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## REMARKS TO THE USDA OUTLOOK FORUM

John R. Block

President, Food Distributors International

Thank you very much, Rich. Indeed, our work in agriculture goes back many years. There were a lot of exciting and good times, and many difficult and tough times.

Ladies and gentlemen, I am honored to speak to you today. I have given many, many speeches over the years, since I served as Secretary of Agriculture.

But it's a special honor to be back and speak for the U.S. Department of Agriculture, a great institution, staffed with dedicated, honorable, hard working public servants. It's the best team in town, as far as I'm concerned. I always felt that way. And that is reenforced as I sit here today, and as I listened to Secretary Glickman speak, and to the questions and the concerns of people connected with agriculture.

It brings back a few memories, because we've seen tough times before, and it is quite obvious that Secretary Glickman is struggling to find answers to problems that don't have any easy answers, as he pointed out.

I was asked today to relate the current situation in agriculture, and the policy changes that we face today with some of those that we faced in years past. And I will just say that the past is never the same as it is today. And today is not going to be the same as it will be in the future.

When I grew up on a farm in Illinois, and I was just a little guy, they'd be putting up hay and my father and the other men would be talking. They talked about, after the end of the day, the County Fair or the 4-H show, or the St. Louis Cardinals and the Chicago Cubs. They didn't discuss about exports to the Soviet Union, or an Asian crisis, or how we are going to sell all of our farm products. These things just were not on the radar screen then.

We had two old horses that pulled a two-row corn planter. Today, we have a 24-row corn planter pulled by a big tractor. My father could pick 100 bushels of corn in a day. Now, my son picks and shells 100 bushels of corn in seven minutes.

We raised 300 pure bred Duroc hogs. Durocs, as you know, grow faster on less feed. That's what we said. When I was Secretary, my son and my father were raising 6,000 hogs. Well, now my son is raising 15,000 hogs. And the farm grew from 300 acres when I was a little guy, to 4,000 acres today.

We used to take our hogs to the market, and whatever the price was, that's what we'd get. Today we sell them on grade and yield. I mean, the consumer wants a certain kind of hog.

I have pictures in my study, and before that I had them in my office when I was Secretary, of my dad with a grand champion Duroc boar, it's the fattest animal you've ever seen. And I've got a picture of me with a pretty fat Duroc gilt, another champion.

Then there is a picture of my son with a grand champion Poland/China boar--as lean and as hard as you can imagine. And they are even better today. The changes in agriculture are all around us. And the structure of agriculture continues to change right before our eyes. It's moving target that is going to continue to move.

The role of government in agriculture has changed. As Secretary Glickman pointed out, we just have to try to figure out what is Government's appropriate role in agriculture today, and what it should be tomorrow.

When I came in as Secretary of Agriculture, we had relatively high-priced supports, and we were accumulating grain by the millions of bushel. The government ended up owning the grain. We had set-aside programs to try to get the grain surplus down, and ultimately we used export subsidies to push it into the foreign markets and compete with the Europeans.

Those were tough times, but the first problem I faced was a Soviet grain embargo. All the farmers were up in arms all across the land because they had grain to sell, and they couldn't sell as much. They would pay for it. The Soviets paid them cash on the barrelhead for everything. Today, you have to give it to them. That's another change.

We introduced the payment in kind program, because we had way too much grain. This was a creative idea. What do you do with all the grain? How do you cut production? How do you get the prices up? We just gave the grain to the farmers. In turn, the farmers cut production by a specific amount. They had to do that, or they wouldn't be given the grain.

Of course, they took the grain. So we wiped out the surplus, the prices came up. We had a drought that year, and God joined the pick program too. And we solved the problem. It was a temporary solution, because obviously the surplus returned.

Later on, we had too many cows giving too much milk. So we created the whole herd dairy buy-out program, where we paid farmers to send the cows to market. We made all the beef people angry, but the dairy people were happy. We fixed that problem, too.

I was relating that solution to my son here a few weeks ago, and he said, "Dad, have you ever thought about having the whole herd hog buy-out program?" Now you are doing it.

Export subsidies? We didn't have them when I was first there, and the Europeans were eating our lunch. I couldn't get clearance to do this, but finally I worked a deal with the Office of Management and Budget and Director, David Stockman, and we were able to develop an export subsidy program. We announced it down at the Senate. Senator Dole was there, and other Senators. It was bipartisan, and everybody was going for it. We're going to take those Europeans on and fight fire with fire.

I went to Cabinet meeting the following Monday, and Secretary of State George Schultz came in. When the meeting started, he got red in the face and he pointed a finger at me. "Now you've done it," he said. You're subsidizing exports, and the Europeans are all going to be angry. "How can we work with the Europeans in the future?" On and on and on.

I just said that I got it cleared at the White House—that the President approved it. But he said, "I was over in Saudi Arabia. You didn't talk to me." Well, you know, everything is not always harmonious in government.

But we got that done. And that was beginning of the export subsidy programs, that we use when we need to. Maybe we don't use them enough, but we do use them.

The Conservation Reserve Program, which was discussed here, is a staple today for American agriculture. We didn't have it. In '81 when we wrote the farm bill, I talked about it and people on my staff even said, "Forget it—nobody is interested in taking land out of production and buying it for conservation purposes. Forget it."

