

**STRATEGIES FOR SOLUTIONS: POLICY
IMPLICATIONS
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Abstract

Thank you Mr. Chairman. I consider my assignment this morning to be both a distinct privilege and a special challenge. It's a privilege to be given this opportunity to address an assembly of some of the world's best scientific minds on agricultural technology. At the same time, it's a challenge to bring you a message that lives up to the theme of this conference: *Strategies for Solutions*.

The growing attendance at the annual Beltwide Conferences attests to their importance in the eyes of industry members. Despite consolidation of the cotton industry that continually reduces our numbers, we have seen attendance grow from about 700 in 1975 to an average of nearly 4,500 in recent years.

Most attendees are here at their own expense, and they're here despite economic circumstances that dictate judicial consideration of how every dollar will be spent. Clearly, these conferences attract large numbers only because of the confidence they've earned as a forum for dissemination of information that helps improve profitability.

I commend all who have had a hand in planning these conferences. For those who may not be aware of it, successful Beltwide Conferences result from the cooperative efforts of Federal and State Experiment Stations, the Cooperative Extension Service, universities, USDA, the Cotton Foundation, news media, the National Cotton Council and a number of other national and regional cotton organizations. This partnership effort, coordinated by the National Cotton Council, is evidence of the value that can be generated by a coalition of responsible entities working toward a common goal. Thanks to all of you for your excellent guidance and hard work.

Speaking of effective partnerships, the National Cotton Council is considered to be **the** prime example among agricultural organizations. Indeed, the Council was organized specifically to provide a forum for the seven segments of the U.S. cotton industry to develop *Strategies for Solutions*. Those strategies span a number of disciplines, from fostering technological development to advocacy for effective farm policy.

I want to share a few observations about the Council's role in farm policy before turning to issues that are somewhat more specific to the Beltwide Conferences.

Council leaders have held steadfastly to the conviction that a healthy partnership between government and U.S. agriculture is absolutely essential so long as such a partnership exists between our foreign competitors and their respective governments. We held to this fundamental during debate on 1996 farm law, despite the stated intent of Congress to phase government out of U.S. agriculture.

We insisted on including a provision in 1996 farm law that would result in reverting to 1949 farm policy unless Congress acts to implement **new** policy. It was not our objective to actually revert to such outdated policy but, rather, to ensure that Congress cannot, by simply doing nothing, withdraw from its partnership with American agriculture.

I think events of the past several years are convincing evidence that we were absolutely right in our advocacy for a continuation of this industry/government partnership. In fact, it is becoming increasingly evident that a healthy U.S. agricultural sector will depend on one of two things: (1) farm policy that provides a better income safety net than is provided by current legislation, or (2) frequent passage of economic relief packages such as the ones we've depended on the past two years.

Clearly, American agriculture, agribusiness, lending institutions and citizens at large would be better served with farm policy that is predictable and dependable as opposed to the uncertainty of Congressional action that may or may not be forthcoming when needed.

With the inadequate safety net of current farm law, these economic assistance packages have been essential, and they've generally been viewed as "cotton friendly," for obvious reasons. While we continue to be frustrated by the delayed implementation of some provisions, we remain hopeful that most of what we've worked with Congressional friends to include in recent appropriations measures will eventually be implemented to our satisfaction.

Thanks to the good work of Congressional friends, like Representatives Charlie Stenholm and Henry Bonilla who have joined us for this conference -- and, of course, the outstanding leadership of Senator Thad Cochran and Chairman Larry Combest -- the Agricultural Appropriations bill signed into law on October 22 included a number of very helpful general provisions plus a couple of provisions more specific to cotton. It includes funding for normal USDA activities and programs, such as research, conservation and market development, as well as \$8.7 billion in emergency financial assistance for farmers and ranchers. You will recall that the emergency assistance package includes:

- A doubling of AMTA payments with provision to allow producers to request future payments in one or two installments anytime after October 1;
- \$475 million for direct payments to soybean and minor oilseed producers;
- Reinstatement of cotton's Step 2 competitiveness provision through 2003;
 - \$1.2 billion for weather-related crop losses;
 - An increase in the limitation on marketing loan gains and LDPs to \$150,000 per person for crop year '99;
 - Authorization for issuance of marketing certificates, which could further relieve marketing problems associated with limitations on marketing loan gains and LDPs; and,
 - Funds to allow USDA to extend 30% discount on buy-up crop insurance coverage for CY99-00.

There were also provisions for assistance for dairy, livestock, specialty crops, peanuts, tobacco and sugar. The bill included non-binding report language calling on the Secretary to implement a cottonseed assistance program.

Then, in November, when drafting was nearing completion on the fiscal year 2000 omnibus spending bill, Senator Cochran was successful in convincing Senate and House leaders to add a provision which gives the Secretary discretionary authority to utilize unspent funds from earlier emergency appropriations measures to implement a cottonseed assistance program.

The provision also authorizes the Secretary to initiate a program to help make American pima cotton more competitive with foreign growths – many of which are heavily subsidized and marketed by state controlled enterprises.

Despite our repeated requests for expedited implementation of these assistance programs, several cotton-specific provisions still have not been implemented. The marketing certificate program, which can help many farmers cope with payment limit problems, is yet to be implemented. Neither have the cottonseed assistance nor the pima competitiveness programs been implemented.

