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REMARKS

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SECRETARY OF AGRICULTURE

INTRODUCTION

Last year was an agriculture secretary's dream -- record farm incomes, record exports, strong prices, generous farm payments. This year things are generally good, but there are a few bumps in the road. Mother Nature hit us below the belt with El Nino, and faltering Asian economies have tripped up racing U.S. farm exports a bit. But U.S. agriculture remains on top of the world.

I know that it's traditional for me to stand here and rattle off a laundry list of priorities that together purportedly cause rainbows to vault from rural town to rural town. But that's not really government's role in the new American agriculture. Our farmers and ranchers are phenomenally competitive. Our job is to help keep them on a successful course.

Clearly, national economic trends of the past five years are a great reason for agriculture's success -- the President's economic plan has given us a strong economy with low interest rates and high employment. All of this helps farmers.

I'd like to talk briefly about just two issues today -- trade and research. My comments have little bearing on the price of corn tomorrow, or poultry next week, or milk next month. But they have everything to do with the future strength and competitiveness of American agriculture -- small farmer, agribusiness executive, soybean grower, cattleman, and everybody else involved.

Trade and research may seem quite different, but they are united in their importance to agriculture, and the degree of difficulty of conveying that importance to the general public.

TRADE

Most of us who are heavily involved with the economics of agriculture have a fairly easy time doing the math on trade: U.S. farmers and ranchers produce far more than our people could ever consume. Without world markets, the U.S. farm economy goes in the tank. And, as we phase down commodity payments, and they are no longer tied to the amount of production, we need to pick up the difference in foreign sales. The more aggressive we are in expanding our exports, the more we grow our farm economy here at home.

That's the straightforward macroeconomic argument, and it's a grand success story. U.S. agriculture is one of the few sectors of our economy with a huge trade surplus. Yet, we tend to hear more from the minority who are pinched by trade, than the majority who benefit in less tangible ways -- say stronger prices, when it's not so clear how much of that is due to exports.

Now, we're getting a bit of a lesson in the link between exports and farm incomes. I have a revised export forecast: We now expect the United States to sell $56 billion in food and fiber this year -- 2% off our numbers for last year -- $2.5 billion off of our record high in 1996. The bulk of that dip, obviously, is due to the economic situation in Asia, with some impact from a strong corn and soybean crop in Argentina.

There are lessons here: we shouldn't put all of our eggs in one basket. We need to compete in markets around the world. But more broadly than that: we cannot hide from the global economy. What happens halfway around the world has consequences here at home.

We have a huge stake in global economic stability. That's why support for the International Monetary Fund is so important. Their job is to stamp out serious national and regional fiscal crises to prevent a global contagion. And, by and large, they do a good job.

The main reason we haven't lost more exports to Asia is because USDA extended $2.1 billion in export credit guarantees. These guarantees, which depend on credit-worthiness, would not have been possible if the IMF had not stepped forward to help stabilize these economies and pushed countries toward serious financial reforms, greater market transparency, freer markets, and an end to cronyism. Without these IMF actions, another $2 billion in agricultural exports would have been at great risk in the short-term and far larger amounts in the long-term. Our team, lead by Gus Schumacher and Lon Hatamiya has done an outstanding job aggressively using our authorities under GSM, and I want to make clear that we will continue to do so.

I want to thank Senator Lugar for his leadership in Congress on this issue. And, I should add that supporting the IMF has no impact on President Clinton's balanced budget effort. These are loan guarantees, backed up by collateral, and U.S. taxpayers have never lost a dime we paid into the IMF in 40 years.

In the bigger picture, the United States will soon be headed into another round of World Trade Organization talks. I know there's a lot of speculation as to how we're going to approach this next round. Let me assure you that this Administration has no intention of being a shrinking violet on trade. We have another year until countries sit down and lay out their objectives. But our position is clear: We will seek substantial improvements in the trading environment for U.S. farm products. We want major cuts if not the outright removal of all barriers to U.S. farm exports -- both obvious hurdles, like tariffs, tariff rate quotas and subsidies, and the more creative barriers, like bogus regulatory red tape and phony sanitary and phytosanitary measures. We will seek greater transparency and discipline over countries that hide protectionism behind science that is not as good as it should be. We will not let new barriers replace the old ones and impede genuine progress.

Many of you also probably know that we're looking at a situation where the last series of tariff and subsidy cuts under the Uruguay Round may finish well ahead of the next round of agreements. We need to find a way to bridge that time gap, and maintain the momentum of global trade liberalization. This Administration will be looking closely at our options and talking to folks in industry, and on the Hill, to find a way to ensure that there is no pause in our progress.

This way, we can carry on general liberalization that has already been heavily negotiated, and has proven relatively painless for all countries, and focus our energies on new issues -- from State Trading Enterprises to phony science. This seems to me the way to go on this. We could move forward with what we're already doing, while we talk through new areas.

RESEARCH

Of course, trade wouldn't be nearly so critical an issue if it weren't for the phenomenal productivity of our farmers and ranchers. Throughout agriculture's history, the advances of science and technology have enabled us to stay well ahead of world food demand. With global incomes and populations growing fast, that's something it's imperative we continue.

I have a report I'd like to share with all of you, 'U.S. Agricultural Growth and Productivity: An Economywide Perspective.' It's available at the back of the room. I hope one winds up on your nightstand soon. This is the first government report to quantify the contribution of publicly funded research to the brisk pace of growth in U.S. agricultural productivity. What our team found was -- from World War II on into the 1990s -- public investment in agricultural research has been responsible for three quarters of all growth in U.S. agricultural productivity.

