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Notice to Members

Subject: Speech by US Secretary of Agriculture John R. Block,
on 30 May 1985, in Omaha.

Members will find attached the statement by US Secretary of Agriculture John R. Block to the Midwest Conference on Business Planning in Omaha on 30 May 1985.

(This document exists in English only)

DIRECTORATE-GENERAL FOR COMMITTEES
AND INTERPARLIAMENTARY DELEGATIONS

BLOCK:EC INFLUENCED FARM SUBSIDY PLAN

Omaha, Neb. -- Secretary of Agriculture John R. Block said May 30 that the European Community greatly influenced the U.S. decision to develop a new farm export subsidy program that could cost up to 2,000 million dollars.

Block specifically pointed to the EC's "unfair subsidies and trade barriers" as the prime reason for the United States' new policy, not the high value of the dollar or U.S. farm policies that have priced it out of export markets.

In a speech to the Midwest Conference on Business Planning in Omaha, Block called on the EC to work with the United States to develop an integrated agricultural policy and not let trade battles obscure mutual interests. He said France's refusal to join in multilateral trade negotiations strongly influenced his recent decision to start the farm subsidy plan.

"This policy is not one we would freely choose," he said. "But we must take a realistic look at where we stand...we are standing with our back to the wall. We have no choice but to begin to fight our way out."

The United States will give up to 2,000 million dollars in free bonus commodities from government-owned stockpiles to encourage foreign purchases of U.S. farm products.

The program's details have not yet been announced.

The basic tasks of the farmer have not changed in several thousand years, and probably will not change for centuries to come. Tilling the soil and adding nutrients, planting and protecting the seed, and harvesting and storing the crop -- the basic functions of agriculture are constant.

Yet, despite that constancy, today's farmers are being sucked into a spiraling whirlpool of change -- change that is jeopardizing one of our nation's largest industries.

The importance of agriculture has been recognized since America's beginning. George Washington made this statement: "With reference either to individual or national welfare, agriculture is of primary importance."

I don't think anyone here would disagree with that idea. You all realize that agriculture not only feeds our nation's citizens cheaply and well, it also nourishes our national economy. Its impact extends far beyond the furrows and the feedlots. In fact, far beyond our continental shores.

I want to concentrate this afternoon on some national and individual aspects of agriculture. But first, if you -- and George Washington -- will permit me a little revisionism, I want to expand his statement to fit our modern times.

INTERNATIONAL

I want to add that agriculture is of primary importance not only to individual or national welfare, but to international welfare as well. We have moved far beyond the time when crops rarely crossed the county line -- much less crossed the ocean.

Today, agriculture is a great global industry. It is part of a complex and competitive international marketplace. Farmers here in Nebraska are concerned with sales in London and Tokyo as much as in Lincoln and Tecumseh. One-third of the production of the Great Plains region is exported. And the same is true of the nation as a whole.

That's why the steady decrease in our agricultural exports is of such concern to us all. We can point a finger at the overvalued dollar -- or at our own rigid farm policies that price us out of the market -- but a large portion of the blame must be placed at the doorstep of our trade competitors and their systems of unfair subsidies and trade barriers.

Here in the United States, we believe in an open system of world trade. We are willing to put our own programs on the table. Surely the European Community can work with us toward some kind of integrated agricultural policy that is mutually rewarding. After all, we are strong allies in other areas -- and we are mature nations with the ability to compromise and to make short-term sacrifices for long-term gains.

In addition to a common heritage, we share common problems. We both have social and political agenda which complicate our economic decisions. And we both spend far too much on our farm programs. In 1984, the United States spent approximately 7,300 million dollars on farm support programs. In the same year, the EC paid out 14,400 million dollars. Neither of us can continue that level of spending.

Unfortunately, we have let our battles over trade obscure our mutuality of interest. At the recent economic summit in Bonn, the United States proposed the scheduling of multi-lateral trade negotiations. France said "No." That single act did more than anything to influence my recent decision to institute a new and aggressive plan -- the export expansion program.

That program is basic. First, it is geared to increase total sales of U.S. agricultural exports. Secondly, it will be targeted to markets identified as those which were taken over by competing nations through unfair trade practices.

This policy is not one we would freely choose. But we must take a realistic look at where we stand . . . we are standing with our back to the wall. We have no choice but to begin to fight our way out.

Admittedly, this is a risky step -- but it has become a necessary one. We see it as a counter to unfair trade practices in the present -- and as an encouragement to trade talks in the future. We want to urge other countries to face up to their global responsibilities and sit down and negotiate.

In the meantime, we are prepared to use every last dollar of this 2,000-million-dollar export enhancement program -- if that is what it takes -- to bring some fairness back to the rules governing international trade.

American agriculture is not afraid to face competition. But we want to compete against foreign farmers -- not foreign treasuries.

NATIONAL

Calvin Coolidge said that "the business of America is business." If he were speaking today, he might say that the business of America is agribusiness.

Agriculture has assets of over 1,000,000 million dollars, making it the nation's largest industry. It provides employment for one out of five Americans -- more than 23 million people. Agricultural activity circulates 433,000 million dollars through our national economy. It accounts for 20 percent of our gross national product.

