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Opportunity for Farmers

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I am very pleased to be here in the Missouri Delta, among some of the people who are really making our farming decisions these days. I think one of the most effective economic decisions we have made recently was to turn farmers loose to manage their own farms, and to stop trying to manage them by long-distance from Washington. The wisdom of that decision is on display here in the Missouri Delta.

I'd like to talk today about opportunity for farmers. Farmers in the United States are now in an opportunity situation, after decades in which there seemed to be no farming opportunity at all. Our farm programs used to limit the crops you could grow, based on the past history of your farm. The prices you could get for your production were limited by big government stockpiles. The markets you could sell to were limited by that fact that many of the people in the world who wanted to buy farm products lacked the money to buy them. Furthermore, there were many barriers to international agricultural trade which sharply limited our farm exports. Some of them were of our own making.

We have seen remarkable change in a very short time.

The first major change was in our export market for farm products. The big factor here was income. The world has seen sharp improvements in personal incomes in many countries in the past 15 years. Since 1960, real incomes have been gaining an average of 3 to 4 percent per year, compounded, in both the developed and developing countries. Japan has at least tripled

Speech by Assistant Secretary of Agriculture Clayton K. Yeutter, before the Missouri Delta Council, Charleston, Missouri, October 4, 1974.

her real output per person in these years, while such diverse countries as Spain, Korea, Greece and Pakistan have more than doubled theirs. This constitutes real economic progress.

More income has meant more demand for food. As people get more money, one of their first responses is to improve their standard of eating. They first increase their intake of grain calories, and then they try to improve the quality of their protein intake. That means livestock protein -- meat, milk and eggs. Since it takes three pounds of grain to produce a pound of poultry, and far more than that to produce a pound of fed beef, the demand for livestock products has sharply increased the total demand for farm products.

In the past three years, the world's grain consumption has been increasing at 38 million metric tons per year -- more than twice the rate of increase in the early 1960's.

This income effect on livestock demand - and indirectly on feed-stuffs demand - has been a real key to the strength of the world's agricultural markets in recent seasons.

The demand for better diets is a long-term trend. It has been visible for a number of years, and there is every indication that it will continue. It may be slowed by consumers' current problems with inflation and oil prices, but it won't be stopped. For one thing, the high price of oil is itself likely to make booming markets out of such populous oil-producing nations as Iran (30 million people), Nigeria (60 million) and Indonesia (125 million people).

We expect, as a result of demand growth, that the world will be using its agricultural resources more fully in the future than it has in the past. That does not mean that farmers will find a bonanza every year. We'll have the usual weather problems, and in some years in some commodities there will be low prices relative to production costs. But on the average we see strong reason to believe that farmers will find strong consumer demand and attractive price incentives more years than not.

Another key factor in improving farmers' opportunities has been the change in our farm policies. We have moved away from a government-managed agriculture as rapidly as we could in the past few years.

Government management of the industry never lived up to the high hopes of those who supported it. Government programs did not keep small, inefficient farms in business. Furthermore, we found we needed all of our technical efficiency to stay ahead of farmers in other countries. We found that support prices which were established as price floors had a strong tendency to become ceilings as well, with the farmer squeezed into the unprofitable crawl space between.

We found that acreage allotments and quotas which were intended to share farm markets equitably turned out over time to be major barriers to farmers' flexibility and efficiency.

The whole government management system raised production costs and cut into farmers' profit margins.

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The first step in the policy change came nearly 10 years ago when the 1965 Farm Act moved away from high price supports. The pace of change stepped up considerably with passage of the 1970 Act, which essentially freed farmers from the strait-jacket of allotments and bases. The 1973 farm law has given farmers even more management freedom.

The patterns of world trade are changing too. At least some of the old trade barriers have been loosening up under pressure from consumers for more and better food. Improved transportation technology is letting us take fuller advantage of the law of comparative advantage. This simply means that a highly-productive farming area like the Missouri Delta is now able to supply food for a far-off mountainous island like Japan, or a sparsely-watered Middle-Eastern nation like Iran.

The United States has taken major steps to ease production and trade barriers that hindered farmers in the past. We have dropped the old price supports and export subsidies that passed for a farm export policy in past decades. We have put our agriculture on a competitive basis with the world. We have worked long and hard in international negotiations to encourage a lowering of farm trade barriers in other nations. We have opened the Iron Curtain countries as markets for American farmers. In the last crop year the Soviet Union and Eastern Europe have bought more than a billion dollars worth of our farm goods and the People's Republic of China bought another $850 million worth. We have encouraged Japan and other growing Asian nations in buying American farm products; last year they bought $6.3 billion worth of grains and other farm products and became our leading market region.

We have had less success with the Common Market and its variable levy system, but we will continue to work toward lower trade barriers in the forthcoming round of Geneva trade talks with the EC and about 100 other nations. We are hoping for speedy Congressional action on a trade bill that will give us adequate negotiating authority to make this round of trade talks a further opportunity for American farmers.

All of these increased opportunities are mirrored in the Missouri Delta. Cotton is still an important crop here, and the future of cotton would seem to be brighter today than it was a few years ago. Then, the future of the whole cotton industry was threatened by its high cost structure, and by the inroads of man-made fibers. Today, cotton can hold its own, and efficient cotton growers can look forward to long-term success.

The Missouri Delta, however, is far more than just cotton country. It is farming country, some of the best farming country in the entire world. Furthermore, you have easy access to the world's markets via the river. You are growing more corn these days, because the demand for corn is strong. You are growing far more soybeans, because the worldwide demand for soybeans lately has been phenomenal. You are checking out half a dozen other crops against the costs and returns from your present cropping patterns.

What you have to offer the world today is not really cotton or soybeans or any other single crop. You have farming assets for sale -- good farm land, farm management talent, and the world's best agricultural technology.

You have these assets to offer in a world that wants more and better food to eat, more and better clothes to wear -- and which, the energy crisis aside, will be increasingly able to pay for what it wants.

That, to me, spells opportunity for American farmers, in the Missouri Delta and on across the country.

That does not mean the millenium has arrived.

We must still deal with an inflation that is boosting farmers' costs even faster than it is boosting the living costs of farm families. President Ford, of course, has made the fight against inflation his number one priority, and will be announcing the shape of his economic plan very soon. I hope it will have the support of the Congress and of the American people.

We also have a depressed livestock and poultry sector in our agriculture. The peak of the cattle cycle, the short supply of feed and feedstuffs this year, the softening of consumer demand because of inflation, and the continued increases in production costs of all kinds have hit hard at poultrymen, hog producers, cattlemen and dairy farmers. These businesses have been profitable in the past, and they will be again in the future. However, it is hard to predict good profits in livestock until we get a better grain harvest and a lower rate of inflation.

Our market-oriented policies have not changed the world so much that we can guarantee farmers good weather or satisfactory net profits each year. However, I do believe that the changes in our world have significantly altered the balance of the scales. In 1972 and 1973, U.S. agriculture had its best years of all time. 1974 is a paradox - a tremendous year for some farmers, a disastrous year for others. Nevertheless, I am convinced that we now have an agricultural policy framework which will provide farmers far better opportunities in the future than they have had in the past.

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