

## Expert says U.S. Ag must be efficient, competitive

Farmers are in for a tough time in 1985 as they struggle to increase profits in a period of stagnating demand, high interest rates and low prices. But the stage is being set for U.S. agriculture to become more efficient and competitive as new export policies, a new farm bill and a change in the focus of research enable demand for U.S. ag products to grow and allow U.S. farmers to become more productive.

In a series of interviews in Soybean Update, the weekly marketing newsletter of the American Soybean Association,

people representing different sectors of the agricultural community gave their attitudes and expectations about U.S. agriculture in the coming year.

The major challenge for U.S. agribusiness in 1985 is to become more competitive in the world market, says Don Leavenworth, vice president of the oilseed processing group for Cargill, Inc.

"All agriculture needs to focus on efforts to reduce the cost of production, to improve the efficiency of processing and handling and to improve the price

competitiveness of U.S. farm products," says the Cargill executive.

U.S. agriculture needs to change from the "passive mind frame" of being a residual supplier to the aggressive role of a "preferred supplier," stresses Leavenworth. U.S. farm policy must be consistent with a competitive world market situation.

Rebuilding markets is not an easy task, Leavenworth notes. Lower prices might be necessary to gain back markets, but the end result will be a stronger U.S. ag system.

Farmers must operate their farms as a business as well as a production unit, says Porter Robinson, vice president of agribusiness lending for the Union Planters National Bank of Memphis. Lending institutions need to understand their role in helping farmers become better businessmen, and banks should work with farmers as financial planners and counselors, he says.

Banks should encourage a thorough investigation of all marketing alternatives to protect farmers from market volatility and reduce the farmer's risks, Robinson says. Farmers should become familiar with hedging techniques and the opportunities that ag options offer.

Another big challenge for U.S. farmers will be to successfully manage finances during a period of high interest rates and low prices, says John Campbell, University of Illinois dean of agriculture. The University of Illinois is looking at the "systems

approach to agricultural research." Using this system, all aspects of farming are studied — including financing, planting and marketing — and then the very best management practices are applied in all these areas.

Campbell stresses the continued need of production research at the university level, saying that "one of the reasons U.S. agriculture is so successful is because U.S. farmers are so efficient and productive. Plus, if the United States doesn't keep on with production research, other countries will pass us by."

## 'Market-oriented' policy

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"This would lower wholesale and retail prices and boost per capita consumption, encouraging broiler output to expand faster than it might under current conditions," Vaughn says.

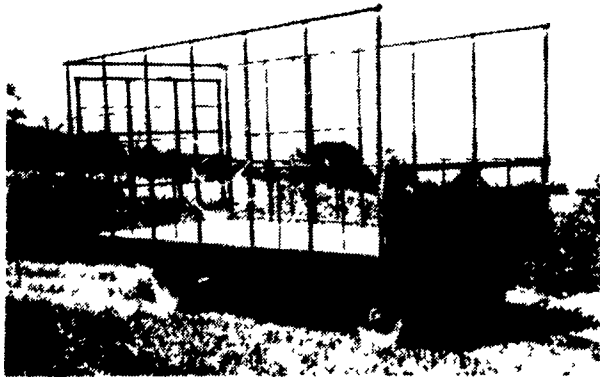
For U.S. agriculture as a whole, unfortunately, even the transition to a market-oriented policy might reduce net farm income as much as 30 percent below recent distress levels before improvement would

begin, he concludes. "In the short run, land values would continue to fall. The advantage to government would be the reduction of direct farm program costs by perhaps 80 percent.

Thus, the issue becomes: Should American farmers be asked to adjust to a total market orientation? And, if so, what's the fairest way to make the transition?"



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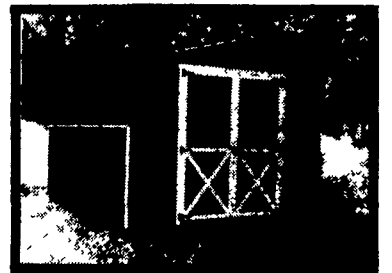
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