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OUTLOOK '85

PROCEEDINGS



Agricultural
Outlook
Conference

United States
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There are two reasons why I've been looking forward to this portion of today's program. First, it is certainly an honor for me to share the rostrum with the distinguished individuals who have taken the time to be here for this discussion of 1985 farm legislation.

The great importance of this legislation -- the tremendous impact it will have on agriculture, perhaps more than ever before in current history -- is the second reason why I was anxious to be here today.

I want to commend those who are responsible for planning and organizing this Outlook Conference for the attention being given to the upcoming farm legislation. I believe we will all benefit from the information that will be presented here this week.

As your program booklets indicate, this portion of the Outlook Conference is designed to provide you with various viewpoints on farm legislation. Those viewpoints are coming from congress . . . the administration . . . the private sector . . . and the farm sector.

This is a healthy exercise. It's a constructive exercise that has been taking place, in one form or another, for more than a year now.

No doubt, some of you here today probably attended one or more of the regional listening sessions we held on the future of agriculture. And more than likely, some of you even participated.

Altogether, we heard hundreds of persons and have received thousands of pages of testimony. And I can assure you that we have examined every single page. We are in the market for answers.

As you listen to the viewpoints being offered today, you may hear the same common thought which underscored so much of the testimony at our listening sessions.

Simply stated, over the past 50 years -- particularly in the last decade -- we have witnessed a tremendous change in agriculture. And, to be perfectly candid, it's been getting away from us.

We have not used the proper tools to deal with the situation. We have used a pipe wrench when a small pair of pliers would have done the job. We have been playing catch up -- chasing a rapidly changing agriculture with outdated farm programs. And we have all reached the point where we know it can't continue any longer.

At this point, I want you to see a slide show entitled "U.S. Farm Policy At A Crossroads". It was put together by some of the people here at the department. It covers the basic issues relating to where we stand today.

I've seen it several times . . . it's a good show . . . it doesn't take any positions . . . and I think you'll find it quite interesting. After the slide show is completed, I'll add a few of my own observations about the future of agriculture. With that said, let's watch the presentation.

THE FUTURE OF AGRICULTURE

My compliments, again, go to those at USDA who had a hand in putting this slide presentation together. I think it tells a powerful story about what has been happening in agriculture.

But the story of agriculture is only beginning. Some believe that even greater change lies ahead -- perhaps beyond our imaginations -- and that we're going to witness it in our lifetime.

At the same time, let us not forget that we have some serious problems in agriculture today. To put it bluntly, it's darn tough out there. And worst of all, many of today's underlying problems are far beyond the control of the individual farmer and, in fact, beyond the reach of any reasonable farm program.

Without question, one of our highest priorities as a nation must be to resolve the problem of our budget deficit. At the same time, we must continue to lower interest rates and keep inflation under control, if our nation's farmers are to share in the ongoing economic recovery.

Another priority is to design a sound agricultural policy to replace that which is currently on the books. USDA, through its World Agricultural Outlook Board, has come up with a long-term outlook that might surprise a few people.

This outlook presents a future which some would say is exciting -- while others might claim it is frightening. It all depends on how well we are prepared to face that future.

This particular outlook shows farmers and ranchers in this country using even more sophisticated techniques . . . becoming even more efficient . . . and even more productive. Productivity beyond what you could imagine! And you know what that means.

For example, a new seed treatment is being tested in the Pacific Northwest which may increase wheat yields by 30 to 40 percent. Likewise, increased use of higher yielding soft wheat varieties -- up to 100 bushels an acre, or two-and-one-half times the current U.S. average -- would allow producers to grow these new varieties at costs low enough to compete with feed grains.

Further, the use of a synthetic bovine growth hormone produced from the new genetic engineering technology, suggests that production per dairy cow could be increased up to 40 percent.

Likewise, a new high yielding semi-dwarf variety of long grain rice called "lemon", is boosting yields as much as 40 percent -- because of its ability to withstand lodging caused by excess water or winds.

These are but a few examples. If government is to be involved in this future -- and most agree that some degree of involvement is necessary -- then government must also acknowledge its responsibility in shouldering some of the blame and burden for the problems that continue to face this industry. Most importantly, it must take the lead in instituting more effective and responsive programs and policies.

What we sincerely need is farm legislation that is sturdy enough to stand up to the inherent volatility and uncertainty in agriculture -- yet, flexible enough to stay with a rapidly changing agriculture.

