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REMARKS BY SECRETARY DAN GLICKMAN
1999 AGRICULTURAL OUTLOOK FORUM
ARLINGTON, VA -- FEBRUARY 22, 1999

Thank you, Rich, for that kind introduction. But more importantly, thank you for your deep commitment to American agriculture, both as a public servant and as a farmer yourself. Thanks also to Keith Collins, USDA's Chief Economist, and his staff. They've done an outstanding job putting together this conference...just as they do every day throughout the year.

It's an honor to meet with this group for the fourth time during my tenure as Secretary of Agriculture. It's great to look out and see so many friends, partners, and constituents. This is perhaps the year's most important and most complete gathering of agricultural interests, and it's something I always look forward to. I'm grateful that one of my predecessors, Jack Block, could join us today. It's a pleasure to see him in person...and not just his portrait, which I see every day in the lobby at USDA headquarters.

I've always looked at the Agricultural Outlook Forum as my State of the Union address. However -- and you'll be glad to hear this -- my speech will be reasonably short. And neither Sammy Sosa nor Rosa Parks is seated in the gallery today. Unfortunately those aren't the only ways in which my message this morning will be different from the President's last month.

The President was able to report a national economy growing at a rate unprecedented in peacetime America. Every conceivable economic indicator is pointing in the direction it should: 16 million new jobs since 1993...the highest homeownership in history...the lowest interest rates in a generation. The deficit, a national albatross that we carried around our necks for nearly two decades, has been wiped out. For the second year in a row, the President has submitted a balanced budget...the first time that's happened since I had a full head of hair. Instead of wringing our hands about the deficit, we're having a debate about what to do with the surplus. That's an extraordinary turnaround.

But while the national economy has boomed, it has been a year of struggle and hardship in parts of rural America. There's no point in trying to put a shiny gloss on it...no point in playing games of spin and denial. The facts are the facts.

And there will be a lot of facts presented over the next two days. A lot of statistics and charts from analysts, economists, and prognosticators of every stripe. So I'm not going to bombard you with prices, productions, and exchange rates. You'll hear plenty of that. I'm here to offer some positive, constructive realism...to tell you what it all adds up to and what we're trying to do about it.

We need to understand the farm crisis on an emotional -- as well as an intellectual -- level. We need to understand that behind the numbers there are real people feeling very real pain. Families who have been in farming for generations -- men and women who know no other way of life -- are finding their farms on the auction block and their lives turned upside down.

I get letters from these people every day. These are the kinds of things they tell me. One farmer writes: "For many, agriculture is a family's main income. What's going to happen when farming

doesn't pay off anymore?" Another farmer sees a bleak future, pointing out that "there...is no incentive nor stability for a young person to enter this profession."

And a young farmer writes: "My grandfather was a farmer; my father is a farmer; and farming is what I was taught as well. I am willing to make sacrifices, but should I have to give up farming just because I have one bad year? It doesn't seem fair."

No, it doesn't seem fair. And this is the part that's most unfair: this crisis is largely beyond most farmers' control. The whole thing flies in the face of the American promise that the hard-working and the industrious will be rewarded with a secure livelihood. Our farmers are as skilled and diligent, as intelligent and educated as ever...but many are rendered powerless in the face of harsh weather, increased world production, and a global economic slump that has depressed consumer demand in key markets.

I wish I could say we're about to turn the corner, but the fact is we're looking at continued large surpluses and weak demand in the near-term. Later today, USDA's Economic Research Service will release its baseline projections for the next 10 years. And they don't look very good.

That's not to say that these forecasts are etched in stone. The truth is they're not even traced in sand. Markets do have a way of unexpectedly turning around. There's still a high degree of uncertainty about the future, particularly anything longer than two or three years out. Nobody -- not even our USDA economists -- has a record of perfect prediction. In fact, in the mid-90s, it was generally believed that the good times would last forever, and that was one of the premises behind the 1996 Farm Bill.

The bill did include some strong provisions on trade and conservation. But it was a bill written for a bullish farm economy...of strong prices, good weather and fertile export markets. It offered limited protection for when the going got tough.

