Panel Discussion on Agriculture's New Frontiers
Transcript of Discussion

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Robert Carlson, President, North Dakota Farmers Union who raises bison and grain near Glenburn, ND

Charles Kruse, President of Missouri Farm Bureau, who operates a cotton and grain farm near Dexter, MO

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Scott Kilman: I would like to turn to the farmers first. Mr. Kruse, I was in the Boot Heel of Missouri last year looking to see how the farmers were adjusting to the end of the traditional farm programs. How are farmers coping in Missouri, and who do you think the winners and losers are going to be from the end of the traditional subsidy programs?

Mr. Kruse: Scott, thank you very much, and good morning, everybody. I'm delighted to be here and feel privileged to be a part of this excellent panel. As Scott just mentioned, I think the FAIR Act, the 1996 Farm Bill, put into place a fundamental change in agriculture and put us on a glide path out of government control of programs in agriculture. I think, so far, the '96 Farm Bill is working very well. Obviously, the jury is still out in a lot of regards, but I think the fact that we as producers can now base our planting decisions on market signals rather than complicated, complex, hard-to-understand government programs is very positive. This coming year, 1998, we are going to really see how this works, because if the predictions at this point are correct, we are going to see a shift out of cotton acreage--a pretty sizeable shift--into primarily corn and soybean acreage. This would not have happened in the past because producers were rigidly locked into planting to protect our base acres and planting certain crops based on historical perspectives. There was no looking to the market for signals as to what to plant. In talking to farmers I find a very positive response to the '96 Farm Bill in terms of being able to plant for market signals and I personally feel this way.

I do think that there are some things we need to really focus on, and I think that as we look to the future after 2002, in whatever direction we take in terms of a new farm bill, I think that we must focus on three very important issues. Trade is so vital and as we have already heard this morning from my good friend, Gus Schumacher, and from Keith Collins, we have to really focus and really beat the drum to keep the doors of trade open. I was very pleased that Gus talked about using "sound science," because that is so important. Regulatory relief and tax relief are two other sources that I think are vital to the future of agriculture. When we talked initially about going into this new phase of market-oriented agriculture with the new farm bill, the deal, so to speak was, that we're going to have a glide path of government pulling out of agriculture and in return, farmers and ranchers in this country are going to get regulatory relief. We're going to get tax relief and we're really going to continue to put an emphasis on trade. I think we absolutely must focus on all of these issues and I think that we must somehow use common sense and sound science as we deal with all of them. So, again, my sense is that at this point the new farm bill is being embraced quite well. The events that have happened over the last few months in Asia have been a reminder that we truly are in a situation where what impacts certain parts of the world will come back and impact us as well. I'm excited about the future, I'm excited about the direction we're going, and I think that if we use common sense and good logic dealing with the issues-- particularly in trade, tax, and regulatory issues--we're going to find agriculture going in a very positive direction.

Mr. Kilman: Mr. Carlson, you've talked about self-empowerment for farmers in the Northern Plains. It's been interesting to me that on the Northern Plains where wheat is the major crop, because wheat is really the only crop that can grow there well, we've seen a big movement towards a new generation of co-ops. What's driving that and how big is that trend going to be?

Mr. Carlson: What's driving the desire for new cooperatives, particularly in the Northern Plains, is that the producers see themselves as facing greater risks today. There are four reasons: Number one is that we all know Federal farm program support, supports prices, supports payments, deficiency payments, Freedom to Farm market transition payments, are going away or are being phased out. I think that's a reality--support prices and the rates are frozen. In particular, the ad hoc disaster programs, which were important to us a number of times, about once or twice a decade, actually, are going away, too. Really, about the only thing we have left as a safety net is the crop insurance program and that as well is under some attack. In reality, we need to make some improvements there.

The second factor involving more risk for producers is more liberalized trade. We are not protectionists at the Farmer Union, but we do know that more liberalized trade means that we, as producers, face more competitors around the world. And, if you live where I do, 50 miles from the Canadian border, you can see the effects of that competition in products like wheat, durum, and small grains every day from the Canadians and know that there is maybe some up-side potential, but there is down-side potential as producers are faced with more competition. And, there is less of a chance that domestic prices will rise above world prices, as well.

Number three, there is more concentration in the food processing business. Over the last 20 years or so, we've seen just a hand full of giant corporations really control the processing and production of a great many of our commodities, from flour milling, to corn sweeteners, to

livestock slaughter. Ironically, at the time when producers have more competition in the global marketplace, we have less competition because there is more concentration among the buyers for our products. Finally, the industrialization of agriculture is a threat to family farmers in many sectors of agriculture.

So producers have looked at how we can protect ourselves in this new environment. Realistically looking at these trends, what can we do to help ourselves and what can we expect from Government? I'm going to concentrate on what we can do to help ourselves, although there are some things we can talk about Government doing, too. How can we improve farm income? How can we stabilize the income of our operations so that we can make the technological adaptations and advances necessary, gain efficiency, and be world competitors in agriculture? One way, and I think the best way, is to help ourselves through new value-added cooperative ventures. We as producers need to move further up the food chain to capture more of the value of our finished product. If you look at the food market, you may ask, how can producers hope to get into the food processing and marketing business? Well, the food business is a huge business--a $705 billion business. Consumers have shown us they want new and convenient products, they want more variety, they want more choice. There are all kinds of niches in that food market that producers can fill and we have some unique advantages. The greatest advantage is that as producers owning a value-added processing cooperative, we have total quality control in production and processing. The product retains its identity from the producer right through to the consumer. We farmers that are a part of those new cooperatives also recognize that the food chain really doesn't begin with what the farmer produces. That's the traditional way we in agriculture look at farming: We're the beginning of the food chain, and the people eat what we produce. The food chain starts with what the consumer decides they want to eat. And, we have to learn to produce and supply it. We have to be creative and imaginative, and look for ways to diversify our incomes through some of these new value-added cooperatives. I belong to two: a bison cooperative and a pasta cooperative. After some initial rocky starts that are common in any business, both are now very successful and they are a very, very important part of our farm's operation as well as of our family income.

I'll conclude by saying that the vision we often are presented with in agriculture is that U.S. producers have to be the most competitive in the world to capture world market, and therein lies our opportunity. Well, what that really means is that we have to find the lowest common denominator in production costs in the world. That's a challenge and it's certainly one that we try to meet, but it's kind of a bleak challenge, you know--get your costs down--and we're in such a mature industry. We've been producing in this world for 10,000 years. Saying "my vision is to be the cheapest producer," may be something we can find a little bit of inspiration from, but I think there is a lot more to be gained from saying, "how do we move ourselves as producers further into the value-added food chain"? That's where I think a brighter future is and I really think that we've just barely scratched the surface on what we can do there. So, that's my optimistic vision of the new frontier in agriculture.

