOUSANDS OF AGRIBUSINESS FIRMS WHO MANUFACTURE AND DISTRIBUTE THE \$45 BILLION OF FEED, SEED, FERTILIZER, FUEL AND PESTICIDES SPAN THE INDUSTRIAL SPECTRUM FROM THE GLOBAL GIANTS DUPONT AND EXXON TO THE MOM AND POP GENERAL STORES. SALE OF FARM INPUTS IS THE SOLE BUSINESS OF SOME FIRMS AND A MINOR SIDELINE OF OTHERS. ABOUT 20% OF THE CONSUMABLE INPUTS ARE

DISTRIBUTED BY FARM COOPERATIVES AND 80% BY PRIVATELY OR PUBLICALLY HELD CORPORATIONS.

NO SINGLE AND CONSISTENT SET OF PROFITABILITY ESTIMATES FOR FARMER COOPS, PRIVATELY HELD CORPORATIONS, AND PUBLICALLY HELD CORPORATIONS EXIST. THE BEST AVAILABLE DATA ARE THE ROBERT MORRIS ASSOCIATES MEDIAN RETURNS BY STANDARD INDUSTRIAL CODE (SIC) FOR PUBLICALLY HELD CORPORATIONS, THE FORBES MAGAZINE MEDIAN RETURNS ON EQUITY FOR THE 1023 LARGEST U.S. PUBLIC COMPANIES AND THE ANNUAL REPORTS OF FARMER COOPERATIVES.

THE MEDIAN RETURNS TO EQUITY PUBLISHED BY ROBERT MORRIS ASSOCIATES FOR PUBLICALLY HELD CORPORATIONS ENGAGED IN FERTILIZER MANUFACTURING, RETAIL FARM SUPPLY AND FEED MANUFACTURING WERE 12% DURING 1966-71, ROSE TO 20% DURING 1972-79, AND DROPPED TO 15% DURING 1980-82 (TABLE 3). THE MEDIUM RETURNS TO EQUITY FOR ALL MANUFACTURING FIRMS AVERAGED ABOUT 19% DURING EACH OF THE 3 ERAS. THE AGRIBUSINESS RETURNS WERE ONE-THIRD LOWER THAN ALL MANUFACTURING COMPANIES DURING 1965-71 AND ONE-SIXTH LOWER DURING 1980-82. THEY WERE ABOUT THE SAME AS ALL MANUFACTURING RETURNS DURING 1972-79. AGRIBUSINESS RETURNS TO EQUITY WERE 150% ABOVE THE PRIME INTEREST RATE DURING 1972-79 AND 10% BELOW IT DURING 1980-82. THE FORBES DATA REVEAL SIMILAR TRENDS OF FAVORABLE AGRIBUSINESS RETURNS DURING THE 1970'S AND DEPRESSED RETURNS DURING THE 1980'S. A QUICK SURVEY OF THE ANNUAL REPORTS OF THE LARGER FARMER COOPERATIVES REVEALS SIMILAR TRENDS OF HIGH EARNINGS DURING THE 1970'S BOOM AND LOW EARNINGS OR LOSSES DURING THE 1980'S.

THE ANSWER TO THE QUESTION, "HOW'S AGRIBUSINESS DOING TODAY?", AS MIGHT BE EXPECTED, IS THAT AGRIBUSINESSES PROSPER WHEN FARMERS PROSPER AND SUFFER WHEN FARMERS SUFFER.

AGRIBUSINESS OUTLOOK

1990 PROJECTIONS:

AS ALREADY DEMONSTRATED, THE OUTLOOK FOR FIRMS SELLING FEED, SEED, FERTILIZER, FUEL, AND PESTICIDES TO FARMERS PARALLELS THAT OF FARMERS. THE FARM OUTLOOK IN TURN DEPENDS UPON THE GROWTH IN DEMAND FOR FARM PRODUCTS RELATIVE TO THE GROWTH IN SUPPLY.

LET'S FIRST BRIEFLY EXAMINE THE SUPPLY SIDE. THE RECORD OF THE PAST TWO DECADES SUGGESTS TO ME THAT U.S. FARMERS WILL BE ABLE TO EXPAND SUPPLY BY ABOUT 2% PER ANNUM WITHOUT ANY SIGNIFICANT INCREASE IN PRICES RECEIVED RELATIVE TO PRICES PAID. STATED DIFFERENTLY, I EXPECT A 2% ANNUAL RATE OF PRODUCTIVITY GROWTH IN AGRICULTURE. I WILL NOT DETAIL MY REASONING IN SUPPORT OF 2% PRODUCTIVITY GROWTH, BUT WILL SIMPLY NOTE THAT THIS IS ABOUT THE HISTORICAL TREND.