With all this economic activity, agriculture is naturally affected by President Reagan's tax reform package. I believe that most family farmers will benefit from this package. It lowers tax rates, increases personal exemptions, and reduces incentives for "tax loss farming."

We don't need the tax code to stimulate the flow of more resources into an economic sector that already suffers from overproduction. Under the new plan, investment in agriculture will reflect opportunities for economic growth as seen by investors -- not opportunities for tax shelters as approved by government.

American agriculture is great in part because of past strategic government involvement: the Homestead Act, land grant schools, research, extension, credit, and market development. But this involvement can weaken us too.

In Greek mythology, a giant named Antaeus drew his strength from the earth. As long as he touched the ground, he was invincible. Hercules conquered him by holding him in the air and strangling him.

There is a lesson here for agriculture. The more we are separated from reality by government "protection" -- the weaker we become.

Years ago Thomas Jefferson wrote: "Were we directed from Washington when to sow and when to reap, we should soon want bread." Well, we still have plenty of bread -- but look where government involvement has gotten us.

Isn't it amazing? In just five years, the federal government pumped over 63,000 million dollars into the agricultural economy -- I'm talking about net outlays -- and look around. What do we have to show for it? Are farmers really better off? Is agribusiness really better off?

Frankly, I don't think this industry can survive much more government good will. False market signals generated by government interference in the marketplace are killing us.

This does not mean that government has no role in the industry. Let me say clearly that it does. Agriculture is an extremely risky business, and farmers need some kind of safety net. But perhaps some of our energies and resources can be re-directed.

The hard work and long hours spent on the current agricultural legislation are part of that re-direction. I have every expectation that the resulting bill will return agriculture to its former strength and prosperity. Some of the details may change, but the basic philosophy will remain the same.

The keystone of that philosophy is market orientation. That means an end to annual acreage reduction programs. If we are serious about becoming more competitive in the world market, we must lower loan rates. We will put all our commodities on a level playing field.

Our policies will be consistent and long term. They must guide agriculture through the turn of the century. By taking this policy "turn in the road" we will see exports of our commodities increase and our economic future brighten. A market-oriented agricultural policy will not mean, of course, a risk-free environment for farmers and agribusiness.

However, the Senate budget compromise provides significant income protection for agriculture during the transition period. We will not leave producers out in the cold as they switch their reliance from the government to the marketplace. It is time to wean agriculture away from the cheap food policies of the past to growth policies of the future.

Change must come. And it will come. We must welcome it boldly. Sound agricultural legislation can help us to prepare for the opportunities which lie ahead.

INDIVIDUAL

The great strength of America -- and the envy of foreigners -- has always been our innovative and adventuresome spirit. Tuesday night, President Reagan called it our "'eternal frontier spirit."

As I travel around this country and to other nations, people ask me if American agriculture is on its deathbed. They want to know if it has gone from bread basket to basket case. No indeed.

There is a future for agriculture. I believe in that future and in its possibilities. If we are to draw our young people back into agriculture, we must speak out for the bright opportunities we see there.

Booker T. Washington said that "no race can prosper until it learns that there is as much dignity in tilling the field as in writing a poem." To halt the brain drain of our good and bright young men and women, agriculture must be able to offer them not only dignity, but prosperity as well.

We must convince them that now is a good time to get into agriculture.

Agricultural research is an example of the American spirit I just mentioned. Great minds have worked for decades to increase agricultural production. Now, we must apply that same creative fire -- that same missionary zeal -- to finding ways to cut costs.

Producers can become more efficient. We have a vast array of ever-improving tools at our disposal: marketing strategies, financial planning, computers, conservation tillage.

Look at our comparative advantages. We have a transportation and processing system without equal in the world -- a financial system which recognizes and values the basic strength of our agricultural industry -- and an educational system that prepares young minds to reason and to create.

We can build on those strengths. We have come through some hard times, but we have learned something about ourselves, our industry and our world. Now is the time to put that knowledge to work.

CONCLUSION

In "Alice's Adventures in Wonderland," Lewis Carroll described Alice as a little girl who "generally gave herself very good advice (though she very seldom followed it)."

We in agriculture have been giving ourselves very good advice for a long time now -- it's time we started following some of it. It's time to take steps in the three crucial areas I have concentrated on.

Internationally, we must recognize that the tremendous impact of the global market has become a domestic reality. We must look beyond our own shores with a realistic eye. We must stand firm in our determination to compete -- not retreat.

Nationally, we must pass an agricultural bill which assures agriculture's long-term future -- a future in which we are market oriented and competitive. To write any other kind of bill is to write agriculture's obituary.

Individually, we must trust boldly in the strength and ingenuity, the hard work and efficiency, of our citizens. Their spirit is the power that moves this mighty machine we call American agriculture.

I want to close with some words from someone we all recognize, Lee Iacocca. He said, "Our free enterprise system is still the best there is. America still has the people and the resources to be a world beater."

I really believe that applies to American agriculture.

We have resources, strength, and determination. We have the ability to not only be the best there is but to become the best we can be. It is time, quite simply, to move ahead. America is not made of quitters or those afraid of the future. I urge you then to join me in this offensive to secure for agriculture a brighter and more prosperous future.

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