Mr. Kilman: How big of a trend do think that's going to be? I was in North Dakota last year and visited with Northern Plains Premium Beef people as they were trying to start their organization, and it faltered, largely because of a blizzard came up and killed a lot of their cattle. They were strapped for cash and they couldn't raise a money for the initial investment that they needed.

Now they are trying again. You have already seen two of the corn milling cooperatives struggle financially and have to be bailed out to a degree by the large millers--Cargill and Archer Daniels Midland. So I guess that raises a question in my mind. There have been some successes but we've also seen already some pretty big failures. I know you're a proponent of this, so you're going to be optimistic, but realistically, how far is this going to spread, if you are looking 10 to 15 years down the line?

Mr. Carlson: I won't go into details, but those corn milling plants probably really weren't failures. Those were entrances into a highly concentrated business; they were very, very large structures. That Provo plant was a $256 million plant. Their arrangements, in the case of Minnesota Corn Processors, with ADM and Provo's with Cargill, shouldn't be viewed as a failure. Those farmers that still own that cooperative have made an agreement with the major companies to operate and market the product. They're still getting a return on their equity and they're still rather satisfied with it. It didn't turn out to be quite what they wanted, but they are somewhat satisfied. To get quickly to your other question--how big will the trend be--I do know that it is spreading out of the Northern Plains. Let me say that Northern Plains Premium Beef, a cooperative designed to slaughter beef and produce a premium beef product, is being reorganized and is in a capital drive stage to be a smaller, more high quality plant. We are just in the process in North Dakota, and our State Farmers Union is leading it, to develop backgrounding livestock feedlots in preparation for finishing lots and that plant, so that's being restructured. One of the most important things you need in a cooperative is a sound, dispassionate feasibility study and business plan. I think that the trend won't be like a prairie fire, which some people talked about for a while--coop fever. It has grown and it will grow. We see some new cooperatives. The National Farmers Union is in the process of organizing a cheese cooperative in Texas, a cheese cooperative in Wisconsin, some soybean cooperatives, small crushing cooperatives, and value-added soybean coops in some of the Midwest States. It'll grow as farmers realize that their economic futures need more stability. And farmers aren't stupid--they'll figure out a way to do that, and if they don't know about cooperatives, they'll learn about it.

Ms. Merrigan: Scott, could I jump in here for a second? I think it's also important as we look toward the new frontier of agriculture, to think about Government policies and about where our Government resources go. These new value-added cooperatives are a great opportunity for farmers to hold more of that food dollar at the farm level. I look at USDA's budget and I see only $1.7 million devoted to the cooperative grant program. This program facilitates the kind of feasibility studies that Bob's talking about and it is a program that farmers really need. We've got a $60 billion USDA budget and 100,000 USDA staffers. As we cross over into the new frontier, the question to me is whether we will have the courage to successfully shift resources to these cooperatives and help farmers out.

Mr. Kilman: And there are already some financial advantages, aren't there? I think when a cooperative raises stock, it's treated differently than if it is a publicly-traded company. I think there are some advantages in North Dakota where the State has a loan fund for those sorts of things.

What I wanted to ask both of you is, what's going to happen as world stockpiles rebuild and grain prices fall again? The last few years you've had the new farm program come in. Currently

the transition payments are still high, and you had relatively high grain prices, and the farm economy for most grain farmers has been pretty strong. In the next few years you are going to see two things happen--you'll see subsidies fall off and you'll probably, if we have a normal weather pattern, see stockpiles rebuild. How big of a shakeout do you think there's going to be among farmers as they cope with falling subsidies and falling grain prices?

Mr. Kruse: Well, I think these are certainly some of the unknowns as we try to see how the new farm bill is going to work. That's why I think it's so important that we do everything we can to promote trade and keep the doors of trade open. That truly is the future of where we are going. For example, we have to get fast track authority passed this year because it is vital that we continue to negotiate multilateral trade agreements. And, weather, Scott, as you just mentioned, and as Keith Collins and others mentioned this morning, is certainly a factor in this. I really believe that farmers basically like to plant based on market signals, not based on a government program, but I think that makes it so much more important to really get involved in risk management, to pound on the doors all over the world of free trade and make sure they are open and make sure we're using sound science to develop trade agreements and to resolve trade problems. Again, we've got a lot at stake here. We've got a lot to do, but I think we can come through this scenario and be stronger. You know, it seemed like every time we had a set-aside program, it encouraged other countries to step in and fill that void that we were leaving in the marketplace. I think we're heading in the right direction. I think that certainly doesn't say that there are not some concerns and it certainly doesn't say that there are not some issues that we have to resolve, and resolve in the right manner.

Mr. Kilman: But, while farmers have to become better managers and use crop insurance and hedge, it sounds like you are assuming that there's going to be some kind of contraction among farmers--farm numbers have been falling since the 30's, but do you see the farm contraction speeding up now because of the changes in the farm program?

Mr. Kruse: You mean number of farms?

Mr. Kilman: Right.

Mr. Kruse: I don't necessarily see that. I think we've been seeing the size of farms become larger over the last 50 years or more and we've seen there are fewer people involved in production agriculture today than there were 10 years, 20 years, and 30 years ago. I think that trend is going to continue. But, I don't see a dramatic shift of people leaving production agriculture and operations becoming dramatically larger. I don't think that because of this we're going to see a tremendous shift overnight.

Mr. Kilman: Mr. Carlson, Do you agree with that? Do you think there is going to be a faster contraction because of the end of the farm programs?

Mr. Carlson: Yes, I do. Certainly we've seen it in my wheat State of North Dakota and I think we'll see it throughout the Great Plains or the wheat areas. We've seen wheat prices drop at our elevators to $3 to $3.30 a bushel. That doesn't recover people's cost. You know, it's interesting to me, and I predicted this would happen with the new Freedom to Farm program, as did many

others, the payments that we got when prices were high were capitalized into land. Now, the only thing that a farmer really controls in his cost of production and in the price he receives for his product, the only thing he can really control is what he pays for land. I think we have land over-capitalized--both in terms of purchase prices lately in my State--I won't speak for Mr. Kruse's State--and certainly in cash rents, and I think this will be the year when people recognize that. We saw in our State a shrinkage by 2,000 people last year in what I call the mid-sized commercial farm category with incomes between $10,000 and $100,000 gross incomes. We've seen some large farms crash rather spectacularly lately, too. The lenders are worried in our State, especially where areas have been hurt by production losses due to some diseases in wheat.

