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Secretary of Agriculture John R. Block

1984 Agricultural Outlook Conference - Session 1
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Good afternoon . . . I'm glad to see all of you here today. It's a pleasure to welcome you to the 60th Annual Agricultural Outlook Conference. And that is why I am certain we will all find the conference one of the most informative and important single events the Department sponsors.

The objectives of this conference have not changed in sixty years. The main purpose is to provide information on the current and probable conditions which are impacting the agricultural sector. It is not intended to answer all your questions but rather to challenge your genius.

President Reagan has often said that the real thrust in this country's recovery would come from the genius of the American people themselves. I share that belief.

Today, perhaps more than at any time in recent history, we need to be challenging the course of U.S. agriculture. Last year when I opened this conference, I reviewed the developments of the 1970s and early '80s that had created the current dilemmas for agriculture. At that time I stated that agriculture, along with the policies and programs which surrounded it, were approaching a crossroads. While recent events may have slowed the approach, nothing has fundamentally changed the collision course we are on.

Late last year, it was apparent that some decisive action was necessary to relieve the economic pressures on the farm sector. In January 1983, President Reagan announced the implementation of the payment-in-kind program to reduce production and burdensome stocks.

The response from farmers was phenomenal. Their willingness to be part of a temporary adjustment program turned this untested proposal into the most effective acreage reduction program in history. Without a doubt, this program has been a key factor behind the major improvement we have seen in economic conditions.

But these improvements should not overshadow the fact that the issues facing agriculture have not changed. The events of the past year have bought time for most of our farmers, but the drought and related developments have financially overwhelmed some. We must use the time we have very wisely.

Keep this in mind, the payment-in-kind program was never intended as a permanent solution. As a farmer myself, I can tell you that idling productive acreage is not an option that U.S. farmers prefer. American farmers pride themselves on their ability to produce, and they want their income from the marketplace -- not from the Treasury. Continued acreage adjustment programs are simply not the type of programs that a market-oriented agriculture needs.

We still need further immediate actions to prevent agriculture from sliding back into the problems of the past few years. This is why I continue to be very disappointed by the failure of the Congress to take action on target price legislation. Agriculture's problems have not gone away. And it is irresponsible for anyone to sacrifice the future prosperity of this industry.

In July I convened an Agricultural Summit with the leadership representing the broad spectrum of the agriculture and food system. There were many issues discussed at the Summit. Many ideas and opinions were expressed. Let me reiterate what I perceive to be the most significant ones.

The participants at the Summit strongly agreed that we need to come up with an agricultural policy that is not dominated by recent or current events--but rather a long-range, comprehensive plan for food and agriculture that will provide for consistency. The over-whelming majority were also of the opinion that this plan should be market-oriented and that domestic policy should not be separated from international agricultural policy.

Agriculture is a global industry. The increasing interdependency of U.S. and world agriculture dictates that we consider seriously, not only the opportunities that exports bring to the agricultural industry, but also the consequences of increased competition for world markets and how to respond to that competition.

It was also well accepted at the Summit that conservation of our soil and water resources should be a high priority and, in fact, that this is an issue of grave concern. We must preserve our greatest natural resources.

A major point made at the Summit was that there is the need for a less rigid agriculture and food policy. Numerous events outside the agricultural community's control -- world recession, international monetary developments, inappropriate fiscal policies and drought, just to cite a few examples--make it important that agricultural policies be flexible and that sufficient discretion is provided to make necessary adjustments.

A final theme that emerged over and over at the Summit was the need to expand markets. Many of the participants felt that it would require a comprehensive strategy to increase export demand for U.S. agricultural products. My recent South American trip was aimed at this goal.

On returning from this trip, I reflected on the tremendous strides that had been made in agriculture for many of those countries in recent years. The vast agricultural potential of such countries as Brazil and Argentina confirmed my belief that world agriculture is becoming increasingly more efficient. This means world markets will continue to get more competitive. It also confirmed my belief that world and domestic agricultural policies have become practically inseparable.

Many of these countries have discovered agricultural exports to be a valuable source of hard currency, and thus, an effective option in relieving debt servicing pressures. At the same time, the general development of many of these countries and the improvement in their agricultural infrastructures reassured me that the potential for world markets will continue to grow. It means that U.S. agriculture will be challenged in the international marketplace. But the opportunities are tremendous if we utilize our comparative advantages.