In addition to the increases in profitability these investments have given farmers, the report also says that consumers get a big return on their investment in the form of lower food costs. As farmers produce more, often at less expense, prices come down, and consumers spend less of their dollar on food. Less, in fact, than any other country in the world.

That's the good news. The not-so-good news is that funding for agricultural research has stagnated since the 1970s. My budget folks at USDA say that since 1985, research funding, in real terms, has declined by 15%. The potential consequences of this slow leak extend far beyond economics.

In his State of the Union, President Clinton called for the largest funding increases in history for the National Cancer

Institute, the National Science Foundation and the National Institutes of Health. He made a powerful case by talking about the possibility of cures for cancer, for heart disease, for AIDS, and for other diseases. That was the biggest applause line he got -- for increased health research. Why? Because every Member of Congress understands and is aware of its benefit to the American people and the world. And, virtually every member of the American public understands it as well.

What we do in our agricultural labs is equally capable of revolutionizing life. After all, we should not forget that the explosive debate over human cloning started with a single sheep. And yet, except for people in production agriculture or the agricultural research community, the message and the context of this research remains an abstract mystery to most Americans. That is a prescription for the downsizing of agricultural research and productivity. And, it doesn't have to be that way. U.S. agricultural research has some amazing stories to tell:

In 1942, someone brought a rotten cantaloupe into a USDA researcher in Peoria, Illinois, who -- his title was -- an 'expert on the nutrition of molds.' Today, his portrait hangs alongside Thomas Edison's and the Wright Brothers' in the Inventors Hall of Fame. The name Dr. Edward Moyer may not be as familiar as Alexander Fleming, who discovered penicillin. But it was Moyer who unlocked the mystery of how to mass produce it -- giving the world a miracle cure for common infections just in time to save many allied soldiers wounded on D-Day.

In 1945, a USDA agronomist who was part of General MacArthur's occupation force in Japan spotted a hearty, short strain of wheat that he did not recognize. He brought some seeds home, took them to a USDA lab in Pullman, Washington. They did some more work, then sent their research and the seeds along to CIMMYT, the international wheat research center in Mexico. The eventual result? Norin 10, the gene that launched the green revolution, enabling countries like India and Pakistan to increase their wheat harvests by 60%. At CIMMYT today, there's a shrine to Norin 10 with this inscription on the wall: 'a single gene has saved 100 million lives.'

No hospital in the world can make that same claim.

Today, we are still racing for ways to feed more people without wrecking the environment; to produce safer and more nutritious food; to change and improve our world.

-- We are building a catalog of every gene in our food, so we have a menu that let's us select disease- and pest-resisting qualities, nutrition, and other factors -- to create new varieties that allow us to produce more food, in harsher climates, with less pesticides and more nutrition.

-- Just last week, I announced a new variety of corn that, when fed to pigs and chickens -- well, plainly put means almost 50% less phosphorus comes out the other end. This is a huge, clean-water event ... one that's good for farmers, too, because they get to spend less on dietary supplements because the phosphorus in this corn is more readily absorbed by the animals.

-- We have space satellites tracking bugs in our fields, telling us just how much pesticides we need and where, doing right by the environment and by farmers' pocketbooks, saving millions of dollars in unnecessary chemical use.

-- We're adapting Gulf War scanners that identify nerve gas in the air to help us quickly spot hidden pathogens in our food, like E. coli and salmonella.

These are priorities the public passionately cares about. Yet most folks haven't the faintest clue that these efforts have anything to do with agricultural research.

We have only ourselves to blame for that. We talk about plant stress, and people assume we're piping Muzak into greenhouses. We need to talk instead about new super-crops that can grow in arid places like subsaharan Africa, revolutionizing the world war on hunger.

Instead, when we debate research, too often it devolves into intramural scuffles, such as which university gets how much money, from an increasingly more limited pot of money. I can say this because as a former Member of Congress from Kansas, I used to fight for money for my state schools, and I can't tell you whether every dime I

fought for was critical to national agricultural priorities. Privately, many university leaders share this same concern with me. We need to ask: what are our priorities? How much should we invest in each area? How do we make these investments relevant and understandable to all Americans? How do we communicate the message of what we are doing so people understand why this is important to them?

Unless we do this, the public will not understand the importance of agricultural research, and we will not get adequate funds to continue pushing the frontiers of our knowledge, keeping up the stunning, necessary pace of agriculture's growth. No one feels more strongly about this than Senator Lugar, who has made a career out of promoting agricultural research. We need to work closely with him on this issue, along with other leaders in government, at the universities, in production agriculture, in the anti-hunger, environmental and nutrition communities, as well. We must make agricultural research a top national priority. Quite frankly, we need to increase our investment in these areas. But we will only do so in the long-term if we can get that applause from the American people.

CONCLUSION

You will hear plenty of information about the challenges and opportunities we face in the year ahead. That's why I chose to take my time to give a longer perspective. We in agriculture are making critical decisions not just about the future of farming, but the future of our world. If we are smart about our choices, we can make a major contribution to a peaceful, stable, healthy and sustainable world, and by doing so, secure American agriculture's continuing success. I want to thank you for the contributions you make, and urge you to use this forum to share ideas on how we can work together to ensure the future progress and success of American agriculture and world food production.

Thank you.

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