You know, if I could make just a comment on the planting flexibility, in the last round of the debate leading up to farm program, there wasn't one viable alternative that proposed sticking with a supply management system. And even under the old farm bill, we could flex 40 percent of our acreage into other crops. I expect what we'll do--and in my State, everybody that I know of is trying to figure out what to grow other than wheat--we will grow a lot of oilseeds and we'll probably depress that market and we'll bounce around with more volatility. That's why I say there's more risk. What I think we need to do is unfreeze the loan rates that are frozen, I think, at too unrealistically a low level. I think we should bring back the farmer-owned reserve. Now, I know that isn't going to happen and some people will throw up their hands in horror, but we have a very large farmer-owned reserve right now. It isn't a program; it's something farmers are holding in their grain bins. I think we have some record quantities of wheat in farmers' grain bins, so I think we need to look at some ways to improve risk management for farmers. I think it's almost inevitable that land prices will decline.

Mr. Kilman: Do you think this is really the last farm bill or will there be some other type of income support program that will be brought in after 2002?

Mr. Kruse: The jury clearly is still out on that. As we get closer to 2002 and we evaluate this farm bill and where we go in the future, I think there will be a lot of debate, lots of discussion, lots of issues evaluated between now and then. I don't sense the will in the Congress and at this point, in the Country, among producers to go back to what we previously had. I suspect there may well be something beyond 2002, but at this point, I don't see going back to the type of farm bills that we've had in the past.

Mr. Kilman: Mr. Carlson, what do you think?

Mr. Carlson: Why, I don't think we'll go back to supply management-based farm bills. I don't think that we will maintain a decoupled payment like we have now, either. I would hope that we would maintain some sort of a loan rate and I hope that it would be a floating loan rate, based on the old Olympic average that we used to have. I would hope that we would have a better crop insurance system and with CRC, crop revenue coverage, we've moved a little bit in the direction of protecting people against both price and production disasters. But, if we're going to maintain a sound food system, we're going to have to look at some ways to provide a safety net to producers, either through a farm income support, like a better loan rate, or direct payments. I think direct payments are out of favor right now. They may come back sometime, but probably not in the rest of my farming career. But, if we're going to keep production up in this Country

and remain leaders in production, we're going to have to give farmers and their bankers an assurance that they're going to have the incomes to make the kind of investments in technology to be the continuing efficient producers that we are now, and we're not going to be able to do that in an extremely high risk environment with lower prices.

Mr. Kilman: Donna, your sector of the industry is the one that is probably going through the most tumultuous change right now--the rise of factory farms, the growing power of corporations and their interests, the rise of Murphy farms, Jack Dacosta's operation in Iowa, which I visited, Premium Standard Farms, also. IBP, I think, now contracts 40 percent of their hogs which is an enormous change in how they operated 40 years or even 10 years ago. How will small family hog farmers survive this trend and how will they change?

Ms. Reifschneider: Like all the other major agriculture sectors, the number of pork producers has declined over time and it seems that we cut that number in half every generation. Between 1950 and 1970, the number of pork producers dropped from 3.1 million to under 900,000. But during that same time, we had production increases from 79 million to 87 million hogs. And since then, the last 30 years, we have declined to about 140,000 producers and we're going to have a record 104 million head this year. Pork production has changed because it has been the most single most profitable industry of the traditional farm enterprises in the last 10 years. That fact, and the fact that the pork producers realize that we are in an information age has been the reason for the rapid rise of the larger pork operations. Pork production rewards attention to detail and information better than most any other segment of agriculture. One measure of efficiency, the amount of pork produced per breeding animal, has jumped from 1,300 pounds per head in 1964 to more than 2,500 pounds per head. But today, in many operations, instead of one operation being the site, of all phases of production, now many operations are the site of one phase--either farrowing, like our operation (we just changed over from a traditional farrow-to-finish operation to now just a farrowing operation, meaning we birth the pigs), or nurseries, or a third site, usually a finishing site. Separating these phases of production yields improvement in herd health, reduces input costs, and boosts growth efficiency. That increase in efficiency is what makes it cost-effective to have a breeding herd in North Carolina or Colorado and then ship those pigs to the Corn Belt where the corn is cheaper, and that's where the most of the slaughtering and processing plants are.

The other economic driver for larger or specialized operations is the consumer's demand for low fat, high quality pork. To produce that lean pork, we have to have specialized genetics which in turn requires specialized housing, feed, and management. This has been very effective and beneficial to consumers. These trends towards larger operations mean that about 70 percent of the hogs are produced by operations with more than 1,000 head-- about 12,000 producers. For perspective, about the same percentage of the nation's cattle, about 70 percent, are fed by less than 2,000 feeders and the consolidation figures in the poultry industry are more dramatic. The largest category of producers, 5,000 and larger, grew by about 80 people last year. The mid-sized category, 2,000 to 5,000 head, grew by 500 people. These are a lot of individuals and families who are making the jump from 300 sows to 600 sows who are starting to specialize into breeding herds, like my family, and taking advantages of the specialized facilities and some of those cost-effective means that are happening. These are the kinds of operations that make a viable career choice for the future. We've got a daughter that just came to the operation and we

look to bring another son when he graduates from college. These are the kinds of operations that will be viable long term.

Are there environmental and odor issues with these facilities? Yes, and producers of all sizes, not just large producers, need to look at the critical environmental control points on their own operation. Right now, State and Federal regulations already establish "no discharge" policy for the largest feeding operations. Our industry produces about 12 percent of all the animal manure in this Country and we as pork producers are committed to taking care of our share. We're applying the same information and technology approach to environmental management as we have in every other aspect of our industry. This is driving us toward a very efficient match-up of fertilizer nutrients with land resources. Any one who is a casual observer of our industry will recognize that policy discussion about changes in our industry often combine scientific and environmental concerns with social industry structure concerns and it is very important, I think, to realize that you can't solve one with the other. It's family operations like mine that will be hit the hardest by industry's social structure laws disguised as an environmental regulations. Believe it or not, our industry is highly mobile. Other countries want what we have because of our proven track record of profitability. Our challenge, really our new frontier in the pork industry, is keeping businesses like mine in the United States to provide a desirable value-added product in an environmentally-friendly way.