ON THE DEMAND SIDE, IT IS NECESSARY TO DISTINGUISH BETWEEN DOMESTIC MARKETS AND EXPORT MARKETS. DOMESTIC DEMAND IN THE REMAINDER OF THE 1980'S IS LIKELY TO EXPAND AT A MUCH SLOWER PACE THAN DURING THE PREVIOUS 3 DECADES. AVERAGE ANNUAL POPULATION GROWTH RATE HAS DROPPED FROM 1.7% IN THE 1950'S TO 1.3% IN THE 1960'S, TO .9% IN THE 1970'S AND EARLY 1980'S. PER CAPITA DOMESTIC DISAPPEARANCE OF FARM PRODUCTS IS NOT LIKELY TO INCREASE VERY RAPIDLY BECAUSE OF THE MODERATE GROWTH IN PER CAPITA INCOME, THE DECLINING INCOME ELASTICITY OF DEMAND, AND INCREASED DIETARY CONSCIOUSNESSES. CONSEQUENTLY, I EXPECT DOMESTIC DEMAND TO EXPAND ABOUT 1% PER YEAR IN THE 1980'S.

THE MAJOR QUESTION IS AT WHAT RATE WILL WE BE ABLE TO EXPAND AGRICULTURAL EXPORTS. I HAVE MADE PROJECTIONS OF CASH RECEIPTS AND EXPENDITURES ON CONSUMABLE INPUTS ASSUMING ANNUAL EXPORT GROWTH OF 4% AND 8%. (TABLE 4.) ALL VALUES HAVE BEEN PROJECTED IN TERMS OF CONSTANT 1982 DOLLARS THEREBY REMOVING THE EFFECTS OF INFLATION. THE 4% EXPORT GROWTH COMBINED WITH 1% DOMESTIC MARKET GROWTH RESULTS IN A 2% ANNUAL GROWTH IN CASH RECEIPTS. TOTAL REAL EXPENDITURES ON CONSUMABLE INPUTS, CORRESPONDING TO THE 2% CASH RECEIPT GROWTH, ARE PROJECTED TO INCREASE 4% PER YEAR. THE AMOUNTS OF THE VARIOUS CONSUMABLE INPUTS SOLD WOULD BE GREATER OR LESS THAN 4% DEPENDING UPON WHETHER THEIR RESPECTIVE PRICES INCREASED SLOWER OR FASTER THAN THE RATE OF INFLATION (CPI). MY GUESS IS THAT FOR THE REST OF THE 1980'S, PRICES PAID BY FARMERS WILL NOT INCREASE AS FAST AS INFLATION.

CASH RECEIPTS, ASSUMING AN 8% EXPORT GROWTH, ARE PROJECTED TO INCREASE 3% DURING THE REMAINDER OF THE 1980'S. THIS WOULD RESULT IN A 6% GROWTH IN REAL CASH EXPENDITURES ON CONSUMABLE INPUTS.

IF EXPORTS DO NOT GROW BY 4% OR MORE, I BELIEVE U.S. AGRICULTURE WILL EXPERIENCE CONTINUED NEED TO CONTROL PRODUCTION.

NEW TECHNOLOGIES:

THE PRECEEDING PROJECTIONS ARE PREDICATED UPON "BUSINESS AS USUAL." BUT, IF THE 1970'S HAVE TAUGHT US ANYTHING, IT IS TO EXPECT THE UNEXPECTED. I AM ESPECIALLY OPTIMISTIC ABOUT THE MANY EXCITING DEVELOPMENTS IN SCIENCE AND TECHNOLOGY. THE REVOLUTION THAT IS OCCURRING IN COMPUTERS, COMMUNICATIONS, GENETIC ENGINEERING,

AND MICROBIOLOGY WILL HAVE PROFOUND EFFECTS UPON FARMERS AND AGRIBUSINESSES. MY VIEW IS THAT THE PHYSICAL VOLUME OF INPUTS WILL BE REDUCED BY IMPROVEMENTS IN PRODUCTIVITY PER UNIT. THE KEY INPUT MAY BECOME INFORMATION.

SUMMARY

WE SHOULD NOT SIMPLY BE CONTENT TO FORECAST THE FUTURE OF U.S. AGRICULTURE. THE FUTURE IS NOT PREDESTINED, IT IS TO BE CREATED. WE SHOULD NOT WASTE AWAY OUR TIME READING TEA LEAVES. WE SHOULD ROLL UP OUR SLEEVES AND CREATE THE FUTURE WE WANT FOR AGRICULTURE.