I might observe that the National Cotton Council is acting virtually alone in trying to convince USDA to use certificates to avoid a train wreck this year and in the future. Frankly, we are at a loss to understand why other commodity and general farm organizations have not shown more interest. Cotton certainly is not the only commodity that could benefit from the use of certificates to deal with payment limit problems.

With respect to the pima program, the industry has offered the Department a procedural recommendation but has not communicated its final preferences concerning quality and transportation adjustments that will have to be made. But, in our judgement, implementation is way overdue for the certificate and cottonseed assistance programs.

In every region of the belt there are cotton farmers who have bales under loan that cannot move to market until certificates are issued making that cotton eligible for redemption at the adjusted world price. And in every region there are economic hardships that will be significantly relieved when payments are made on cottonseed.

Except for these implementation delays, I believe you will agree that the cotton industry's short-term *Strategies for Solutions* in the policy arena have been on target. The combination of economic and disaster relief measures, plus reinstatement of funding for step 2 and authority for implementation of a pima competitiveness program represent real progress on the short term policy front.

Looking to the longer term, I have appointed a special committee to begin looking at policy alternatives. The committee has met once already and will meet again in conjunction with the Council's Annual Meeting next month. Any recommendations developed by the committee will be considered by appropriate program committees, the Board of Directors and finally the delegate body.

House Ag Committee Chairman, Larry Combest, has announced his intentions to hold hearings on farm policy fairly early this year to evaluate the agricultural economy and the operation of '96 farm law. The jury is still out on whether Congress will make any significant farm policy changes before current law expires at the end of the 2003 crop year. If no changes are made, it is altogether possible that another short-term relief package will be considered. Whatever the timetable, our goal is to look at policy alternatives and be prepared to present recommendations that reflect a consensus of all seven segments of the U.S. cotton industry.

Meanwhile, the industry will continue to pursue *Strategies for Solutions* on other fronts, including the technology front which will be center stage at this conference. A number of issues have become regulars on the agenda of recent Beltwide Conferences. For example conferences or special sessions on: marketing strategies; internet opportunities; new developments from industry; soil management; weed, insect and disease control; as well as ginning and textile processing technology.

This year's conference features several new sessions that merit your attention. This afternoon, for example, there will be a special session called "Focus on Quality -- Breeding

Through Spinning.” Quality improvement is becoming one of our industry’s highest priorities. Later this morning you will hear Dr. Mark Lange, the Council’s Director of Economic Services, describe the competitive situation we face with manmade fibers in the global market. Our competition with manmade fibers is both price and quality related. We very badly need to improve the quality characteristics of cotton lint to compete more effectively both with manmade fibers and with foreign growths of cotton. Some of these improvements can be achieved with changes in the way cotton is processed, but some can only be achieved through breeding.

The Council has had a Quality Task Force working to develop recommendations on ways to introduce incentives for quality improvement. I’m pleased to report that they have agreed on several recommendations, including some changes in the Commodity Credit Corporation’s loan premium and discount schedule. These recommendations are now being reviewed with leaders in the various segments and will be considered by Council delegates next month. I’m hopeful that these recommendations will be approved and we’ll be able to provide the right incentives for some real progress in quality improvement.

I would urge you to attend this special session on cotton quality beginning at 1:00 p.m. this afternoon.

Another special session will focus on biotechnology. Last year approximately 60 percent of U.S. cotton acreage was planted to all types of biotech cotton. This spring we expect the percentage to move still higher. For all field crops, biotech plantings accounted for an estimated 29% of acreage in 1999. This strong trend to genetically engineered plants stems primarily from cost savings already possible. We have every reason to believe that biotech offers still greater cost savings, as well as potential for significant quality improvements.

At the same time, biotech products are experiencing some adverse reaction by consumers, especially in Europe. The special session scheduled to begin at 1:30 p.m. tomorrow will feature reports on:

- The current status of biotechnology
- EPA’s perspective on biotechnology
- Bt and herbicide resistant cottons
- International trade implications of biotechnology, and
- Ag sector structural implications of this technology

This special biotech session brings together some of the best-informed people in the country to address these subjects. I would strongly urge you to hear their reports and to

participate in the question and answer session that will follow.

This has been a very difficult year, and, of course, it comes on the heels of a difficult 1998. I would expect the reports this morning by Dr. Lange and Mr. Dunavant to paint an economic picture characterized by:

- A global cotton supply that exceeds demand;
- Intense competition from manmade fibers, which are also overproduced; and
- A disappointing 1999 U.S. crop ... with reduced yields in many regions and quality problems in most.

As we consider *Strategies for Solutions*, it becomes abundantly clear that solutions to these problems will not be found on a single front. We must continue to search for solutions on the policy front, the marketing front and on the research and education front. With respect to the latter, the Beltwide Conferences will continue to be an invaluable forum for speeding the transfer of new technology to U.S. cotton producers and other industry members. Again, I commend all who have worked to make these annual conferences the tremendous success they have become.

Years like the last two tend to dampen spirits. However, your presence at these conferences demonstrates a certain confidence in the future of U.S. cotton. I share that confidence. We’ve marshaled our resources through the National Cotton Council to deal effectively with tough circumstances before and I believe we will do so again.

I appreciate the opportunity to share these observations with you and I look forward to working with you as we continue our efforts to develop sound *Strategies for Solutions*.