When the bottom fell out, I'm proud to say that the response of USDA and the Clinton Administration was quick and decisive. We don't have the authority we had before the 1996 Farm Bill, but we were not going to let farmers go into free fall without some kind of cushion. When it came time to deliver emergency relief last year, Congress came through with about \$4 billion. The President drove a hard bargain, used the power of the veto pen, and was able to increase the package to \$6 billion.

Total fiscal 1999 farm assistance comes to \$18 billion, the highest it's been since 1987. We are making \$50 million in direct payments to pork producers, who began to feel the price pinch only after last year's emergency bill. On top of that, the \$129 million of pork we bought for the school lunch and federal feeding programs was a Department record. We launched an \$80 million initiative to buy hog herds infected by pseudorabies. And we will do everything we can for other commodities in crisis as well.

To support agricultural trade, we extended export credit guarantees worth about \$4.5 billion in 1998. And we are shipping nearly 10 million metric tons of food to hungry people around the world...an act that is as humanitarian as it is pragmatic. We will not back down on our efforts to move commodities to overseas customers. We will not back down in an effort to remove trade-

distorting subsidies and barriers wherever they occur.

We are committed to helping our farmers and ranchers by continuing to use our full authorities under all of the statutes we administer. But the fact is the 1996 Farm Bill took away many of the tools that were available when Jack Block was Agriculture Secretary. We no longer have the ability to control production when demand falls. In the past, I have asked for the authority to extend commodity loans, uncap those commodity loans, and seek set-aside authority in limited circumstances. I am once again calling on Congress to work with me to meet these emergency circumstances that farmers and ranchers are facing.

In the meantime, we've got to be creative about ways to help our farmers. I recognize that there are ideological differences on the means to improve the farm safety net. But as the President emphasized in his State of the Union address, we must work in a bipartisan spirit to enhance and improve the farm safety net. That means taking a more preventative, pro-active approach, so that the programs are already in place when the crisis hits.

Don't get me wrong -- last year's emergency supplemental had to be done. But lurching from one expensive ad hoc relief bill to the next is not the best or most cost-effective way to protect farmers. What we did was try to build the safety net as the trapeze artist was falling. That's not really a safety net at all. It's more like damage control.

Taking the metaphor one step further, I might argue that it's not really about a safety net per se. Rather than catching people as they fall, let's give them a little extra resin so that they don't lose their grip in the first place.

We began to do that, by earmarking \$400 million from the 1998 emergency relief package for a down payment on crop insurance reform. This step will increase participation by reducing farmers' insurance premiums by 30 percent. That's one of the key things we need to do to strengthen the safety net.

I have also put forth some specific proposals that will build on that initial step and strengthen our existing crop insurance program. We need to make crop insurance more affordable, especially at the buy-up levels. We should develop policies that cover multi-year losses as well as single-year losses. We should expand the range of insurable crops. We should expand revenue insurance as an affordable option to more farmers. And in that context, I would also like to see a pilot revenue program for livestock – because the largest American agricultural sector should be able to stand under the crop insurance umbrella as well. And we need to bring these products to market as quickly as possible.

Crop insurance will continue to be the centerpiece of the safety net, but we can be more creative in our thinking. We are looking at all kinds of new ideas, like extending due dates on market assistance loans to ease cash-flow pressures on farmers. We should also help finance on-farm storage facilities, thus allowing farmers greater flexibility in determining when to sell their product. Given the market demand that's out there, the private sector should also be stepping up to the plate with new risk management tools. The states, many of them with large budget surpluses, also have a role in this area, and they are getting involved as well.

These are just a few thoughts. I know there are others out there. And most of them aren't emanating from inside the Beltway. Barry Flinchbaugh is with us today. He leads our 21st Century Commission on the Future of Agriculture, which we hope will make specific suggestions on what follows the current piece of legislation.

In the meantime, I'm taking this issue directly to the places where it means something in people's lives. In the coming weeks, Deputy Secretary Rominger, Under Secretary Schumacher and I will hold regional forums around the country to hear ideas from everyone who has a stake – farmers, ranchers, bankers, elected officials – about how we can strengthen the farm safety net.