LET ME HASTEN TO ADD THAT I AM NOT ADVOCATING THAT THE U.S. GOVERNMENT DEVELOP SOME GRANDIOSE 5-YEAR AGRICULTURAL PLAN AKIN TO THOSE IN THE SOVIET UNION. NOTHING COULD BE WORSE.

MANY OF TODAY'S AGRICULTURAL PROBLEMS STEM FROM SERIOUS MISTAKES IN PREVIOUS NATIONAL POLICIES AND ACTIONS. INDEED, U.S. GOVERNMENT INVOLVEMENT IN AGRICULTURE MAY BE AT AN ALL-TIME HIGH. PRICE SUPPORT PROGRAMS PRESENTLY APPLY TO ONE-HALF THE CROP OUTPUT AND TO ONE-FOURTH THE LIVESTOCK. GOVERNMENT STOCKS OF WHEAT, CORN, SOYBEANS, TOBACCO, AND MILK ARE AT OR NEAR RECORD LEVELS. THE USDA HOLDS MORE FARM REAL ESTATE DEBT THAN ALL COMMERCIAL BANKS AND MORE NON-REAL ESTATE DEBT THAN THE FARM CREDIT SYSTEM. GOVERNMENT EXPENDITURES ON FARM PROGRAMS ARE EXPECTED TO BREAK ALL PREVIOUS RECORDS.

BY CREATING THE FUTURE, I MEAN CREATING THE OVERALL POLICIES AND ENVIRONMENT WITHIN WHICH AGRICULTURE CAN FLOURISH. I AM DEEPLY CONCERNED THAT WE WILL BE TEMPTED TO CONTROL PRODUCTION AND THEREBY PRICE OURSELVES OUT OF THE INTERNATIONAL MARKET. I BELIEVE IT WILL BE DIFFICULT TO HAVE A VIABLE AND PROGRESSIVE AGRICULTURAL SECTOR UNLESS OUR EXPORT MARKETS EXPAND.

TABLE 1 PRICE INDEXES, FARM INCOME & EXPORTS 1965-1982

ITEM	UNITS	1965- 1971		1972- 1979		1980-1982		65-7/80-2	
		Average	%/yr	Average	%/yr	Average	%/yr		%/yr
INDEXES									
CP1	1967=100	106	4.56	167	10.51	270	8.91	11.83	
Prices paid	1967=100	103	2.95	104	15.11	291	4.71	13.02	
Price received	1967=100	105	2.55	188	13.26	249	0.41	9.71	
REAL FARM INCOME \$ = 1982									
Lives cash receipt	\$ mil	72477	1.55	84606	1.58	74380	-6.18	0.31	
Crop cash receipt	\$ mil	53253	0.00	82508	6.38	78022	-7.14	2.94	
Gov+other receipt	\$ mil	10384	0.75	5290	-9.09	4492	39.79	-3.69	
Tot cash receipt	\$ mil	136114	0.36	172404	2.69	156894	-5.75	1.07	
Cash Expenditures	\$ mil	90909	1.67	117649	4.21	122162	-3.42	2.45	
Net Cash Income	\$ mil	45125	-0.71	54755	-0.27	34732	-12.76	-1.62	
REAL ASSETS \$ = 1982									
Real estate	\$ bil	487	1.06	643	8.37	795	-3.59	4.44	
Non-real estate	\$ bil	186	1.70	222	3.15	239	-4.69	2.11	
Total	\$ bil	673	1.23	865	6.88	1034	-3.85	3.80	
REAL EXPORTS	bil\$1982	18	-0.42	39	16.09	45	-8.28	8.07	
POPULATION	mil	201	1.20	217	1.02	230	0.88	1.13	
DOMESTIC RECPT/CAPITA	1982\$	543	-0.12	609	0.51	570	-6.85	-0.75	

