

Technology, politics, trade... the impact on farming

BY JAMES H. EVERHART

HARRISBURG — For years, the agricultural industry has preferred to think of itself as relatively self-contained. That is, that agriculture is both the wellspring of its own successes, and the reasons for its own failures. . . and that cures to its problems must, quite naturally, originate from within.

Wave after wave of speeches, charts and ideas blasted that myth Wednesday afternoon at the "Future of Agriculture" conference held at the Holiday Inn here. From emerging technologies, political systems, monetary policies and broad-gauged consumer psychologies, the industry seems almost adrift in a confusing sea of cross-currents and opposing forces.

Many of the problems in agriculture, said Purdue University Professor Emeritus Don Paarlberg, originate externally.

"The chief problem arises from the roller-coaster ride given us by fiscal and monetary policy during the past 15 years: first an inflation that led to expectations of continually rising prices and then an anti-inflation effort that invalidated the previous outlook."

Unlike many other sectors of the economy, agriculture is not severely hurt by inflation, since rising prices and income effectively reduce the impact of high interest rates and sizeable debt loads.

"The rising tide lifted all boats," he said. "In the seventies, the signs indicated that inflationary trends would continue."

So, many farmers bought land and capital equipment, incurring large amounts of debt in the process.

"We were speeding down the highway, going 90 miles an hour," he said. "Alarmed, the govern-

ment slammed on the brakes, bringing us down within the speed limit. But we threw the farmers against the windshield."

While the reduction in inflation helped those on fixed incomes and salaries, it hurt those who produce "real wealth" — farmers, miners, manufacturers and builders, he said.

The government's restrictive monetary policy, he said, drove up interest rates and increased the federal deficit, also attracting foreign investors who bid up the exchange value of the dollar. The strong dollar and a worldwide recession made it harder to sell agricultural goods abroad.

Those in greatest difficulty, he said, included those who had borrowed heavily, looking for rising commodity and land prices to "reduce the real burden of debt."

Now, however, many of those who gambled and lost in the Seventies are forced to resolve the wide gap between excessive debt and asset value. They do this, he noted, by liquidating their assets and adjusting repayment to correspond with asset values. In short, they go through individual bankruptcies and foreclosures.

But the nation, itself, cannot declare bankruptcy . . . so it does the next best thing: it writes up the value of its assets, according to Paarlberg. And the result is inflation.

"The process is poorly understood by most people who still accept the money illusion, namely that the dollar is a stable and trustworthy measure of value," Paarlberg said. "The human race has used rising prices to wash out excessive debt throughout history. The price level of the past 2,000 years, if we were to chart it, would begin at the floor and zig-zag toward the ceiling."

The Purdue professor said he

expects the same thing to happen now in the farm debt crisis . . . although the political system will clearly disguise its intent.

"I expect our farm debt problem to be addressed both by downsizing the debt in individual cases and a general writing-up of asset values by price increases," he said. "It would not be a deliberate policy, but it would be forced upon us by events."

And even though the government may not announce its motives, the signs of the move toward a more inflationary policy will soon be evident in an increasing federal deficit, a growing money supply, a declining dollar exchange rate and an increase in the prices of raw materials, including farm products.

"I am not advocating such a policy," Paarlberg said, "I am saying that such price behavior is likely to occur in the next several years."

Such a policy might hurt those on fixed incomes and salaries. But it would help farmers who find themselves strapped with debt.

"If debt-ridden farmers are thus helped they should feel no pangs of conscience," Paarlberg said. "There is poetic justice in gaining from an economic gyration after having been punished by an earlier one."

The "monkey-wrench" in this economic scenario, however, could be the impact of the Gramm-Rudman budget-cutting bill. Agriculture is already affected by the cuts, and will feel the meat-ax even more seriously in coming years, if the bill is allowed to run its full six-year course, Paarlberg said.

By all odds, he added, the bill is a "loose cannon," that probably will either be discarded or modified after a year or two. And though it probably won't be implemented



Charles E. Hess

completely, like the farmer with the balky mule and the two-by-four, it will get the attention of the Congress, administration and public.

Closing with an appraisal of the next few years, Paarlberg noted that he expects some improvement in land and commodity prices over the next few years.

"The hard times in agriculture are bottoming out," he said. "And things will probably get better in the next year or two."

Does that mean that now is the time to go out and buy land?

"If a person wants to speculate," said Paarlberg, "Las Vegas would be better. If things go bad, the loss would be in ready cash, not in a productive economic unit. Fewer people would be hurt."

