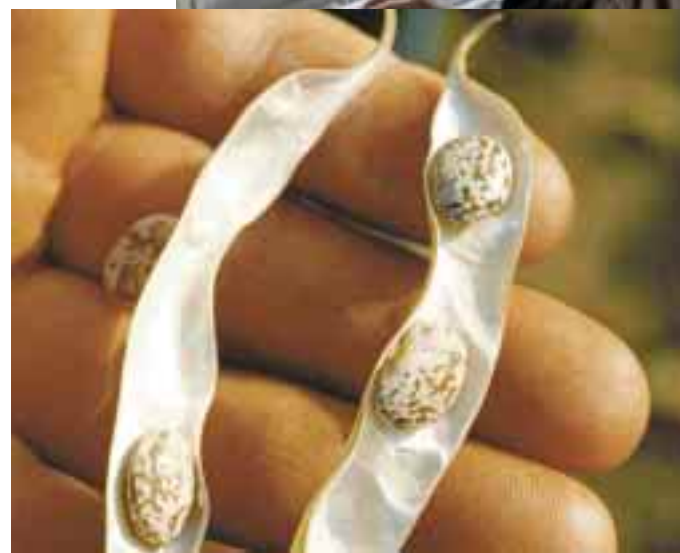


KEYS TO AGRICULTURAL GROWTH AND PROFITABILITY

Executive
Summary
1998



**The Council on Food, Agricultural and
Resource Economics**
An Organization of Agricultural Economists

Keys to Agricultural Growth and Profitability

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Seldom has U.S. agriculture faced so many forces for change. But while some are being hotly debated, others are ignored. The U.S. research and education system continues to concentrate on raising farm productivity while emerging economic and social trends in agriculture receive little emphasis.

A C-FARE symposium brought together leaders from around the country to discuss four key economic and social forces that will determine the future of U.S. agriculture: 1) the new world trade order, 2) new roles for government, 3) new ways of doing business, and 4) expanding our knowledge. The main points raised in each session are described below.



The New World Trade Order

- The combination of population growth and rising income is expected to double global food consumption in the next 30 years. The United States is well positioned to increase exports to meet this demand, although it faces strong competition. The U.S. must work aggressively to expand access to foreign markets. Presidential fast-track authority to negotiate trade agreements and the lowering of trade barriers are important steps towards this end (Thompson, Sumner).
- Freer trade can expose some producers to increased risk from unexpected economic and political events (Rosson). The Asian financial crisis, just beginning at the time of the symposium, illustrates the risks associated with freer trade. However, we must guard against new protectionism. Most groups interested in slowing movement toward freer trade are typically beneficiaries of the status quo who simply want to avoid competition (Sumner).
- More must be done to educate producers and the public on the economic impact of international trade on U.S. agriculture (White, Rosson).
- The outlook for major commodities is mixed. The prices of wheat and corn are expected to fall in the short run but rise by 2001. Oilseed prices will sustain global production expansion. Beef prices will rise but productivity gains will hold down poultry and pork prices. Dairy prices will strengthen (Blandford).



New Roles for Government

- We must find the right level of government subsidy in risk management programs — too little and producers will not use them, too much and government costs could increase dramatically (Glauber).
- Efforts to introduce technologies to achieve a particular number and size distribution of farms are unlikely to succeed because powerful economic and social factors are in play. The most effective way to influence farm structure may be to directly subsidize small farmers in a way compatible with international trade rules (Offutt).
- Expanding environmental regulations should be accompanied by an increase in government services, particularly agricultural research (Dicks). Publicly funded research must be increased and in some cases redirected to environmental objectives. Research in agriculture-related biological sciences and information technology should be expanded. The public sector must bolster support for agricultural applications of biotechnology (Thompson).
- In the last two years, Congress has established a new revenue insurance program that subsidizes large farms. At the same time it has slashed subsidized beginning-farmer credit programs, one of the few remaining elements of federal policy committed to family farming. Concentration throughout the agricultural sector is growing (Hassebrook).



New Ways of Doing Business

- New corporate alliances and partnerships between seed, chemical and biotechnology companies can reduce risk, generate new capital, provide access to new markets, and improve return on investment. New tools, market mechanisms, and public institutions are needed to analyze and support the changing agricultural sector (Jones).
- Changes in the industry will require changes in how the public sector interacts and supports agriculture (Drabenstott). For example:
 - As distinctions between farm and factory blur under greater industrialization, a single food regulator will be needed. A merger of responsibilities traditionally divided between the FDA and USDA could be considered.
 - Closer monitoring of retail markets will be needed to assure consumers that market concentration is not raising food prices.
 - Demand for market information will broaden, with greater emphasis on the global, rural and retail markets, while the value of traditional data on the major commodities will decrease.
- Caution is needed in assessing the potential value of food processing cooperatives. Some efforts have failed. Universities and private analysts are being pressured to develop favorable scenarios about cooperatives, but the feasibility studies are often shallow (Knutson).



Expanding Our Knowledge

- The continued success of our current agricultural R&D systems hinges on a diverse allocation of public and private resources, and linkage between types of R&D activities (Huffman).
- We need to know more about how information is acquired and used to understand how new technologies emerge. How do producers, for example, utilize competing sources of public and private sector information? What role should cooperative extension play (Huffman)?
- New knowledge does not come cheap. Obtaining data for sound economic analysis may be as costly as the field experiments used in other sciences. The common use of secondary data hides the cost of economic research. More resources for primary data collection are needed to enhance economic research (Sumner).
- Federal investment in research has been stagnant since 1976 while state and local spending continues to rise. Changes in private and public sector expenditure and in the proportion of federal and state spending have raised a series of questions about priorities that a group in Illinois is seeking to answer.

The Illinois Council on Food and Agricultural Research (C-FAR) is a unique alliance of industry, academia, community leaders, producers and others formed to obtain funds for high-quality research. Last year, C-FAR secured an extra \$9 million of state money for agricultural research (Chicoine).

References listed throughout the text refer to presentations made at the C-FARE symposium, "Keys to Agricultural Growth and Profitability in a Post-Subsidy World," held in Washington, DC on September 8 and 9, 1997. For more information, refer to the main document, *Keys to Agricultural Growth and Profitability*. Additional copies are available free upon request.

C-FARE is a non-profit organization of agricultural economists dedicated to strengthening the national presence of the agricultural economics profession. For more information about C-FARE contact Tracy Irwin Hewitt, Executive Director, 703-524-2145, itracy@aol.com.



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