I am proposing, as I have always done since becoming Secretary, that we increase the degree of market-orientation in U.S. agricultural policy. I am not proposing that we get government entirely out of agriculture. A safety net of some kind is necessary. I am just saying that the government does a poor job of allocating resources. Government is ill-equipped to accurately set prices. The true signal that farmers should respond to are market forces undistorted by government interference.

Instead of losing markets, we need to be expanding the demand for U.S. agricultural products. We possess the most efficient agricultural machine in the world. The U.S. has the largest contiguous expanse of fertile, productive land in the world, and a temperate climate unequaled anywhere.

We also have the world's most developed and competitive agribusiness infrastructure, including farm input suppliers, elevators, and our systems of transportation, processing, marketing and retailing. The facts support the efficiency of U.S. agriculture relative to our competitors. In 1982, U.S. yields for coarse grains were almost three times as great as those of other major exporters, and soybean yields over a fourth greater.

Growth in our agricultural markets would promote even further efficiency, another advantage of a more market-oriented policy. Productivity in agriculture is still increasing rapidly compared to the rest of the U.S. economy. But economic efficiency, which is high on our list of goals for agriculture, requires that products be produced and marketed in the quantities and at a price level determined in the marketplace. Technical efficiency must also be a goal for our agricultural system. Policies to encourage adoption of appropriate technologies need to be supported.

The Department needs to be more consistent in its agricultural policy to achieve the efficiency goal, and a stronger market-orientation will help accomplish this. To date, the Department has been at odds with itself on the efficiency goal. Through its agricultural research and extension activities, USDA has contributed substantially to the productive efficiency of farmers. We have also made major contributions to orderly and efficient marketing of agricultural commodities. We provide timely and accurate information throughout the distribution system, and assist farmers in establishing markets and market information.

However, we then turn around and implement programs designed to throttle down our productive capacity. We do it at great expense, at a time when budget deficits are a concern to everyone.

And even, here, we are inconsistent. Target and loan prices above market clearing levels are telling producers in this country and other countries to expand production! This is happening at the same time PIK and other acreage reduction programs are telling U.S. farmers to cut back!

We are encouraging foreign production at the expense of our trade shares. History has shown the long-term effects of such policies. In the late 1920's the United States produced a yearly average of 14.4 million bales of cotton, more than the rest of the world combined. In 1983, after 50 years of curtailed acreage, the U.S. is expected to produce only 8.4 million bales. Meanwhile, foreign production has increased to 58 million bales, about seven times as much as the United States.

We are now the third largest producer of cotton and our restrictive policies have given encouragement to man-made fibers. Our policies increased incomes in the short run, but the industry is declining. A more market-oriented approach would lessen, if not eliminate, these inconsistencies.

Agriculture currently makes a substantial contribution to the U.S. economy. A final advantage of a more market-oriented approach is that rather than restrain this contribution, such an approach would unharness our ability to produce more, and produce it more efficiently. Even now, the food and fiber sector contributes over 20 percent of the U.S. Gross National Product. Nearly 25 percent of the U.S. labor force is employed in agriculture and the agribusiness sector. Agribusiness accounts for more than 50 percent of the combined assets of the manufacturing, wholesale and retail industries in the country. But perhaps the most telling statistic in relation to an improved agricultural economy is this: A \$1 increase in net farm income can boost nonfarm income \$4 -- if it is caused by a growth in demand. Thus, a 20 percent increase in net farm income could boost total GNP by \$18 billion, the equivalent of over one million jobs.

The advantages of expanding our export markets and unleashing our agricultural producers are unmistakably clear. There are a lot more people than just farmers that have a stake in what happens to our Nation's agriculture.

This conference offers the opportunity to examine not only issues confronting selected commodities, but also the broader issues which will affect all facets of agriculture. Additionally, you will be able to gain a greater understanding of the policies of our major foreign customers and competitors. You will hear how our policies are viewed from their standpoint.

You will be able to revisit past farm programs and policies with former Secretaries of Agriculture. Finally, you'll review the policy agenda for the future. I encourage all of you to become a part of the dialogue that will continue until we have put agriculture permanently on course toward a lasting prosperity.

Agriculture must carefully examine the options as it confronts the difficulties it faces both domestically and internationally. Agriculture has always been a cornerstone of this Nation's economy. We must choose our course carefully if we are to keep the Nation strong.

Thank you.

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