Now is not the time to present a detailed proposal for a farm bill. We aren't quite ready for that yet. Through the Cabinet Council Working Group chaired by Deputy Secretary Richard Lyng, we have been meeting almost daily to develop a proposed farm bill for the President's consideration. We hope to have a proposed bill ready for transmittal to congress by the end of January.

However, at this time, we can firm up some of the goals and objectives we see being included in a farm bill. There are five of them.

1. First, this farm legislation should be long term in design. Unlike the previous omnibus farm bills, the 1985 legislation should clearly state the direction of farm policy through the end of the 20th century -- not just for another four years. Farmers need the ability to make long-term decisions.

2. Second, we need a market-oriented bill that will ensure that we are competitive in world markets. Loan rates for all commodities should be set at market-clearing levels and tied to a percentage of a historic moving average of U.S. market prices for each commodity.

3. Third, we need consistency. For the first time, the farm bill should provide more consistency among commodity programs and other agricultural policies. International trade, conservation, credit, research and grain reserve policies and programs should be integrated with the objectives of the commodity programs. This will help ensure that government programs and policies are not working at cross purposes, as they so often do now. Yes, I said cross purposes. Great inconsistencies!

Think about it. Does it make any sense to spend over \$1 billion a year to reduce soil erosion, when our domestic farm programs encourage sod busting of erosive land?

Does it make sense to have commodity loan rates above market-clearing levels, when -- at the same time -- we spend millions to increase agricultural exports?

Does it make any sense to offer highly subsidized farm credit to attract more resources into agriculture, when surpluses are the problem -- and we have programs in place to cutback production?

Does it make any sense to lend dairy producers money to buy more cows when much of the milk they produce goes to the government?

Does it make sense to continue to provide a buffer through acreage reduction programs and big reserves, while other nations increase their production and market share?

4. Fourth, the legislation should provide for an orderly transition period of, say five years, through all commodity programs, as well as on other programs. It should phase out obsolete and unnecessarily restrictive programs and phase in the market-oriented provisions.

I don't believe in pulling the rug out. And I have heard President Reagan say it more than once -- that we can't pull the rug out from underneath agriculture.

5. My fifth point is equity. At the end of the transition period, producers under the commodity programs will be dealt with in a fair and equitable fashion.

I realize that no one has a crystal ball. No one can lay claim to having all of the answers. But the experiences of the past decade have surely taught us a few lessons. The point is -- have we learned from them?

Yes, agricultural policy is at a crossroads. There is a desperate need for an agricultural policy that is flexible, consistent and long term in design.

The Agricultural Adjustment Act of 1933 represented a new era in farm legislation in its attempt to improve the financial condition of farmers. While it was enacted as a temporary method to deal with a worsening economic situation, its basic provisions -- with some minor modifications -- are still part of current farm legislation.

The 1985 farm bill comes at a time when agriculture is in need of a new direction. Like the 1933 legislation, the 1985 farm bill must be bold and innovative in its approach.

It must not be like previous legislation that is restrictive . . . that seeks to reduce production through supply management controls . . . and, most important, is not temporary in terms of its design or objectives.

In summary, the 1985 farm bill must begin to address the problems that constantly face agriculture. This country can no longer afford large explosive, open-ended budget expenditures. This country can no longer afford farm policies that do not allow us to be competitive in the world. This country can no longer afford policies that lead to a misallocation of resources in the farm community.

If a Herculean attempt is not made to adopt a responsive market-oriented farm policy, the U.S. will risk losing one of its most efficient industries. In the end, producers, agri-business, taxpayers and consumers -- all will suffer for not taking the appropriate and necessary action to restore prosperity to our most important industry -- agriculture.

It's the government's responsibility to provide leadership in charting a new course -- one that's market-oriented, yet provides a compassionate transition period until rural America makes the necessary adjustments.

It is the responsibility of the federal government to provide a long-term, consistent agricultural policy that farmers can depend on year after year, and one that ebbs and flows with the market and allows adjustments to be made.

It also is the federal government's responsibility to challenge our competitors, rather than unthinkingly aid and abet them -- just as we address the difficult and important issues like soil and water conservation and agricultural credit in a direct but reasonable manner.

Agriculture is too important to do otherwise. If this does not happen, neither our farmers nor our nation will be well served . . . and all of us will suffer.