Food, Farm and

In late September, CHOICES asked the offices of
person who could effectively address food, farm, and
In turn, we asked Robert B. Delano, Chairman of the
'88 and E (Kika) de la Garza, Chairman of the House
the coming four years with respect to: • Farm
• Food and nutrition, and

A DEMOCRATIC VIEW

Making Agricultural Policy Work–Advice to the Next President

by Honorable E (Kika) de la Garza

Looking back at the 1988 presidential campaign the charges traded over grain embargoes, supply management, and Belgian endive were, to say the least, less than enlightening. It was a campaign short on specifics but long on accusations and ridicule. Perhaps that's because the issues facing American agriculture today do not readily lend themselves to 30-second TV commercials or staged political events.

Two Lessons

But that is the past. Now it's time to look to the future and the challenges the next Administration and the 101st Congress face in agricultural policy. During my nearly 25 years as a member of Congress and eight years as chairman of the House Committee on Agriculture I have had the privilege of working with five presidents and seven secretaries of agriculture. I have learned much during this time but two things stand out. One concerns a president's relationship with Congress. The other pertains to the nature of agricultural policy.

First, it has been my experience that those Administrations that have achieved a measure of success in farm policy have had a secretary of agriculture who recognized the partnership role he has with Congress.

This point is not meant to be self-serving. Congress and its two agriculture committees stand prepared to cooperate with every secretary of agriculture. All of us want sound farm programs that serve our agricultural producers, our consumers, and our national economy. Much can be accomplished if a cooperative atmosphere prevails. But the secretary of agriculture who fails to recognize this partnership role soon finds his initiatives ignored and his effectiveness undermined by a process that guarantees Congress a principal role in shaping farm policy.

Second, in comparison with other issues, agricultural policy is more often than not a product of bipartisan efforts. This may not always be evident when the debate turns heated, but such rancor is the exception, rather than the rule. The next president should recognize the unique atmosphere in which agricultural policy is considered and try to maximize the substantial areas where Republican and Democratic agricultural lawmakers share common ground.

We need look back no further than the past three years to find an excellent example of a secretary of agriculture who worked well with Congress, kept partisanship to a minimum, and whose tenure was marked by an uncommon degree of consensus and improvement in agriculture. As a Democrat, I must acknowledge Agriculture Secretary Richard E. Lyng for his ability—both administratively and politically—to work with a Democratic Congress that passed major legislation ranging from the Agricultural Credit Act of 1987 to this year's drought assistance bill.

The President's Tasks

The new president does not have the luxury of waiting until Inauguration Day to begin putting together his game plan. His first and most crucial task from agriculture's standpoint is to promptly assemble his management team at the U.S. Department of Agriculture and related agencies throughout the Executive Branch.

The selection process for high-level appointees and its timing are critical to the new president. It usually takes weeks to identify prospective candidates, conduct the necessary background reviews, and win the Senate confirmation that is required for top posts. If the president selects poorly qualified appointees or is slow in filling key positions, his role in influencing farm policy may be greatly diminished.

In one respect the new president and his team are lucky. By breaking with tradition in 1985 and passing a five-year, rather than a four-year, omnibus farm bill, Congress gave the new president a year-long reprieve from submitting a comprehensive farm package. With the current farm bill not set to expire until the end of 1990, the new Administration's initial attention

Continued, page 18

E (Kika) de la Garza (D-Texas) is Chairman, House Committee on Agriculture

DE LA GARZA *Continued from page 16*

can be focused on administering farm programs and developing long-range proposals.

But that hardly means that the Administration has a year to weigh its farm policy priorities and options.

The new president will set his Administration's priorities and determine some of those options as he shapes the first budget he will submit to Congress. In fact, the Fiscal Year 1990 budget may well prove to be the most anxiously awaited submission since President Reagan sent his first spending plan up to Congress in 1981.

Few observers believe that a meaningful effort to reduce the deficit will leave any area of federal spending untouched—particularly if tax increases are going to be declared off limits. The prospect of further cuts in farm programs will set off an alarm through the agricultural community. The new president's farm policy advisers must impress upon the president the public stake in maintaining farm and rural development programs—a recognition that's been absent during the Reagan years. And it is imperative that the next Administration's farm-policy makers not concede full and active participation in the budget process to the Office of Management and Budget.

The prospect of further cuts in farm programs will set off an alarm through the agricultural community.

Unfortunately, few clues about the direction of farm policy under the new Administration can be gleaned from what was said on the campaign trail—a campaign that, at least on the subject of agriculture, was long on rhetoric and short on specifics.