Seriously, he noted, the practical application of his remarks is that a debt-ridden farmer who is able to meet his payments for the next year or two should try to hang on a little longer.

"The chances are that rising prices of farm products and of land



Mark Bailey

will bail him out. If it comes to buying land, it is better to concentrate on an efficient farm operation than on a speculative venture."

One of the most critical external forces that will affect agriculture in years to come is the development of new technologies, mostly in the form of biological engineering.

The convention heard one of the nation's recognized experts, Dr. Charles E. Hess, dean of the College of Agricultural and Environmental Sciences at the University of California, Davis, review the latest developments in the field.

"In the 30-year period from 1949 to 1979," he said, "scientific and technological innovation increased agricultural output by 85 percent with no change in the aggregate level of agricultural input."

He noted that federal policies and tax incentives favored adoption of the new technologies,

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Hood challenges industry to be progressive, competitive

BY SALLY BAIR
Staff Correspondent

HARRISBURG — Calling on all segments of agriculture in Pennsylvania to be "progressive, decisive and cooperative," Dr.

Lamartine Hood, new Dean of Penn State's College of Agriculture, issued a challenge to the agriculture leaders of the state to make the industry competitive

and ready to move into the next century.

Speaking at the Future of Pennsylvania Agriculture conference, Hood said he hoped the conference would start the process of building a consensus, to help leaders focus on some of the primary concerns of the food, agriculture and forestry industries.

In his first address to leaders of Pennsylvania agriculture since he was named Dean, Hood called the trend toward fewer but larger units in production, processing, distribution and retailing enterprises a factor which must be considered in future planning.

He pointed out that Pennsylvania agriculture is now part of an international marketing system, adding, "We must think in terms of how to pull together to be able to compete in that market." He noted that Pennsylvania is fortunate to have production agriculture close to markets. To compete successfully, he said, "We must not lose sight of the importance of quality. We need more emphasis on quality."

Saying that Pennsylvania agriculture is a "world class industry," Hood pointed out, "Our ability to produce food and fiber puts us in an enviable position."

Hood noted that the interests of urbanization and production agriculture do not always dovetail, and that potential conflict must be taken into consideration.

Recognizing the importance of agriculture to the state's economy, Hood noted, "We are partners with the general public. The prosperity of the people and the state are linked to this industry."

He expressed concern for Pennsylvania's large non-farm rural population, the largest of any state in the country, and said, "We must strengthen relationships. The success of one group relies heavily on the success of the others."

He stated that the \$3.2 billion in "farm gate receipts" means more than \$30 billion in economic activity for the state. Furthermore, 12 percent of the workforce is employed in farming and related businesses. Hood says, "These are jobs we can't afford to lose. We are a very significant industry."

Hood spoke firmly in support of Cooperative Extension programs which are now at risk because of proposed federal budget cuts. He said Extension epitomizes the cooperative partnership he feels is necessary among the federal, state and local governments and Penn State. He said that without Extension, research results could not be disseminated practically.

But he noted, "We have to examine the ways in which we carry out these programs. There is a mentality in Washington that the states should cover Extension programs. We may not do it 10 years from now the way we presently do."

Hood expressed pride in the Extension service's computer network, adding, "You have a system here that is the envy of the states around you."

He said, "Research and extension are equally important," adding that research and extension efforts may both have to be regionalized to the extent that some research programs may have to be done in neighboring states. He also squelched a rumor

that there will be no poultry science program at Penn State, saying, "We are committed to that industry."

Nevertheless, Hood said, "We will have to make some choices. The well is not bottomless. We must work together to establish long range capabilities in planning and policy development."

Speaking directly about the College of Agriculture, Hood said, "Agriculture is an applied science, and we are vitally interested in recruiting students who don't understand the opportunities in agriculture. We want to lure top students out of the urban setting and convert them to agriculture."

Hood said the University must maintain its basic research activities "which will give us tools to solve the problems of tomorrow. Basic research is the applied research of tomorrow. We shouldn't shy away from research which will make farmers more efficient. We provide the information to you and you make the decisions."

An urgent need, according to Hood, is upgrading facilities within the College of Agriculture. He said they are investigating possibilities of shared funding to accomplish this.

Hood said the conference is a beginning for important studies which must be made of all elements of agriculture.

He added, "We shouldn't despair about the negatives. We should maximize every opportunity to keep out food, agriculture and forest industries viable, profitable and competitive. We must get together and move ahead to the betterment of agriculture."



Dr. Lamartine Hood, new dean of the Penn State College of Agriculture, gives his first major address at the Future of Pennsylvania Agriculture Conference.