There is no question that the kind of comprehensive safety net we're talking about will be expensive. But we will work with Congress to find the money. And I am confident that we will find the money, just as we have in the past. We can't afford not to.

There are a lot of other things that we're doing at USDA to lay the groundwork for a competitive farm economy in the future. We continue to work aggressively to open world markets to our agricultural goods. We are standing up to countries who try to mask protectionism in phony science. Brazil is now accepting TCK wheat. Canada is softening on its livestock import restrictions. And we will continue to be resolute in our dispute with the EU over beef, insisting that our hormone-treated cattle have stood up to scientific scrutiny and insisting that the EU honor the May 13 deadline to allow our beef into their market.

Our new science-based meat inspection system is making our food safer...and therefore more marketable. Our fiscal year 2000 budget includes the first substantial increase in research dollars since 1992. And our Farmland Protection Program is helping curb the sprawl that is throwing up cul-de-sacs and strip malls where once farmers raised corn and planted soybeans. We're not anti-development, but when you consider that we're losing 50 acres of farmland every hour of every day, I don't think it's unreasonable to put some emphasis on what Vice President Gore calls smart growth. With all due respect to our hosts here at the Marriott, I don't think we want the whole country to look like Crystal City.

Even as we deal with the immediacy of the farm crisis, we have to look further on the horizon. Radical, structural economic changes are presenting a future of challenge and uncertainty for the American farmer. I don't think we should just accept the changes we're seeing -- we have to ask the tough questions. Instead of letting change happen, we ought to be thinking about how to adapt to change...how to help farmers and ranchers adapt to change...and perhaps how to control some of its excesses.

For example, we believe that biotechnology is critical for feeding a hungry world in a responsible and sustainable fashion. But rapid innovation in biotechnology brings with it troubling questions: who owns what? Does a farmer own a seed if he buys it? What about the company that invested in the science and conducted the research that led to a successful crop? How does government respect the proprietary rights of the company without hurting the small farmer? Is there any room for common ground? What role should public research play in the ag economy of the future? Are we doing enough to preserve seed diversity and germ plasm for the public? These questions must be given much greater thought as we enter the new millennium.

We have to address the changing structure of agriculture. That's why I appointed both a Commission on Concentration and a National Commission on Small Farms, the first time USDA has brought experts together to examine these issues.

It would be simplistic to say that consolidation, on the whole, is a good thing or a bad thing. Consolidation can lead to more efficient, lower-cost production. But competition is the lifeblood of the free enterprise system, and the fewer options available in the marketplace, the less innovative the economy. What's more, we should all be concerned when the trend toward larger and fewer agricultural operations threatens to drive the small operator out of business. We can't allow a system of agricultural Darwinism to prevail, with the survival of the fittest becoming survival of the largest.

Consider the implications of consolidation in the new contract-oriented farm economy. Contracting can be a good deal for the farmer, as it helps protect him or her against fluctuating markets. But as processing and wholesaling and agricultural input become controlled by fewer and fewer players, the producer can lose the ability to shop around for the best deal and has no choice but to accept lopsided contractual terms. The large interests gradually seize the bulk of the revenue and the management control, and the worry is, as Professor Neil Harl of Iowa State University recently put it, that American farming could end up being reduced to nothing more than a generation of tractor drivers.

Partly in response to consolidation and contracting, we're seeing a rise in co-ops, with farmers banding together to give themselves more leverage in the marketplace. Should the government more actively encourage co-ops, with offers of technical and financial assistance, in order to offset the influence of larger operations? How do we protect farmers from being discriminated against when they join co-ops? The statute designed to offer such protection -- the Agricultural Fair Practices Act -- has enforcement procedures that are cumbersome and difficult to apply. That's why we asked Congress to fix the statute last year, and we will do so again.

We also need to ensure that farmers and ranchers have access to all relevant information about price and supply conditions governing their purchase and sales practices, particularly in the livestock industry. Information is power, in agriculture as in everything else. We are currently working feverishly to find the best ways to make that information available to producers, as well as to the Congress and USDA.

