

Agricultural Agenda for the 1990s*

Four issues will dominate the agricultural agenda of the United States during the 1990s.

- Trade, including the Uruguay Round, a growing array of bilateral and unilateral initiatives, coordination of domestic agricultural policies with trade policies in most major countries, and the continued shift of U.S. exports to Asian markets.
- Spending, especially the difficulty of reconciling U.S. agricultural policies with national budget priorities, when commodity program payments are considered to be entitlements, and other rural programs are not.
- Technology, including the introduction of Bovine Somatotropin (and other growth hormones), and the hoped-for and feared arrival of the early results of 20 years of biotechnology research;
- Food and environmental safety. The public as consumers of food and inhabitants of the earth may be taking over on these issues, as official and corporate perception lags behind private perception of risks to human health.

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Trade

Our hopes for rapid expansion of export volume and value depend principally on rates of growth of incomes and agricultural production, largely in the developing world. The USSR and China must also be included, of course. Unfortunately, our trade strategy seems to be linked mainly to the outcome of multilateral trade negotiations and to unilateral trade actions against the EC and Japan. Martin Abel and Richard Goodman called attention to this anomaly in a recent article (Choices, 2nd Quarter, 1989).

Now that the EC has signed on to the modest objectives of the Uruguay Round and the United States has officially if not actually dropped its extreme demands, it is time to become realistic about what can be accomplished in the current round of trade negotiations. Fortunately, practical and progressive options are available. Having backed off the proposal to end all trade distorting subsidies, U.S. negotiators now need to adjust to the political fact that the U.S. Congress, the European Community, and Japan will continue substantial farm subsidies and other protective measures indefinitely, even though levels of protection will be reduced. U.S. markets for some commodities (sugar) and food products (dairy) will have to be pried open a little with a great political difficulty. And the United States will need to figure out how to cap its

farm subsidy budget, if we are to enforce any limits on the long-term level of agricultural protection.

The EC needs to accept, in principle, that continuing marginal reductions in its farm subsidy guarantees do not, by themselves, represent an adequate basis for long-term negotiations. Such changes in the CAP are, however, the essential bridge to fundamental reform, since they are already under way and are headed in the right direction. EC reforms need to be directed toward an agricultural system that is progressively less trade-distorting across the board, and that takes into account the big farm/little farm dichotomy that is rapidly developing in Europe.

Once it is clear that the United States, the EC, and perhaps Japan, intend to fine-tune present farm policy systems for a number of years, while we watch for opportunities to make more fundamental changes, the basis for the subsidy-reducing Uruguay Round negotiations becomes clear. The EC, the U.S. Japan, and others should do what they would have done in any case under domestic budgetary and political pressures in the early 1990's -- and a little more. Perhaps by 1991 or 1992 all parties would begin to cut subsidies further. By 1995 or 2000, countries could start to introduce fundamental policy changes such as limits on, and eventually an end to the EC's variable import levies, higher U.S. dairy product import quotas, and

improved world access to the United States sugar market. These intentions could be "bound in GATT", reducing the risk that new governments will again go on a farm subsidy spree, like we saw in the mid-1980s.

With a modest settlement in the Uruguay Round behind us, we could go on to the main business of expanding U.S. sales where markets are actually expanding instead of spending our energy fighting old battles. We could concentrate on improving our products for export, marketing them aggressively, and pricing them competitively.

Farm Program Spending

Don Paarlberg has again put his finger on a central farm policy issue -- our preoccupation with commodity programs, as indicated by absolute and comparative spending levels (Choices, 2nd Quarter, 1989). There is probably no remedy for this as long as conservation, food, and environmental programs require appropriations, while commodity programs are entitlements with virtually unlimited access to federal funds.

Perhaps it will be possible in the 1990s to consider a fixed budget for year to year commodity program operations instead of today's open-ended entitlement. This could include a capital fund to finance commodity reserves apart from the CCC expenditure budget. Such a development will require strong

leadership in Congress and the White House, a careful strategy, and excellent political timing. Overall budget policy and a rising concern over the deficit would be the driving forces. New rules on campaign financing may eventually have some effect on the spending balance as well.

Agricultural Technology

This issue is increasingly linked with food safety, water quality, and the environment. The effort in Europe and the U.S. to limit or prevent use of Bovine Somatotropin to increase milk production, and the current struggle with the EC over the use of growth hormones in U.S. beef will serve as testing grounds in this area.

If many new yield-increasing products are ruled unsafe by FDA, in the 1990's or are judged safe by FDA but unsafe by consumers, a decade or more of agricultural research will be partly lost. Expansion of the food supply will need to rely on more conventional means as we approach the next century. This would have a profound effect on the position of the U.S. in agricultural trade, if our producers are limited in using technologies that are being adopted in other countries.

Food and Environmental Safety

A recent issue of Farm Journal reports the puzzling fact that while very few farmers use low-input techniques, seminars and meetings on the subject are now the most widely attended farm events in the Midwest. And while the U.S. government ponders the heavy question of whether to ban Alar for use on apples now or in 18 months, the public, the manufacturer, and some states have banned it now without giving the matter a second thought.

Evidence that farmers are deeply concerned about pollution of their own wells with chemicals may be an important clue to coming changes in U.S. agriculture. Public concern rather than official regulatory concern about chemicals in or on food has begun to dominate the food and water safety debate. This trend, if it is real and if it continues, will have a profound effect on the farm and food sectors in the 1990s. Voluntary or statutory limits on chemical use in the U.S. not matched by similar changes abroad could affect our competitive position significantly, and need to be watched.

Secretary Yeutter and others now believe that food safety and water quality issues may dominate the farm bill debate in 1990. If this happens, it will be partly the result of limited interest and limited change in commodity programs, but principally a public manifestation of concern about chemicals in and on our food and water. Public demands for limiting chemical use represent a direct challenge to the unfettered pursuit of an improved competitive position for U.S. agricultural products in world trade.