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Guest Editorial

The Farm of the Future: Business

by Randy Allen

The following is a transcript of a presentation made July 8 by Randy Allen to the USDA and USTR Public Listening Sessions on WTO Negotiations at the Texas State Capitol Building in Austin, Texas.

If you would like to contribute your thoughts through an editorial, please contact John Blanchfield at 202-663-5100.

Farm agriculture is changing as quickly as Austin's computer industry; yet there are fewer solutions to agriculture's complex puzzle. U.S. farm bills of the past have not been (in the least) effective. We certainly know now (should I say, "again!") that commodity supply management doesn't work. Paying U.S. farmers NOT to produce, while trying to entertain a diluted conservation reserve program (CRP), has still yielded the same all-too-familiar problems we face today – that is, heavy commodity supplies and low farm prices.

At the heart of this dilemma are two root problems:

- Agricultural production, information and computerization technologies are not unique to the United States. Advanced ag technologies are also being utilized in many other nations. For example, Delta and Pine Land Co. sells its Bt cotton strains to Chinese as well as U.S. farmers. This has changed something that the American producer has always been proud of – *being the best in the world*. But that's not true anymore.

- Throwing taxpayer money at U.S. producers has not worked. Farm subsidies have not changed the heart of the producer. Past farm bills should have been named something other than "Farm Bills." Maybe we should call them what they really are – such as *The Freedom to Farm Welfare Program*, as it has turned out to be.

What I mean is this: When high farm commodity prices are present,

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producers *hold out* or *gamble* for yet higher prices. Then, when prices collapse, the taxpayer kicks in a few more billion dollars. It's like Las Vegas providing more chips to a gamble-aholic when he runs out, just to keep him in the game.

What does this have to do with establishing a sound export program for the future? Everything. Here are my ideas to make farm policies: incentive policies; promote demand; and shore up (if you will) domestic farm production:

First: The United States needs to quit playing the *free market* game. Freer global markets should remain our objective, but we must quit pretending that we are *free* and that everyone else is not. We should admit up front that our agricultural industry is as subsidized as everyone else's. Bailing out U.S. farmers nearly every other year is no different from Canada's socialized Wheat Board subsidies.

Second: Farm programs should be *disaster-oriented* and *exports-based* only, having nothing to do with commodity prices being magically intertwined. If there are incentives within these kinds of policies, then they should be designed for young, beginning farmers. If future U.S. policies ignore price, this will in turn establish a freer market as far as supply intervention goes. Price subsidies should be erased. Price levels cannot be the presupposition to ag policy. It still can be said, "*Agriculture is the only industry in the United States that affords such wonderful benefits and safety nets.*"

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Third: Crop insurance programs are on the right track and need to continue to be defined and refined through farmer education.

Fourth: Past USDA policies have done nothing but encourage farmers to withhold their inventories even when prices are very profitable.

The answer is not in extending loans and making it easier to stockpile grain, but to encourage farmers to stay current, using healthy risk management tools and to operate the farm as a financial business. I would like to underline that farm production is for sale - every year!!! Not for storing!

Fifth: I recommend that future policies avoid the bailing-out stigma associated with low commodity prices. U.S. producers should be professionals, not welfare recipients. Future farm subsidy money should be issued for practical business needs. Simply, let's teach them how to fish, instead of giving them fish every time something goes wrong.

For example, let's give them the training and incentives to become effective marketers and risk managers. The FCC recently agreed to increase funding for Internet hookups for schools and libraries by \$1 billion. Cannot rural Internet access be done at the same time? Canada has already done this and now has 80 percent of its agricultural producers online.

As the U.S. farm population continues to disintegrate another 30 percent in the next three to five years,

we must assist those farmers who possess the talents to remain by developing the necessary business skills and providing the equipment, technology and education. **My idea is to modernize the producer himself, like the very tractor he drives**, so that he is capable of using and managing Economics 101, not his sweat.

American farm policy has to start laying down profitable incentives. *"It's a business just like any other business."*

Let's face three additional facts:

- Nothing else has really worked.
- It's not commodity prices.

Ample profits have been available since 1994 until now.

• It's time to be *creative* as opposed to *defensive*, even if to sub-

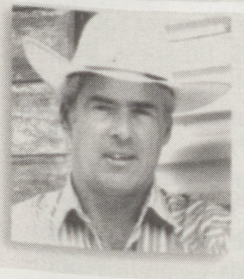
dize a part-time secretary and a computer to put the producer's business house in 21st century order, and subsidize retraining programs and assurances on the contrary.

Envision a profitable U.S. agricultural industry. Instead of *"worrying how to keep all of America's producers happy and in the business,"* which has created nothing more than politicized, socialized and costly defensive *no-win* strategies. Imagine export demand being *naturally* enhanced by balanced producer production, trade and profitability. Let us move to the heart of this matter, which will move U.S. agriculture forward.

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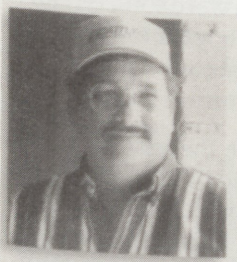
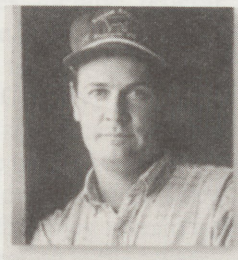


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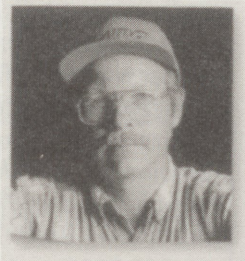


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