Mr. Kilman: So, your farm operation has specialized in just raising the pigs. Are you part of a network then, of other producers? Do your pigs all go to one other farm and move down through the chain?

Ms. Reifschneider: On our farm, we just farrow the pigs and they're segregated early-weaned pigs. So at 16 days of age, they go to two farms, actually, two producers who raise them.

Mr. Kilman: Is that how you think most typical hog farms are going to adjust--that they'll specialize in one area like that and network?

Ms. Reifschneider: We're seeing a lot of network coops going that way--either specializing in one end or the other and it seems to be working out well. The way we have it, it's a profit-sharing plan, so when we benefit from high prices, so do our finishers, or in these days, we all share in a little bit of the grief.

Mr. Kilman: You're from Illinois, so how long do you think it's going to be before Iowa no longer is the number one hog State? Its numbers have been falling pretty quickly--that's actually a political issue. Do you think that's going to happen?

Ms. Reifschneider: I know that there are a lot of issues going on in Iowa. There's a moratorium though in North Carolina that's limiting the growth there, so I don't see those numbers rising and that would be the number one state that would challenge Iowa, so I see Iowa still having their number one spot for quite some time. Although, those numbers are dropping also.

Mr. Kilman: I don't mean to be the "gloomy Gus," but what's going to happen with the number of hog farmers overall? If you look out 10 years from now, what do you think farmers that are your size now are going to look like?

Ms. Reifschneider: It's hard to predict what they'll look like in the future, but as farms get larger, you know we have to adapt to that. We've just made that jump in the last year to where we are happy. There's a lot of producers out there. I don't think there's one model that will just cover all the way that people raise pigs because I think we have a lot of good producers who are good managers, who know how to make money, who know how to raise pigs. I think they'll find niches--I think they'll find ways of being part of this industry and so although our numbers might decrease because of some economic issues, I still think there'll be a lot of good producers out there.

Mr. Kilman: So, Iowa's going to be number what--three or four--in 10 years?

Ms. Reifschneider: No, I wouldn't predict that. I think Iowa is going to come back to their agricultural base, realize that when they lose pork, they lose some advantages to their grain farming also and hopefully, some sense will return to some of the discussions.

Mr. Kilman: What is the solution to the hog manure situation? It's an awesome thing to be on a Premium Standard Farm operation and be surrounded by 150,000 sows, not counting their piglets. And, it's an awesome thing to be around Jack Dacosta's operations up in northwest Iowa--both of which I've been and it really is a big change for people living in the countryside. Hogs have always smelled bad--it's just a part of it. Farming is a dirty, hard business and that's just the way it is. But now it's becoming so much more concentrated. Several States are debating--actually at county levels now they're debating--how do we regulate hogs so that we can protect the quality of life for rural residents? Several States are coming up with different solutions. Several State chapters have different opinions within your organization. So, as the National President, what do you think is the solution?

Ms. Reifschneider: Well, I think if we have environmental issues and odor issues, we need to address them. In fact, at NPPC we've got several initiatives starting and going on right now to look at those problems. One initiative we have is a non-farm assessment. It's been a pilot project, but we're hoping to go Nationwide later this summer where we actually bring ag engineers and other professionals on to a farm and they do an audit or an assessment of that farm. They look at the buildings; they look at the structures; they look at ventilation; they look at air quality; they look at dead animal disposal; they look at the manure systems and the manure management plant and how that's being utilized. They give a report back to that individual producer on what kind of management improvements would improve their operation overall, but especially in the areas of odor and the environment. So, what we're saying is, we want to get right on those farms if they've got problems and straighten them out. I think we realize that we've got some problems out there and we want to be first to solve them. Another initiative we have going on is an odor initiative where we have said we will have an odor prize. We're looking for either products, technology, or management systems that would solve the odor problem. We think there are some solutions out there--maybe not in the traditional ag sectors that we've been looking at--but maybe by NASA. We've had over 200 entries come to this

competition. They're going to be evaluated this next year on the farm to see if they can reduce odor by 80 percent and hopefully, we can see some solutions to this.

Mr. Kilman: How concerned are you that the county-level movement throughout the Midwest is really going to disrupt hog farming--that you're going see operations either shut down or move out. How big of a factor is that?

Ms. Reifschneider: I think it's very much a factor. Society is deciding right now if we will have pork operations in the States and there is no guarantee that we'll keep these operations in these States. There are other parts of the world that are looking to take that over for us. As our industry right now is in a highly emotional state and as we have people in local communities who are upset about certain things, there are a lot of decisions being made that aren't based on science, but on emotion, and I do think that's a serious problem.

Mr. Kilman: I'm not picking on you--but what's interesting about this case is that farmers often times, when they are complaining about regulations being imposed on them, say society or big city people really don't understand farming. But, this case is somewhat unique because it is neighbors--people who already live out in the countryside--who go to the HyVee store or the Eagle store.

Ms. Reifschneider: Scott, many of them are farmers. Farmers have many faces in this Country. I just spent the weekend in a meeting of farmers from around the Country with a campaign for sustainable agriculture; and we're talking about laws at the State level; about corporate farming at the county level; about size of lagoons; we're talking about Senator Harkin's bill on livestock waste management; George Miller's bill on livestock waste management. Farmers have many faces. They're concerned about the loss of control; they're concerned about size issues. Freedom to Farm does not equal freedom to all. I just want to say that.

Mr. Kilman: To me, it is interesting that your situation is so difficult to solve because it is really neighbor against neighbor as opposed to a big city-rural battle. It's not something that Congress can really solve--it's something that has to be handled at the local level.

Ms. Reifschneider: Well, those issues will be discussed and debated in the future. But, what we're experiencing in the pork industry is rapid change. Probably too rapid for people to assimilate and some of that change really frightens neighbors more than the reality of what would happen. So, I think that the pace of agricultural change is part of those concerns.

Mr. Kilman: Kathleen, I wanted to ask you two questions. One is, if the Government is going to stay involved with agriculture through some type of income support, as an environmentalist, is there a role or method that you would like to see them use?

Ms. Merrigan: Despite Freedom to Farm, our government is involved in income support and not just through direct payments. But first, a moment on the issue of payment limitations. Everyone knows that agriculture is on two tracks -- an industrialized model and alternative farming, like organic. People seem to want to help the little guys but I keep hearing from Congress and USDA: "We can't figure out how to do payment limitations; farmers always find loopholes."