TABLE 2 CONSUMABLE INPUT PRICES, EXPENDITURES, & AMOUNTS

ITEM	UNITS	1965-1971		1972-1979		1980-1982		65-7/80-2	
		Average	%/yr	Average	%/yr	Average	%/yr		%/yr
INDEXES									
GPI	1967=100	106	4.56	167	10.51	270	0.91		11.83
Feed	1967=100	99	1.37	176	13.21	228	-3.70		8.61
Seed	1967=100	106	4.00	228	15.98	346	9.39		16.53
Fert	1967=100	95	-1.24	165	15.50	256	4.53		10.14
Fuel	1967=100	101	1.53	180	22.22	412	6.05		21.19
Pestic	1967=100	99	0.34	109	6.52	175	9.38		5.10
EXPENDITURES									
Feed	mil \$	6694	6.98	13701	15.94	18674	-0.32		13.28
Seed	mil \$	357	6.15	2292	23.64	3769	9.68		26.19
Fertilizer	mil \$	2247	6.09	5974	24.80	9545	0.01		23.67
Fuel	mil \$	1665	1.65	3596	38.73	9899	7.41		30.11
Pesticides	mil \$	609	23.52	1980	17.66	3615	7.28		32.90
Total	mil \$	12470	6.85	27153	20.73	44502	2.58		19.53
INPUT AMT INDEX									
Feed	1967=100	104	5.17	117	1.42	124	3.65		2.66
Seed	1967=100	99	3.55	121	3.62	134	0.25		2.77
Fertilizer	1967=100	103	9.07	144	4.46	151	-4.14		5.37
Fuel	1967=100	99	0.11	117	6.46	130	1.21		2.15
Pesticides	1967=100	103	22.72	179	7.65	262	-1.76		15.82
Total	1967=100	101	5.25	118	1.84	117	-1.92		1.76
ANAL EXPENSES 1982 \$									
Feed	mil \$	18056	1.90	24060	3.13	20220	-7.83		0.56
Seed	mil \$	2341	2.82	3901	7.56	4060	0.66		5.18
Fertilizer	mil \$	6166	1.20	9607	8.23	10333	-7.55		4.33
Fuel	mil \$	4535	-2.29	6040	13.25	9596	-1.27		6.60
Pesticides	mil \$	2187	14.89	3403	4.12	3890	-1.38		7.67
Total	mil \$	34135	1.30	47019	5.33	48103	-5.37		2.82

TABLE 3 RETURN ON EQUITY OF AGRIBUSINESSES

ITEM	1966-71	1972-79	1980-82	1966-82
	average		% / yr	
Retail farm supply	11.67	19.03	16.37	15.96
Fertilizer manuf	12.32	23.00	13.57	17.56
Feed manuf	13.27	19.03	16.43	16.56
All manufacturing	17.14	18.46	18.87	17.28
PRIME RATE (%)	6.52	3.42	16.71	9.25

SOURCE. Robert Morris Associates

TABLE 4 PROJECTED 1990 CASH RECEIPTS & CONSUMABLE INPUTS

ITEM	UNIT	ACTUAL				PROJECTED				
		1986	1987	1988	1989	1990	1991	1992	1993	1994-95
CPI 20%	1967-100	247	272	311	350	387	399	413	430	449
CASH RECEIPTS										
Domestic 31%	Y BIL	123	107	112	119	117	116	119	120	121
Exports 7.24%	Y BIL	90	90	10	30	40	45	46	50	50
Total 34%	Y BIL	166	153	120	151	157	162	165	168	171
Imports 1.20%	Y BIL	90	90	90	90	90	90	90	90	90
Total 3.9%	Y BIL	166	153	120	151	157	162	165	168	171
CONSUMABLE INPUTS										
Feed	Y BIL	19	19	19	19	19	19	19	20	20
Seed	Y BIL	9	9	9	9	9	9	9	9	9
Fertilizer	Y BIL	10	10	10	10	10	10	10	10	10
Fuel	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Total	Y BIL	49	49	49	49	49	49	49	50	50
DAIRY CATTLE RECEIPTS										
Feed	Y BIL	19	19	19	19	19	19	19	20	20
Seed	Y BIL	9	9	9	9	9	9	9	9	9
Fertilizer	Y BIL	10	10	10	10	10	10	10	10	10
Fuel	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Total	Y BIL	49	49	49	49	49	49	49	50	50
OTHER CATTLE RECEIPTS										
Feed	Y BIL	19	19	19	19	19	19	19	20	20
Seed	Y BIL	9	9	9	9	9	9	9	9	9
Fertilizer	Y BIL	10	10	10	10	10	10	10	10	10
Fuel	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Total	Y BIL	49	49	49	49	49	49	49	50	50
OTHER CATTLE RECEIPTS										
Feed	Y BIL	19	19	19	19	19	19	19	20	20
Seed	Y BIL	9	9	9	9	9	9	9	9	9
Fertilizer	Y BIL	10	10	10	10	10	10	10	10	10
Fuel	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Tractor	Y BIL	9	9	9	9	9	9	9	9	9
Total	Y BIL	49	49	49	49	49	49	49	50	50