Neither candidate apparently felt the need to offer a detailed new prescription for agricultural policy. Nor did either side stake out rigid or extreme positions in order to appeal for votes from the various agricultural interest groups.

Positive Signs

To a certain extent the lack of divisiveness is attributable to the general recovery occurring in agriculture—brought about, I believe, by the successful policies put in place by the 1985 farm bill and the 1987 farm credit act. Yes, there are still trouble spots—rural poverty, environmental concerns, farm program inflexibility, to name the most pressing. But the overall signs of a turnaround are undeniable and should provide the next president and Congress a solid foundation on a which a successful, long-term agriculture policy can be built. Among the positive signs are the following:

- **Farm debt has been dramatically reduced.** After peaking in 1983 at $193 billion, farm liabilities this year are expected to fall to about $140 billion—a reduction of over 27 percent. Granted, some of that reduction may be attributed to the write-off of loan losses by farm lenders and the exit of some highly leveraged borrowers. But much of the debt was paid off by farmers themselves thanks to further belt-tightening and the farm income protection that Congress insisted on in the 1985 farm bill. No single factor is more likely to ensure the long-term health and competitiveness of U.S. agriculture than its more manageable debt load.
- **Regaining export markets.** The United States is on the road to regaining a respectable share of the farm export market. Total export value has grown 22 percent from 1986 through 1988, to almost $35 billion. Volume increased during the same period by more than 34 percent, to over 146 million metric tons.

Perhaps more revealing is that the U.S. share of world wheat trade increased from 30 percent in 1986 to over 40 percent in 1988. The comparable increase for coarse grains is 42 percent to 60 percent; for rice, 18 percent to 26 percent; and cotton, 8 percent to 29 percent.

More competitive loan rates authorized by the 1985 farm bill were important in spurring the export recovery. But so has been the aggressive use of export initiatives such as the Export Enhancement Program (EEP) and the Targeted Export Assistance (TEA) Program. Forgotten is the Reagan Administration's strident opposition to EEP—even as the president signed the Food Security Act of 1985 into law—as well as its lengthy delay in extending EEP to the Soviet Union. Now generally recognized as a success, perhaps EEP will diminish future opposition to an aggressive export stance by the United States.

- **Farm income is up.** After recovering from the disastrous 1983 level of $12.7 billion, net farm income stabilized at around $32 billion in both 1984 and 1985 before increasing steadily to over $46 billion in 1987—a record, even when adjusted for inflation. Farm income was poised to remain strong in 1988, until the drought dealt a temporary setback. Nonetheless, net farm income is expected to be just over $40 billion this year.
- **Grain stocks are at manageable levels.** Thanks to improved exports and a substantial assist from the drought, ending stocks of most commodities are at manageable levels. Burdensome surpluses and the low commodity prices that accompany them have been a primary source of discontent in the agricultural arena for several years and fueled calls for more radical farm policy proposals. Dwindling grain stocks should broaden the range of politically acceptable policy options available to the new Administration. This flexibility has already been used to relax acreage reduction programs for 1989.

Ominous Clouds

These are the positive developments that have occurred in our agricultural economy. But there are some ominous clouds on the horizon that the new Administration and the next Congress will have to deal with, including:

- **The budget dilemma.** The Gramm-Rudman-Hollings law requires the Fiscal Year (FY) 1990 deficit be no more than $100 billion (and many people, of course, think it should be even lower). Under current projections, that means spending will have to be reduced by $36 billion—or 3 percent—from projected 1990 levels.

If you accept that a handful of major spending categories comprising two-thirds of the federal budget are practically or politically off-limits (e.g., interest on the debt, social security, military outlays at inflation-adjusted levels, and entitlement programs such as food stamps, child nutrition, and civil service retirement benefits) then the remaining spending areas, including agriculture, may have to absorb a 9-percent reduction in spending.

Perhaps there are places where we can save money in agricultural programs. But we've already experienced major reductions in farm spending. A recovering farm economy, the drought, and agriculture's annual contribution to previous deficit reduction efforts have reduced Commodity Credit Corporation outlays by more than one-half, from the record FY 1986 level of $25.8 billion to a projected $12.2 billion in FY

1990. Moreover, even when farm spending was at record levels, it comprised less than 3 percent of total spending.

A 9-percent cut would reduce farm spending in FY 1990 by another $1.1 billion. But what very few people—including farmers—recognize, however, is that the budget baseline already *assumes* that the 5 percent reduction in target prices for 1990 will be repeated in each subsequent year. To achieve the additional savings could require still deeper cuts in support levels, reducing the level of income protection we provide farmers, and possibly derailing the recovery of American agriculture.