My response -- we can clone Dolly; we can send a man to the moon; but we can't figure out how to do payment limitations? Come on. There are many explicit and implicit Government policies that support Earl Butz' "Get Big or Get Out" proclamation issued some years ago.

When discussing income support, let's look at the research system. It's a new era, a new frontier, and we need research to help farmers in this transition time. Well, research for whom? Are we going to use our research to try to make operations grow really big or are we going to try to help some of the small operations--organic farmers for example. The Organic Farming Research Foundation did a report looking at the USDA-supported research--some 30,000 projects in the CRIS (Current Research Information) System. They found that less than 1/10 of 1 percent was research directly pertinent to organic farmers. So I'm saying it's not just about direct income support payments.

Prior to passage of Freedom to Farm, the Wallace Institute published a report that makes the case to turn income support payments into green payments. The conservation programs we have are in large measure disguised income support programs. We've had such battles here in town about reconfiguring the CRP, so that it really does go to areas where we have the most environmental harm. When you look at the map of the United States and you look at a composite environmental benefits or harm index, such as that used in the Wallace Institute report, you see that the greatest harm from agriculture is occurring around the coastal areas. But our CRP is going right in the center of the Country. We've debated this problem in the farm bill and the debate is raging right now. The bulk of EQIP, the new consolidated conservation program in the Freedom to Farm bill, is going to Texas. These are not entirely apolitical, neutral income support or environmental support programs. We really need to decide in this new frontier, are we going to have real environmental support. Are we going to have at least size-neutral programs? Are we going to support small farmers? In the Secretary's new small farms report, *A Time To Act* , going to become reality? If we are going to continue income support payments, will they be better targeted to the environment and to small farms?

Mr. Kilman: Mr. Carlson? Mr. Kruse? Do you think the environment should be included in deciding how payments are made to farmers or some kind of support down the road? How?

Mr. Carlson: In terms of green payments, really the Freedom to Farm payments, the transition payments are in many ways green payments. To get them you have to follow the various conservation guidelines, the wetlands protection and all those things, so in some ways, they are green payments. I think that Ms. Merrigan talked about targeting or limiting payments. Certainly we had a proposal--the minority party proposal of the Senate Ag Committee provided for a targeted or a limited marketing loan. We think that was a good idea. If I could just comment on what she said about research: You know, it's ironic, and this brings me back to cooperatives. We spend public money doing research in agriculture and yet, the benefits of the research go to a relatively small group of investors in private companies who would develop a product based on that research and then market it to farmers or consumers. That, I think, is a big, big, opportunity again for cooperatives, and you know, I probably didn't mention it before, developing some of those brand new ideas like making vitamin E out of soybean oil. There are, I think, literally thousands of things we can do. With the return on farm equity of 2 percent, you

wonder why we farm. With the return on food processing or value-added companies at 14 percent you see why farmers are beginning to look at cooperatives.

Ms. Merrigan: Let me say Scott, there is little support in the American public for income payments for farmers. One ray of hope is the Dairy Compact. Ah! I've now captured the attention of the dairy guys in the audience: We were told this panel was to be run like the McLaughlin Group and, true to form, I'm taking on the role of Eleanor Clift! Anyhow, back to the Dairy Compact. The Compact is a ray of hope because people in New England have said, "We really do want to pay a higher price for milk so that we can support the small dairy farms on our landscape." However, There seems to be a reservoir of good on feeling for farmers. Perhaps its part of the romantic legacy, agrarian democracy, and all that sort of stuff, but its there and people want to support small and moderate-sized farms. And I believe there is a connection in the American public's mind about the potential environmental amenities that farmers can provide and the environmental harm they can cause. If you pollute your water, it goes down the Mississippi and you have problems in the Gulf. People are starting to make the connections and, perhaps, are willing to pay farmers for those environmental amenities on their farms. But, if the face of agriculture is predominantly big guys, big confinement facilities, and the like, I don't know what kind of future USDA has let alone income payments.

Mr. Kilman: You are one of the principal authors and thinkers on the organic standards that USDA is considering now and there's been such a big backlash against what the USDA proposed that they've had to extend the comment period. What do you object to in the USDA standards and how do you think it's finally going to wash out?

Ms. Merrigan: The comment deadline is April 30 and there's probably between 12,000 and 15,000 comments registered so far. I expect that we'll hit at least 30,000. Most of the comments have to do with USDA's potential allowance of bio-solids, irradiation, and genetic engineering. My primary objection, though, concerns control issues between USDA and the industry. When we wrote this law in 1990, the concept was that it would be a public-private partnership with shared authority between the environmental, consumer, and organic farming industries and USDA in the setting of standards. Perhaps it was devolution before its time, perhaps I was working on a Democratic staff but had some crazy Republican ideas! Unfortunately, however, the Proposed Rules usurp the authority granted to the National Organic Standards Board to determine standards in consultation with this variety of communities. This is what is at the heart of all the comments USDA is receiving.

Mr. Kilman: In particular, what is objectionable about have genetically-engineered crops be considered organic? That seems to be a real hot button in this case--is that more of a perception question or emotional question as opposed to being really grounded in science?

Ms. Merrigan: Well, I think if you were a wheat producer and your markets were threatened--I don't know if you would call that an economic problem or an emotional problem--but the fact of the matter is that there are 10,000 organic farmers in this Country. It's one of the few areas of growth in American agriculture and their customers right now do not want genetic engineering in the food. Now the industry has said and the National Organic Standards Board has said that there has not been an application of genetic engineering at this time that has been presented for

approval that we find acceptable, but no one has closed the door down the road into the future. But at this time, people don't want it and it's ironic that the one area of real growth in agriculture right now the USDA may undermine by allowing it in a proposed rule that nobody wants.

Mr. Kilman: Now, Claus, I wanted to ask you, because in Europe you folks have taken a somewhat different perspective from some other food companies or food executives that I know. It seems you're in favor of having an organic category that would not have genetically-modified organisms in it. Is that right?

