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# The role of state government in 21<sup>st</sup> century agriculture

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## Introduction

Depending on whom you ask, politicians are either indispensable allies of the family farmer or blundering fools who cause more problems than they solve. I would argue that the truth is somewhere in between: politicians can be a great help to farmers, but at times they can also be an imposing roadblock to progress.

A perfect illustration of this point is the continuing debate surrounding the 1996 federal farm bill. The legislation was born out of what I believe was a well-intentioned effort to wean American farmers from market-distorting government subsidies. As it was originally drawn up, the concept included progressive new crop insurance options for farmers and a dedicated effort to open new international markets for farmers.

Almost immediately, opponents chimed in about all the different things they found wrong with it. The intent wasn't so much to foster productive debate as to make their political adversaries look bad for supporting the bill. Eventually, some members of the agricultural community bought into the arguments and started calling for the repeal of the law.

Lost amid all the heated rhetoric was the intent of the bill—refocusing America's farm economy to give it a greater market orientation. This change in focus was sorely needed in order for the industry to keep pace in the long term with international competitors in South America and the European Union, but there was precious little discussion of that fact. Instead, we heard heated rhetoric about Congress "turning its back" on farmers.

In this example, you can see how, on the one hand, political leaders had recognized a need and tried to address it. On the other hand, you can also see how political considerations got in the way of meaningful discourse and actual leadership.

As long as we have a representative form of government, there will always be a tendency among politicians to "play to the crowd." You can see that type of activity each election year, when the farm payments seem to always flow a little more freely. But as much good as politicians can do for farmers through sound policy-making and leadership, I believe they do farmers a grave disservice when they

distort the issues and pander to people's fears and uncertainties for political gain.

This type of thing happens in both major political parties, and I believe it is one of the reasons why Minnesota voters chose Jesse Ventura to be their governor in 1998. People are sick of being manipulated. They want public officials who will be effective leaders, not just effective office holders.

## The role of government in agriculture

### **Federal**

What does it mean to talk about effective leadership for 21<sup>st</sup> century agriculture? Well, for one thing, it's time for some politicians to move beyond their current mantra about how farmers need a better price. It's well established that farm prices have been poor for two years. We don't need elected officials to remind us that farmers want better prices. What we as political leaders need to do is start talking about what we can and should do to help farmers of all sizes and sorts become more profitable and competitive in the global marketplace. Any vote-hungry politician can say, "We need to boost pork sales." A true leader starts working to get it done.

Getting it done at the federal level means first looking for ways to ensure American farmers a level playing field and full access to global agricultural markets. Our federal government should be diligently working to see that foreign countries are not unfairly denying our farmers access to their markets through unfair trade practices. The federal government should also be working to ensure that foreign governments are living up to international trade rules.

Of course, Washington also has a responsibility to forge trade agreements that will open up new markets or expand existing markets. There is no better example of this than the votes to allow permanent normal trade relations to China. That deal will mean an additional \$2 billion for American farmers each year, and it is exactly the type of political leadership that is needed. Not everyone favored the move, but it made sense for our farmers and for both countries in the long run. Passing permanent normal trade relations was an example of sound leadership.

## **Local**

Getting it done at the local level of government means realizing that agriculture is an important part of Minnesota's economy. Right now I fear there is a tendency in some parts of Minnesota for local governments to be anti-agriculture. Whether it comes through in zoning decisions, feedlot restrictions, or in other ways, we are seeing far too many communities become hostile territory for farmers.

I would argue that when local governments start to manage by emotion rather than by reliance on technical information, they are contributing to the demise of Minnesota agriculture. Issues such as land use can be effectively dealt with at the local level, but I would argue that there must be some sort of larger, regional- or state-level plan developed within which local decisions can be framed.

Those of us in state government have an obligation to farmers as well. We are obliged to help farmers by working to create what I call a "farmer-friendly" environment. We need to keep farmers' tax burdens low, we need to be minimizing costs of complying with environmental laws, and we need to be protecting farmers' legal and cultural ability to operate a farm despite the encroachment of urban sprawl.

In Minnesota, we've made positive strides in these areas recently. The compromise feedlot bill that came out of the 2000 legislative session will help protect farmers—especially small-scale farmers—from overly burdensome regulatory compliance costs. Updates made to the state's corporate farm law will allow farmers attractive, new options for structuring their business and will make it easier for them to pass along the farm to the next generation. Property tax relief passed this past session will also make farmers' financial picture brighter.

There are other things state government can do. In my mind, one of the most helpful things we can do in Minnesota is to give farmers a hand in making a successful transition to the new global marketplace of the 21<sup>st</sup> century.

## **Thriving in a global economy**

This message is not universally popular, but it is important nonetheless: things have changed in rural America, and we cannot bring back the "good old days" no matter how hard we try. Globalization has created new and powerful competitors for world markets. Grain prices are now influenced by currency exchange rates and growing conditions in South America as much as by policies set in Washington, DC. The choice we face is to either cling to the old ways of doing business or find creative ways to position rural Minnesota for success in the new economic landscape.