But I continued to talk about it. And by the time we wrote the '85 farm bill, I put it in our plan. And I took it to the Cabinet. I got shot down. There were a few people who didn't want a new program, but I still kept it in my mind.

The Spring came along, and we found a little money here, a little more money there, and I concluded we had enough money to pay for it, to get it started. So I decided to announce it. So, I flew to Indianapolis, and was prepared to announce it the next day on Senator Luger's farm.

I got a call that night from David Stockman. "I understand you are going to announce the Conservation Reserve Program," he said, "It is not authorized." I said, "Listen, you're too late."

Senator Luger is here with me. We're going to announce it tomorrow." And we did. That's when it started. And I never heard another peep out of David Stockman after that.

There are a lot of similarities about the problems we face today. There are global surpluses. Some of our customer countries are in recession, just like back in my days as Secretary. Still we see the export market as our single best hope, although as the Secretary points out, there must be some other things, too.

We launched the Uruguay round of trade talks in 1986. We're looking at going forward with trade talks again this year, but there are some significant differences, too. We're not as quick today to jump in and use food as a weapon.

When the Soviet grain embargo was implemented, President Ford embargoed soybean shipments, too. There again, he was using food. Food is used as a weapon right now in some other countries, too. There are several bills in Congress right now to put a stop to that. I hope they pass. It is a proper thing to do, both for our farmers, and for countries that might need to buy food.

Farm debt today is not nearly as great as it was in the mid-80's. We paid some of it down over the years. The value added market for farm products is our big export market. It's bigger than the bulk produce market. If you go back in the 80's, the bulk product market was a larger side of the equation.

And Secretary Glickman, as he points out, probably doesn't have the authority to do some of these creative things that we did. So we'll have to wait and see. I also say that some of the creative things that we did probably wouldn't work today because of the global market atmosphere that we're in, more so than 15 years ago or so.

Finally, we're in a consumer-driven market today. I just pointed out the grade and yield selling of hogs. You know that grocery stores are emphasizing all ready-to-eat food. Plus, the whole distribution chain from the farmer to the consumer has been speeded up. Now the consumer is calling a lot of the shots. He or she spends about 15 minutes preparing a dinner today. Back in the 70's She--mostly--would spend as much as two hours on a dinner.

With all of this, I am concerned that we are losing family farms. Those are your concerns too. We are losing family businesses. I don't think we can tamper with things a lot. We believe in the market system, and free enterprise. But there is one thing I think we ought do. The government should not be a party to destroying family businesses. And I think it is because the government effectively confiscates family businesses whenever the owner father dies.

Now, I see supermarkets and small businesses all around me. Either they have the government effectively force them out of business with the estate tax and death tax, when the owner dies, or else they will sell before death, just to avoid that. And the family business is gone and it is owned by some big corporation.

Why this non-American tax stays in place, is beyond me. It is time to get rid of it, if we want to save family businesses.

The second point that I'm concerned about is the pressure to interfere with prices. And I know we are trying to fix things, but high loan rates don't fix things, frankly. They just make it worse. I like the set asides and the conservation reserve if we are actually conserving soil and doing the right thing there.

But the old set-asides, the way we used to have them, that's not efficient, to take some of the best land in the world out of production. This didn't succeed, and I'll tell you, I tried to fix the crop insurance programs, we're still trying to fix them.

I called in the experts from the insurance industry, and tried to push them. But, it didn't get fixed. And it is not fixed today. Good luck in trying to fix it. I'm not saying to get rid of it.

I'm just saying, it is a very imperfect solution. Revenue assurance is another one. Maybe we can make it work, but I'm afraid that will become an imperfect solution, too.

The third concern I have is the growing trade protectionism sentiment in this country. I don't think it is going to take over, but we should guard against it, because exports are our future. There is progress. There are driving forces of change. New technology has driven us to bigger farms and bigger businesses. It has made possible big combines, big tractors, computers.

The global economy continues to open up opportunities for us. Another point, the sophistication of our industry and the global realities have made it possible to reduce government's role in agriculture. They have. We are more sophisticated than we were, and the pressures of the global marketplace changes a lot of things.

Finally, there is a lot of concern for the environment, providing a strong underpinning for our Conservation Reserve Program. I think it is a good program. It also encourages us to use a lot of new tillage practices, to conserve soil, and save soil. Those are driving forces.

We are on the threshold of an amazing biotechnology era, the introduction of genetically engineered agricultural products that will prove to be more powerful than any of the former technological breakthroughs in my judgment; more powerful than hybrid seeds; more powerful than commercial fertilizers, and more powerful than pesticides and herbicides.

I have a lot of faith in the private enterprise system, and the market economy. I close with a quote from Winston Churchill. Some regard private enterprise as a predatory tiger, to be shot. Others look at it as a cow they can milk. Only a handful see it for what it really is, the strong and willing horse that pulls the whole cart along.

Churchill also says, "capitalism is the unequal distribution of wealth. Socialism is the unequal distribution of misery." In the real world, there are winners and there are losers. But we have the best system in this country of any other, and we're going to continue to look forward to the future with optimism. Thank you.