Mr. Conzelmann: Well, the situation is a bit more complex, in fact, because originally, coming from scientific assessment, we said, "Why should these genetically-improved crops not be allowed in organic agriculture--especially if they could really save a lot of pesticides, which is the goal of organic agriculture"? But, then over the years, the discussion evolved and especially in Europe--I don't really know the situation so well in this Country. In Europe there are some who I would describe as more political organic farmers who wouldn't want the whole area of technology in food production, even though it could really provide some clear environmental benefits. And in Europe, the question is very much one of choice, of free choice. The feeling is that those consumers who do not want to consume any genetically-improved food, should be given the choice. So, we evolved our position a bit there and we're in discussion at the moment with the organic farming institutes in Europe to kind of strike a compromise--not to close the door forever, as you said. But because I see that biotechnology can bring substantial benefits for the environment, I wouldn't really want to close the door forever, but perhaps for a couple of years or so, until in Europe the consumer also becomes more familiar with the subject of biotechnology.

Ms. Merrigan: It is important to be clear on one thing in the Proposed Rules that the organic industry and USDA agree on: It's not that organic is safer or that genetic engineering is unsafe. Rather, organic is a production claim. It is about methods that are used to bring a product to the table which consumers want. This is a market-based standard and this is an industry that has come for help because they need a national standard. They expect industry norms to be respected. If industry norms aren't reflected in the Final rule, there is a possibility that this program could decimate the industry its designed to help.

Mr. Kruse: Scott, I think this is a perfect example of the need to use sound science in evaluating what we're talking about here, and I think it's somewhat ironic that for example in this Country, many of the most vocal opponents of genetically-altered crops are the same people who are the most vocal in opposing practically any kind of pesticide. And, yet, much of the work that has been done to this point provides an ability for a producer to grow crops with less use of pesticides by using a genetically-altered crop. It's almost as if people want it both ways and again I just think there needs to be a really objective look taken from the standpoint of sound science and we should not let emotion rule the day. I would quickly go back to a point that Donna made, and I think she's exactly right. We are making decisions so many times today in agriculture based on emotion, not on the sound science of an issue. I think we as producers are very willing, in fact anxious, to have decisions made based on sound science, but the whole issue of the emotional side of this can sometimes cause us to land on a spot that some day we may look back from and wonder what we have done to ourselves.

Mr. Kilman: I cover Monsanto and believe me, Monsanto didn't invent Round Up Ready soybeans so farmers would use less Round Up or herbicide chemicals. Maybe farmers overall will use less herbicide, but they're going to use more of Monsanto's Round Up.

Ms. Merrigan: And that allows Monsanto to essentially extend the patent-life on Round Up.

Mr. Kruse: I think Round Up Ready soybeans, for example, is a situation where farmers can use products that have been proven to be very very safe and environmentally positive and in some cases, the crops that we have developed today literally do provide resistance and tolerance to insects, so therefore there's less need for insecticides to be used. So, I think it's a combination of the two.

Mr. Carlson: Scott, I will give you a concrete example of how I think the new organic standards that USDA has proposed are in violation of the concept that producers should provide what consumers want to purchase. Our bison cooperative slaughters quite a number of bison each year. There are only 200,000 head in all of North America, so the product is limited. But, we export the highest value cuts to Belgium and we truck it from North Dakota to Chicago and then fly it to Belgium. And, we've always maintained a standard and we have a slaughter plant that has been inspected and meets the European slaughter standards, which are very high and extremely sanitary. We've always marketed that bison as hormone free because that's what the consumer wants. Not only in this Country in the restaurants where they're paying $12 for a bison steak, but overseas where they are paying maybe $20 and it's very lucrative for us. But, we market it as hormone free. Under these new organic standards, we're going to be forbidden from labeling this as a hormone-free product. Now, I think that we should be science based, too. I eat hormone beef and I eat genetically engineered crops--it doesn't particularly bother me. But if the consumer wants something else, why should we be discouraged from providing it? That doesn't make sense.

Mr. Kilman: I lost you--why couldn't you label it as hormone free under the proposed organic rule?

Mr. Carlson: Well, that would be the case under the USDA's proposed rules for organic products. You can't label hormone free.

Ms. Merrigan: There is a section in the Proposed Rules about labels that directly or indirectly imply a product is organic. Some of the labels discussed in this section are things like, "Ecologically Produced," "Sustainably Harvested," "Humanely Raised," "Hormone and Antibiotic Free," "Pesticide Free," and so forth. We look upon this as a potentially broad scale attack on eco-labeling experiments that are taking place at the local and State levels.

Mr. Kilman: Carrol, you've been quiet, so I'm going to ask you...

Mr. Bolen: The biotechnology industry in general and seed companies in particular have believed that we should follow this science based principle. As was stated earlier by some of the USDA officials, we believe very strongly in the position that you've got to talk about substantial equivalents and if something is substantially equivalent to something else, even though it's

developed through biotechnology, you should not have to consider it different. We believe those kinds of factors have to be taken into account. As I look specifically at organic customers, and I've been in the business of providing some products to organic customers, the principal reason for them buying, in my opinion, is their concern about health and safety of non-organic products. I would just suggest to the organic industry that we need to think more long term, where is this really going to go, and is biotechnology going to be able to deliver products that are substantially better for health and nutrition? If we take a position today that organic products cannot be developed through genetic engineering, we're going to be denying those customers of one of the very things that they're buying organic products for. Now, I agree that the organic producers have a right to be concerned somewhat right now while this technology is being understood, but I think that's a timing issue and I think as we look 3 to 5 years out, most of this is going to be behind us. And, if I were an organic producer, by that time I would want to be able to be growing transgenic products that could be certified as organic. So, I think we have to be careful about taking a position today that will hurt the organic growers and the consumers 3 to 5 years out.

Mr. Kilman: I want to talk about biotechnology, but I want to shift a little bit, Carrol. How do you think biotechnology is going to change the way farmers actually operate, beyond the fact that they're planting different kinds of seeds now such as Round Up Ready soybeans. Your company in conjunction with DuPont has a strategic plan of coordinating the growing of these crops for customer food companies. I think once you folks were saying that in not many years you hope to contract for the growth of 10 million acres of crops with output traits such as "high lysine corn" or "high mythionine."

Mr. Bolen: That's correct, Scott. The first generation of products that have grown so quickly are what we call "input traits" that either add to productivity or cut the cost of production. The second wave of ag biotechnology is going to be the "quality traits," or the "end user traits." I really believe that the greatest opportunity is on the output side, and that is where we are going to change the grains themselves to make them better suited for what they are used for. That's for food, for feed, for industrial purposes, and yes, we will make them more environmentally friendly. Secretary Glickman gave one example of that this morning when he talked about the low phytic acid corn that will cut the phosphorus in manure by some 40 percent. There are lots of products like that being worked on. Most of corn and soybeans are used as a feed crop, so many companies, including ourselves, are concentrating on how you make corn and soybeans better feed--a better balance of amino acids, for example--so that you don't have to supplement with as much amino acids or protein meal. As a side benefit, if you can give a better balance of amino acids, you will have less nitrogen in the manure. So not only do we have what Secretary Glickman was talking about this morning in terms of lower phosphorus in the manure, but you can have also lower nitrogen and these are the two major contaminants in our ground water caused by agriculture.