For these reasons, further cuts in farm spending should not be viewed by the new Administration—or Congress—as inevitable. Current projections already show agricultural outlays falling to about 1 percent of the federal budget. While no agricultural or rural program should be considered a sacred cow, the fact of the matter is that agriculture emerged from the crisis of the early 1980s largely because government programs provided the safety net and tools to bring about a recovery. We simply cannot afford to risk a sharp reversal of the rural recovery in which we have invested so much.

Further cuts in farm spending should not be viewed by the new Administration—or Congress—as inevitable.

- **Agricultural trade and GATT.** If a breakthrough is reached in Montreal at December's mid-term review of the international trade negotiations being conducted under the auspices of the General Agreement on Tariffs and Trade (GATT), increased access to international markets could ease budgetary pressures on our farm price support programs. But the chances for such progress appear remote at this writing.

After two years of maintaining its hard-line position that our major trading partners must agree to phase out all trade-distorting subsidies, the Reagan Administration has little to show for its efforts. Its recent apparent willingness to accept some short-term curtailment of subsidies, quotas, and tariffs (but only if accompanied by a commitment from other parties to pursue the long-term elimination of such protectionist measures) has alarmed domestic producer groups. The concern is that the lameduck Reagan Administration may be so eager to achieve some measure of progress—in the GATT talks that it will readily make concessions that ultimately will force one-sided changes in U.S. farm and trade policy.

The result has been to put domestic interests who generally have supported the Administration's long-term objectives suddenly on edge, making real progress between now and 1990 that much more difficult. Rebuilding these relationships with the agricultural community may become the first order of business for the new Administration if it wants to be successful in the agricultural and trade policy arena.

- **Agriculture and the environment.** In the mid-1980s, environmental groups became full-fledged players in the development of agricultural legislation with their active support for the landmark Conservation Reserve Program (CRP) and the sodbuster and conservation compliance requirements incorporated into the 1985 farm bill.

As evidenced by the presidential race and the general mood of the nation, concern for the environment will play a larger role in upcoming farm legislation than ever before. This will be particularly true for issues like groundwater quality and pesticide residues in food. The environmental community has already stated its intention not only to maintain the gains it made under the 1985 farm bill but to extend the resource protection theme beyond soil conservation to encompass groundwater as well.

- **Farm bill modifications.** While the 1985 farm bill has been an overall success, legislation is rarely perfect and certainly it should be changed as circumstances warrant.

High on the list of possible changes that should be considered is the rigid and confining nature of the current crop-specific base system. In short, if "predictability and stability" were the goals of the 1985 farm bill, then *flexibility* should be a major objective of the next farm bill.

Declining production of oats and soybeans in recent years points to the need for providing farmers more discretion to determine the mix of program crops that they plant on their permitted acreage. The current system effectively forces feed grain producers to grow corn to maintain their base for that crop, even as many of them would have liked to plant more oats or soybeans in response to higher market prices for those commodities. Such a system not only makes planting decisions less responsive to market signals, it also inflates price support costs by encouraging production of crops already in surplus. It also discourages the crop rotation methods that are the foundation of sound conservation practices.

The answer may lie in returning to something akin to the normal crop acreage (NCA) system that was in place prior to 1981, with appropriate modifications to correct some of the relatively minor deficiencies that hampered the NCA system.

- **Rural development.** Perhaps no single concept receives more lip service than the need for spurring more economic development in rural America. Yet rural development remains among the most elusive of public policy goals, primarily because most proposals for effectively addressing the problem involve spending more money—money that has not been available in the current budgetary environment.

But the problem won't go away. Rural economic development is desperately needed not only for the survival of our small communities, but also for family farmers and ranchers whose operations often require an outside source of income to remain viable. The level of financial commitment directed to rural economic development by the new Administration will be an important indicator of whether it intends to support our small towns with resources rather than rhetoric.

- **Hunger in America.** Despite the actions taken by the 100th Congress in passing hunger relief and welfare reform measures, the effort to improve nutritional standards for all Americans remains an on-going activity. There is increasing evidence that the need of the rural poor, in particular, is not being met with existing programs, and agricultural policy-makers should feel a special obligation to see that this segment of our society is not forgotten.

These are the issues the next president and we in Congress will face. In many, if not most, instances there are no easy answers.

But a president who exercises effective leadership, establishes and nurtures a strong cooperative spirit with Congress, and who recognizes the importance of our agricultural economy has an excellent opportunity to improve our food and natural resource policy for our agricultural producers and all Americans.