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It is indeed a pleasure for me to welcome all of you to this 62nd annual agricultural outlook conference.

The original purpose behind these conferences was to provide farmers with the latest information on seed varieties and crop development.

But over the years, this conference has evolved in scope to become a major vehicle for sharing information on a wide range of agricultural issues -- issues that not only affect the livelihood of American farmers, but also heavily influence the basic survival of millions of people throughout the world.

Trade policy is a common thread connecting many of these issues. And that is one reason why I am delighted to share the podium this morning with Clayton Yeutter. Before introducing him, however, I want to set the stage for his discussion of trade policy.

As many of you know, there are other discussions taking place this week that impact upon agriculture.

Between the House and Senate conferees' negotiations on a new farm bill ... Congress' consideration of farm credit legislation ... the debate over the Gramm-Rudman balanced budget plan ... and the aftermath of last week's annual meeting of GATT members -- American agriculture is poised at one of its most crucial points in history.

I feel safe in saying that no one is happy with the present shape of this year's farm legislation. Congress, the Administration and agricultural leaders have slogged through a long, tedious and sometimes arduous process to arrive at this point.

And that process is not over yet. Nonetheless, some self-styled experts have already cast a yoke of defeat upon those collective efforts.

Personally, I am not yet ready to consign the 1985 farm bill to the policy scrapheap. Even though I'm opposed to some provisions, I believe everyone needs to take stock of what has been accomplished.

First and foremost, both the House and the Senate have taken the first step towards reversing the policy framework of farm programs and recognized the need of American farmers to adapt to the fluctuations of market conditions. This represents a major, constructive change in farm policy formulation.

For the past 50 years, Congress periodically assessed conditions in rural America. Based upon assumptions and forecasts, it would then attempt to extrapolate conditions for succeeding years and legislate programs that cast those assumptions into stone -- leaving no room for flexibility.

But -- as we know so well today -- that approach has failed. All you need to do is look back to the Outlook Conference five years ago, and recall the projections made then for the year 2000.

In 1981, population growth was projected to exceed the production of food and fiber. Energy costs were projected to rise to levels beyond anything Americans had ever experienced. Our farmland and other resources would be utilized to full capacity.

In essence, the great American food factory was going to be challenged as never before to provide global stability and help assure world peace!

However, we all know what happened. Actions taken based upon those mistaken projections set the stage for today's problems.

We locked in high price supports, and in so doing, locked in higher land prices. We drained huge outlays from the federal treasury, adding to the budget deficit, and increased the pressure upon interest rates.

As a result, we priced ourselves out of many world markets, and sowed the seeds of the financial distress that now haunts us.

The second major improvement contained in the pending legislation is the recognition that loan rates need to be reduced and keyed to market prices. Both the House and Senate bills grant the Secretary of Agriculture authority to make downward adjustments in loan rates so as to respond quickly to competitive pressures in world markets.

A third major change is the Senate's provision to permit reduction of the milk price supports beginning in 1987. The experience over the past five years with the dairy program provides continuous reinforcement that it's unrealistic to expect any scale-down in production when milk prices are artificially increased through legislated adjustments.

And let me say once again to those who are forecasting conditions in the dairy industry: any attempt to hold on to the House provision for a dairy assessment and diversion program greatly increases the chances of a Presidential veto. It's difficult for me to conceive that neither the dairy industry nor the Congress has learned from the failure of the past diversion program.

The final point I want to make relative to the farm bill is that, for the first time, farm program benefits would be tied to good conservation practices.

The provisions to deny subsidies, crop insurance and federal loans to landowners who engage in "sodbusting" and "swampbusting" is long overdue. Further, the establishment of a conservation reserve to protect our highly erodible land is like putting money in the bank for future generations.

Perhaps the most important point to make today is the need to complete this bill as soon as possible. Many farmers have already had to plant next year's crops, and others are making planting decisions now.

Everyone concerned with U.S. agriculture should hope the Senate and House conferees will not delay in agreeing upon farm legislation which the President can sign. Farmers, agribusinesses and bankers need to know what role the government will play in agriculture over the next four-to-five years.

In addition, a strong signal must be sent to our competitors overseas -- making crystal clear that the United States is serious about, and committed to, regaining its competitiveness in world markets.

We are nearing the finish line in making major legislative strides that will benefit American farmers for decades to come:

- * First, through a farm bill that shifts the emphasis of farm programs toward a market-oriented agriculture; and,

- * Second, through the implementation of a stable economic policy grounded upon the foundation of a balanced budget.

With greater market orientation, U.S. farm products will once again become fully competitive in the global marketplace. I cannot state strongly enough how essential it is to the economic vitality of American agriculture to complete this transition to a market-oriented farm policy!

Further, reduction of the federal deficit is perhaps the single most important economic and legislative initiative to rural America in this decade!

Farmers have paid dearly for the growing deficit, through lost export markets and depressed commodity prices. When we borrow abroad to satisfy public and private credit demands, the exchange rates go up -- and it's the American farmer who pays a large chunk of the bill.

Another key factor underlying the outlook projections made this week has to be the state of the farm credit system. I won't go into great detail on the problems that system faces. What is important is that, today, the Senate will take up landmark legislation to reform the farm credit system. Action in the House will likely occur within the next few days.

I can assure you this Administration will not abandon farmers, nor will it abandon the system that holds over one-third of farmers' debts. As the Administration approaches this problem, our single greatest priority is to ensure that farmers can obtain reasonable credit at equitable interest rates.

This Administration has been deeply involved in helping to formulate the legislation pending before the Congress. We strongly support both the massive overhaul it would make in the structure of the farm credit system, and the requirement that the system must pool its resources before seeking other funding.

The third major area of concern to American agriculture right now is trade policy. Last week, the member countries of GATT met to -- among other things -- set up the machinery for planning a new round of trade negotiations. American farmers are vitally concerned -- now more than ever -- with both the timetable and the substance of such negotiations.

As Secretary of Agriculture, and as a farmer, I get very frustrated with the GATT process. However, given the rising tide of protectionism around the world, and the impact this has on U.S. agriculture, we must work within the GATT process to strengthen the rules that govern our world trading system.

Consequently, it gives me a great deal of pleasure to share the platform this morning with Clayton Yeutter, who certainly needs no further introduction here today.

American farmers are indeed fortunate that Ambassador Yeutter brings to his job the hands-on experience of a highly successful Nebraska farmer, a college agricultural administrator, a diversity of government experience, and the hard-nosed business sense of a commodities exchange regulator.

Since becoming U.S. Trade Representative, Clayton has played a critical role in formulating a comprehensive trade policy. As a result, several actions have been initiated -- some involving agricultural products -- against trading partners who engage in unfair trade practices.

Suffice it to say that U.S. agriculture's interests are well served under Clayton's leadership. With that introduction, I am pleased to present him today at this Outlook Conference. Clayton ...