On the health side, as we look as soybeans, you can produce healthier soybean products at the same time producing a higher valued meal for the livestock industry. We have on the market place today low-saturate soybean oil, and we're just starting to market high oleic soybeans, both through our joint venture with Dupont Optimum Quality Grains LLC. Both of these have lower

saturated fat contents. They're healthier products. All of these are going to require an identity-preserved system for delivery to the marketplace.

We've heard a number of comments here this morning about what we can do to support smaller farmers and not just continue to drive everything larger. I think biotechnology provides a great opportunity to do exactly what Robert here said about providing the foundation for a lot of these cooperatives--value-added cooperatives. They can take the products coming out of biotechnology, put them in a combination of small farmers, or larger farmers, or however they want to do. I happened to serve on Secretary Glickman's Small Farms Commission, and I heard lots of testimony about what USDA needs to do and how the small farmer has been discriminated against. One of the greatest things that I think can happen to them is the use of biotechnology production of value-added products that can be marketed through cooperatives. But, it will take a much more integrated system and we all need to understand that. Some people are opposed to the vertically integrated systems but really to capture the value and deliver it on to the consumer--to deliver them the products that they really want--it is going to take a more integrated system than what we have today and cooperatives can help to do that.

Mr. Kilman: Europe has taken a different position on genetically-modified organisms in food. In the United States, a food company is not required to label their food as having GMO's in it--indeed it's even hard for a food company to label a product saying it doesn't have GMO's in it. Europe is moving toward the labeling of food for that presence, and indeed, Nestle was one of the first, if not the first, company that do that broadly. Why did Nestle decide to label genetically modified organisms and why do you think it's a good idea?

Mr. Conzelmann: From the food industry's perspective, it is a big problem that the first generation of crops were typically the agricultural input traits and not the quality output traits that really give a better product for the consumer. We had a great deal of difficulty explaining to European consumers why they should now accept genetically modified crops or ingredients from modified crops grown by U.S. agriculture, because, really, the advantages were and still are very much confined to this Country where we have just seen how impressive an acreage is already growing. That really led to some resistance. People said, "Well, we can't really stop it." These really huge quantities have taken on such momentum, so that the consumers said, "At least we want the right to choose." And, of course, we were also coming in the 1980's from a science-based approach saying there is absolutely no scientific or safety reason for specifically labeling these products. In fact, we defined our own corporate policies 3 years before the FDA essentially came up with the same kind of arguments. But, then we realized in Europe, that also due to a lack of communication, those on the side of the biotech companies and also the food companies that we simply didn't get the message across to fight off this kind of labeling issue. It was a bit like passing the buck. The U. S. biotech and seed companies thought, "We are selling to the U.S. farmer; why should we invest in public communication and information program for European consumers? We don't really sell to them." We in the food industry in Europe said, "We don't have any direct competitive advantages--as a food industry, or as a food company, so why should we spend our well-earned money in order really to make publicity for the U.S. biotech companies"? This way, the buck was passed too long. It is now starting to change because everyone has realized that we are all sitting in the same boat. Our food industry can't make any products without ingredients, without raw materials. We saw that labeling issues

would become inevitable, which was about 18 months ago, and it is now mandatory since first of November of last year. Rather than trying to be defensive, we said, "These products have so many advantages. Let's try to turn it around and make a virtue out of necessity and communicate all the positive aspects of these products, especially positive environmental aspects, leaving the choice to the consumers. We've seen not only our company but also all the other companies, like Unilever, and others like Zenica and Calgene in this country who have labeled products, didn't suffer any negative sales impact. I think it's much over-estimated.

Mr. Kilman: So, you haven't seen any fallout?

Mr. Conzelmann: Certainly not with consumers, because we really see the biotech label as the seal of quality. The biggest problem is in some European countries, particularly in Austria and Switzerland, which happen to be the countries worldwide with the highest percentages of organic agriculture. In fact, on average in Europe, I think, less than 1 percent of the food is organically produced, whereas in Switzerland and Austria it is about 7 to 8 percent. These countries tend to be much more conscious of these kinds of issues. Switzerland also has a direct democracy. There will be a vote, in fact, a popular referendum, on whether or not to allow biotechnology in Switzerland. So, we have totally different kind of stakes there.

Mr. Kilman: I want to make sure I understand one thing. If genetically engineered organisms are banned from organic food, do you think that will close the door on some important uses for biotechnology down the road?

Mr. Conzelmann: Well, certainly not close the door because, as I said, organic agriculture in Europe averages about 1 percent of products grown. So, we would rather bet on the other 99 percent of the market and say that these products really are improved with this new technology. They give a better product--more environmentally sustainable--and also requiring less pesticides. Another reason for doing that is that we hope that a second generation of products will soon come to the market which we would hope to develop in very close cooperation with companies like Pioneer. These products would have perceptible and tangible consumer benefits like more nutritional value.

Mr. Kilman: So, would you recommend that U.S. companies label their foods? Do you think that would be a wise marketing strategy?

Mr. Conzelmann: Food is, even more than other products, very much culturally dependent. For example, for our key product, Nescafe, we sell about 100 different types. The one we sell in Germany is different from the one in France and definitely different from the one we sell in this Country. So, there are marketing strategies. If the consumer wants labeling, then we consider it. But so far, in this Country, we don't really feel a big consumer demand for labeling. I think Nestle USA has had not even a dozen requests for further information on which products are genetically modified or not.

Mr. Kilman: Are there any questions from the audience?

Question: I have a question for the panel. I think everyone on the panel has said the phrase "sound science" and I wanted someone to define "sound science"--when often times scientific studies are paid for by the interest groups on whichever side of the spectrum and if the consumer is really the first step on the food chain, should the consumer know who is paying for scientific studies that are the basis of decisions about the food supply?

Mr. Bolen: Let me say, first of all, that I compliment our Government for what I think is the proper balance between protecting the consumers' interest and not over-regulating the technology. Having said that, to deliver products to the marketplace, we must go through USDA, EPA, and FDA. All of those organizations define what needs to happen to get products approved. I can assure you that there is a very tough regulatory process in place. If you're modifying a protein, then the Government is going to require you to run certain types of tests--feeding trials, or whatever--before you get your product approved. It varies depending on the type of product, but it is all based upon that general category of sound science as defined by our Government.