We need an intellectual debate that tackles all of these questions. Too often, I think, the dialogue on agricultural issues is all trees and no forest. We're preoccupied with this regulation or that particular piece of legislation. Meanwhile, macroeconomic change whizzes by, and we don't have an appropriate response.

We need a debate about what the role of government will be in this new landscape. The question of what government can and should be doing for agriculture is wide open. From the Depression right up until the 1996 farm bill, in most cases, the government role was clearly defined. Above all, it was to shield farmers from low prices with income and price supports.

That really was a unique relationship enjoyed by no other sector of the economy. For the last 60 years, ensuring that we have a strong, diversified, production agriculture has been a matter of

national interest. It wasn't always a blessing to have the government in your hair telling you what and when to plant. But it did offer protection, and it also gave us the cheapest and most abundant food supply in the world. In fact, we're one of the few countries that has never gone to war over a shortage of food.

We're trying to find a balance. We want to let farmers run their own businesses, and we will. But we can also be a constructive partner, who is there to protect their downside...who helps them cope when prices head south. How can we be helpful without being intrusive? How do we respect markets and at the same time correct their inequities? When does laissez-faire become out-and-out neglect?

I realize that I'm asking more questions than I'm answering. That's because there are no simple answers. We're going to have to work together toward some consensus. And I hope that this conference will provide the opportunity to start moving toward that consensus...to start looking beyond the minutiae of supply and demand ratios to the outlook for the fabric of the American farm and the future of farm policy. It's not too soon to start laying the groundwork for the next farm bill.

Of course, any consensus will be a long time in the making. And in the meantime, we are in the middle of a crisis that shows no signs of abating for many producers. We are losing farmers at an alarming rate. For many people, there may not be a long-term if we don't do something in the short-term.

I am here to tell you that we are not going to just stand there and watch the air run out of our farmers' parachute. We are not going to leave them to navigate this rough economic terrain completely on their own. If prices continue to plummet, if exports continue to dry up, if Mother Nature shows no mercy...we will be there. But, as you know, we can't do it without Congress, and I expect them to be there as well. We can't guarantee anyone anything. But we can ensure that a caring government will do what it can.

We've been there every time in the past. We were there in the 30s, when the Farm Credit Administration and the Commodity Credit Corporation were established, and we will be there again with the additional credit farmers need when cash flow becomes a problem. We were there when the Depression devastated American agriculture. We were there during the farm crisis of the mid-1980s. And we will be there again.

What's at stake here -- with both our short-term and our long-term challenges -- is nothing less than the future profitability of family farming. If we don't respond to contracting farm income and wildly volatile markets...if we don't build a strong safety net...if we don't address issues regarding the structure of agriculture...this is what farming could look like in the middle of the 21st century: mega-farms, on the one hand, and hobby-farming on the other -- men and women who farm on the side while earning their living doing something else. I don't think it's a good idea to let farming become stamp collecting.

The case for preserving family farming goes way beyond economics. If you let that tradition be extinguished, you cut out a piece of the American character. Franklin Roosevelt got it right when he called the American farmer "our ideal of self-reliance and spiritual balance -- the source

from which the reservoirs of our nation's strength are constantly renewed.”

It was another president, born 267 years ago today, who represented that ideal. George Washington was a skilled general and a natural political leader. But soldiering and statesmanship were, to him, obligations. Farming was his passion. The Father of our Country wanted nothing more than to repair to Mount Vernon after the Revolutionary War, but he assumed the presidency with what he called “the most unfeigned reluctance.”

Now, I know that the world has changed. We shouldn't become lost in nostalgia because agriculture will never again be like it was in the 18th century, or even 40 or 50 years ago. We won't ever again have the proverbial 40 acres and a mule. But today, on George Washington's birthday...here in his home state...just across the river from the city that bears his name...just a few miles down the road from his farm...let's commit ourselves to preserving the best of the agrarian tradition that he represented -- a tradition older than our democracy, older than our Constitution, older than our nation itself. Thank you.

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