Farmers are not the only ones feeling the impact of these economic changes. Individuals, businesses, and communities of all sorts are struggling to find a place in the new, global marketplace, and they often look to public officials for answers. The challenge for policymakers is summarized nicely by author Tom Friedman in his recent book *The Lexus and the Olive Tree*, when he writes, "I didn't start globalization, I can't stop it—except at huge cost to human development . . . All I want to think about is how I can get the best out of this new system, and cushion the worst, for the most people."

I believe the big challenge our farmers face in the 21<sup>st</sup> century is to become as creative and skilled at marketing and positioning a product as they are at growing a product. That's a big switch from the traditional mindset of producing first and marketing second, but I believe farmers are already beginning to modify their strategies. I also believe that state government has an opportunity to help farmers with that adjustment.

I strongly believe that any truly effective effort to help farmers must be part of a larger strategy for helping rural communities. Rural economic development priorities such as telecommunications access, transportation infrastructure, and workforce training must be part of the equation when we talk about helping our farm sector. In that context, I believe there are a number of things our state should do to help Minnesota agriculture survive in a global economy.

First, we must increase value-added processing in the state—especially by farmer-owned cooperatives. Right now, when you go to the store to buy pork chops or a loaf of bread, only about 23 cents of every dollar you pay goes to the farmer who produced the pork or wheat. That must change, and farmers are the ones who must change it.

Farmers' long-term success will depend on their ability to capture more of the consumer dollar. The best way to do this is by moving beyond simply producing commodities. Right now, 85 percent of Minnesota farm income comes from eight commodities (dairy, beef, pork, turkey, corn, soybeans, wheat, and sugar beets). Simply put, farmers must get themselves a piece of the higher profit margins found in food and fiber processing.

I am talking about vertical integration, but not the type we usually see in the marketplace. This is vertical integration from the bottom up, where farmers pool their resources to tap into other segments of the food production chain such as processing, distribution, and even retail.

One area in which the state has already had success is corn milling. Since 1984, the amount of Minnesota corn processed into value-added products has gone from zero percent to 18%. That corn is now turned into products such as sweeteners, ethanol, and corn gluten feed in processing facilities owned by some 8000 Minnesota farmers.

Another excellent example is the Minnesota Department of Agriculture's new State Meat Inspection Program, which is helping local meat processors match up with local meat producers. This increases demand and prices for locally raised livestock compared to what might be received in distant markets. It also increases sales, employment and investment for Main Street meat processing businesses in rural communities.

The second major objective should be to diversify the commodity base of Minnesota agriculture through the market-driven development of alternative crops. Corn, soybeans, and wheat will remain our biggest crops, but farmers—especially small-scale farmers—can benefit by hunting out specialty and niche crops that can bring a higher return per acre.

Next, as I alluded to earlier, the state must help strengthen the competitive position of Minnesota's farm community. Governor Ventura created the FARM (Farm and Rural Minnesota) Cabinet to do that. The idea behind the FARM Cabinet is that by combining the resources of many state agencies, we can more effectively remove unnecessary obstacles that limit farmers' competitive power.

A fourth goal for Minnesota state government should be to persuade the federal government to adopt farm policies that have long-range value. For example, we continue to recommend that Congress do its part to strengthen economic tools like federal crop insurance and risk management programs, which help farmers ride out the ups and downs of weather and the marketplace. In a capital-intensive business like farming, it is also important to make sure farmers have access to the financing they need.

We also need to expand American farmers' access to international markets by fighting trade barriers and by leaving agricultural products out of economic sanctions that we place against foreign countries. Too many foreign markets are off-limits for US farmers, and the more we use food sanctions as a diplomatic weapon, the less reliable America looks as a food supplier for the world.

International markets are absolutely essential for Minnesota agriculture. Every year, this state ships nearly a third of its corn and wheat crops and more than half of its soybean crop to foreign markets. But the impacts are even larger than that. According to University of Minnesota economists, our state would be able to support less than a third of our 80,000 farmers if we were to close off all export markets and supply food only for US consumers.

Experts predict that the world's population will double in the next 50 years. In the same time, world food trade will triple. The reason for this is that the population growth will take place in developing countries with rising per capita income. It has been shown that the first thing people in developing countries do with extra income is improve their diet. That means more demand for soy oil, beef, pork, poultry, and dairy—all Minnesota specialties.

Finally, I believe we cannot overstate the importance of bringing our rural areas up to speed with regard to technology. E-commerce is only a novelty for most people today, but it has unlimited potential for transforming our ways of doing business. Rural areas cannot be left out. Just as government took a leading role in bringing electricity to rural areas, I believe government must take a leading role in bringing high-speed Internet access and all the other technological must-haves to rural America.

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## Conclusion

In the end, we realize that individual states like Minnesota have a limited ability to solve agricultural problems that have global roots. We won't be able to save every farmer, but the top farm policy goal of a state government in 2000 should be to help its agricultural community—and as many farmers as possible—make a successful transition to the 21<sup>st</sup> century.