Ms. Merrigan: Let me just say that the Wallace Institute, and Kathleen Merrigan, for what it's worth, are very excited about the promise of biotechnology. We're not against it at all but we want to raise tough questions and your question about "sound science", I think, is an important one. In a time of dwindling research budgets which we've heard some about already today, our land grant university system and other research universities are becoming more dependent on industry financing for their programs, which is problematic. Let me relate to you an experience I had when I worked on the Senate Agriculture Committee for then-Chairman Patrick Leahy and bovine somatotropin, as you might recall, was a bit of an issue. When we were trying to find experts to help GAO evaluate problems of antibiotic residues in milk and bovine somatotropin, we found it almost impossible to find someone in the university system that hadn't, sometime in their career, been on the industry payroll. That presented a very big public acceptance problem in terms of "sound science" and fair or not, in terms of the credibility of that source. So, not only do we need more money in our research institutions, but we really need to set up some fire walls between public-based and private-based research.

Mr. Conzelmann: Another very important issue here is international: who actually defines "sound science." If FDA, USDA, and EPA say it is safe, must this product automatically be accepted by the rest of the world? We especially have the problem at the moment in Europe that the regulatory system is lagging behind the main producing country--the United States. Not only agricultural products, but even finished food products we produce here with U.S. grown corn, cannot be sold at the moment for example in the European Union and in some other parts of the world, simply because the different regulatory systems are not harmonized. Therefore, I would like to propose the need to reflect on a mechanism which really defines "sound science" and which evaluates these products once globally. This could be done, for example, under the umbrella of the World Trade Organization together with the World Health Organization and the Food and Agriculture Organization, as it's already done in others areas like food additives. Once a product would be cleared as safe by this internationally very balanced panel, there shouldn't be any trade barriers to import it world-wide.

Ms. Reifschneider: I find it very odd that a lot of people ask the questions of industry saying you have this problem, you have this concern, solve it. Then we go to researchers and fund their

research. There are limited researchers in this country who can solve certain specific scientific problems and we question their reputation and their scientific results. Although I do think the science debate is very healthy and should continue, and we should have multiple sources when we try to solve the science issue, we are the ones who are trying to come forward and say these are the issues that are important to agriculture. Please help us solve this for the greater good.

Mr. Kruse: I think it's very unfortunate today that some folks, anyway, immediately tag anyone involved with industry or anyone who has ever been involved with industry, as somehow being totally disingenuous, totally dishonest, and as having an agenda. Granted, there are those out there that may well be that way, but I think it's not doing us, as a society, any favor whatsoever to do that. I think it's just as wrong for the other side of this issue for people to stand up and speak authoritatively on something based on emotion, rather than on any expertise they may have. The whole issue of GMO's that we spent quite a bit of time talking about this morning is a perfect example. Norman Borlaug, for example, mentioned this morning, is one of the premier plant breeders in the world. I dare say you could get a group of the most distinguished blue ribbon panel of plant breeders together and they would very quickly say that there is no difference in what we're doing biotechnologically today and what we have done traditionally in plant breeding for years and years. And yet, we have this big argument going on that I think does a great disservice to all of us in agriculture. That's to me one example among many, when we talk about using "sound science."

Question: I've heard so much about emotion and I'd just like to remind everybody on the panel something that most people in the room know. Most people who are farming are farming very much because of emotion. I think emotion is fine and I would say let's get comfortable with it. I would also say to Ms. Reifschneider, and I think I have this quoted correctly, her saying "It's family operations like mine that will be hit by industry social structure laws that are disguised as environmental regulations." Now, I don't blame you, Ma'am, for being upset about some confusion about the motives for these things and yes, it's wrong to disguise social structure laws as environmental regulations, but I contend that you really would be well-advised to examine why there are concerns about social structure among both farmers and consumers. I'm dismayed that we're not hearing more from consumers about their concern for family farmers. But, I'll tell you something else--I think we're very soon going to learn a lot more about consumers' preference for family farm agriculture. Those folks who have chosen a very high tech, very industrial based agriculture, I really think you're heading on a path that may be much shorter than most of you think. My name is Don Deichman and yes, I'm running for office. I'm running for Congress in the Democratic Primary in Montgomery County, Maryland, if anybody wants to talk to me.

Ms. Reifschneider: If I could respond--I appreciate your comments and I know there's quite a debate in Congress and in different States about these emotional issues. When we're talking about social structure issues disguised as environmental regulations, I think one that I can talk about is in South Dakota. In some areas, they have 4-mile setbacks for hog operations. That certainly is very exclusive when you have those kinds of setbacks and makes it very difficult for operations like mine or other operations to be part of this industry. And, when we have rules and regulations based on those kinds of ordinances to exclude the pork industry, rather to include the industry, they're meant for a certain group of producers or certain size of producers, but's

uncanny how those rules and regulations seem to filter down and affect the middle or the smaller producer. So, although you try to protect a size, overall you in fact, you do a disservice to the smaller sizes. But, I appreciate your comments.

Question: This question should begin with Mr. Conzelmann. If biotechnology proceeds at its current rapid pace, and let's assume 5 to 10 years hence, we find that in Europe you have 98 percent of your foods containing GMO's and every food has on its label, "Contains GMO," what real advantage then do you have by having everything label GMO?

Mr. Conzelmann: That's an issue we debated very long. The problem is to get from the point where no GMO products are on the market to a point where everything is GMO. And, in order to facilitate this market introduction we concluded that we just had to reassure the public that a company like ours, with all our positive image, would respond to their concerns. But, I'm absolutely convinced that the same consumer organizations that are today asking for these labels, in 3 to 5 years at the latest, will tell us, "Stop the nonsense because it's on every product." That's the approach we're taking to make the consumer familiar with a product, and in this Country, it was done on a voluntary basis with the Flavor Saver Tomato. Then once consumers became familiar, then they accepted it and in 5 years they will probably accept it without a label.

Ms. Merrigan: At this end of the table, we're actually saying the same thing and it is that age-old adage, "The customer is always right." If consumers want to know and there are market reasons for letting them know, then they have a right to know. If and when we get to the time when people no longer care for that label, there'll be no reason to have that label. But right now, people want to know and I think it is unfair not to give them the information they demand.