

# Partnering Strengthens Agriculture's Future

LANCASTER (Lancaster Co.) — Exports are brightening the agricultural outlook, but since exports are politically driven, pitfalls abound. This was the consensus from the speakers participating in CoreStates Bank's agri-education seminar on Thursday.

Sonja Hillgren, Farm Journal editor, opened the day-long seminar that focused on partnering to make agriculture stronger by addressing how partnering meets world demand.

Hillgren spoke of China's volatile past and how she perceives it will influence world trade.

"The U.S. trade deficit with all foreign countries last year swelled to \$114 billion, the largest deficit in eight years," Hillgren said.

Of these figures, she pointed out that the U.S. trade deficit with China is \$40 billion and growing. Although the figure with Japan is higher, the trade deficit is on a downward trajectory and it is projected that China's deficit soon will overtake Japan's.

China's power in agricultural trade will "wrap into one giant bundle the problems we have experienced in the past with both

Japan and the former Soviet Union," she said.

"China's internal ups and downs — and our ups and downs with China — will affect farmers in Lancaster County. Chinese agricultural and trade policies will affect the price of feed for poultry, hogs, as well as pork and poultry exports."

"We in American agriculture are increasingly dependent on our fortunes in Asia to which we are shipping \$24 billion worth of agricultural products this year. Exports to Western Europe are only \$9 million."

A recent study by International Food Policy Research Institute predicts that China's grain imports will hit record highs over the next two decades and can be met by farmers in the U.S., Canada, and Australia.

Since Chinese markets are so politically volatile, people fear a repeat of the 1970s boom followed by a bust in the 1980s, but Hillgren said many things are different in this era.

Most customers are free-market economies rather than bankrupt Communist regimes. Exports are

less dependent on raw commodities and involve more value-added products.

On the other hand, value-added products open up a whole new set of problems. With E.coli outbreaks and British mad cow disease, imported safeguard measures are being imposed by several countries.

Hillgren and several other speakers addressed the problems that arise from the stronger value of the U.S. dollar compared to other currencies. Japanese purchases of U.S. exports in particular are limited because of this. If interest rates are raised, the increase will make U.S. products more expensive and harder to export and importing will seem more feasible.

To help modify the negative aspects of exporting, Hillgren recommends that Congress be required to write a good agricultural research law this year, that a steady increase rather than cuts be established in foreign development assistance, that free trade agreements be negotiated, that a global mechanism be established

for handling health and safety issues, that environmental policies protect our land base without making production difficult, and that Crop Revenue Coverage be available to all farmers.

David Kohl, ag economics professor, spoke of partnering to take charge of change.

"If you don't take charge, change will take charge of you," he said.

While the past years have been difficult for many farmers, Kohl said the real winners are emerging in agriculture with the better getting better and the worst following behind.

Kohl encouraged farmers to consider spending money in order to make money in value-added products, which he sees as the most profitable aspect of agriculture.

With a relatively strong economy, Kohl warned against being caught up in the micro-macro trap, "which is making a long-term decision based on short-term outlook."

Since 80 percent of all decisions

made by people are based on emotion, Kohl said there is a tendency to expand operations when business is prospering. He cautioned farmers to consider how they could meet expenses if prices decline.

Kohl said that in the 1960s, the food budget was 30-32 percent of the household budget compared to 10-12 percent today.

"If it wasn't for strong agriculture, we couldn't do what we do now," he said. He encouraged farmers to educate the public where seven out of 10 people have never stepped foot on a farm.

As farms expand to incorporate more family members, Kohl said that it is necessary that one person "be the top dog" when it comes to making tough decisions. He said that it is better for a younger person to work for someone else three to five years before working on the family farm. This enables them to make mistakes on someone else's money and to pick up new ideas. Contrary to public opinion, it costs a 65-year-old couple 125-150 percent more to live than a younger couple, Kohl said, and this figure

(Turn to Page A35)



Speakers at the annual agri-education seminar gather with CoreStates Bank officers. Front from left are Dr. Mark Edelman, Lawrence Delp, F. Barry Shaw, and H. Louis Moore. From back left, Dr. Barry Finchbaugh, Joseph Del Tito, Sonja Hillgren, Darvin Boyd, Jimmy Mullen, Andy Young, David Kohl, and John Blanchfield.

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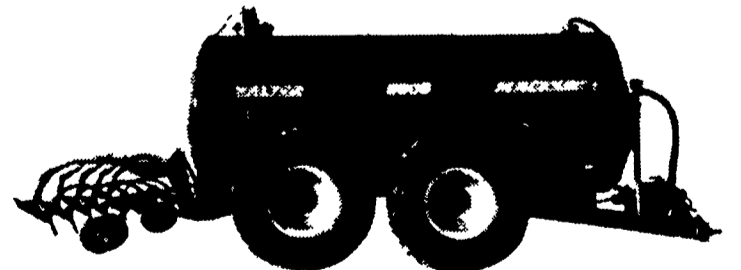
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