ORAL HISTORY WITH KEITH COLLINS
CHIEF ECONOMIST
U.S. DEPARTMENT OF AGRICULTURE

00:00:19:19 Q: Today is November 28th of the year 2000. I am Larry Quinn (ph.) with the Office of Communications at the U.S. Department of Agriculture in Washington. And today we are visiting with Keith Collins, who is Chief Economist with the U.S. Department of Agriculture.

00:00:33:19 And Keith we want to talk about your time at USDA. You've been long in a career of agricultural economist as an economist and now as the Chief Economist for the Department. When did you begin your work at USDA?

00:00:45:23 A: Well, Larry I started in 1977. I came here right after getting out of graduate school, and started as a Research Economist working on cotton in Economic Research Service.

00:00:59:27 Q: And from there where did you go?

00:01:01:23 A: Well, from there I took a series of different jobs with progressively more responsibility. And ultimately in 1984 I was asked by Secretary Black to serve on his 1985 Farm Bill Task Force.

00:01:20:22 And so I took a one year detail over to the Secretary's office in 1984 through 1985 to help prepare the Department's position and do all the analysis for positions in the negotiations with the 1985 Farm Bill.

00:01:37:08 When that was complete, after the Bill was enacted, I went back the Economic Research Service. I only stayed there for a few months. I got a call from the Secretary's office asking me if I wanted to come back and they offered me a permanent job.

00:01:51:17 And I came over in early 1986 as Director of the Economic Analysis Staff in the Secretary's office, working for the Assistant Secretary for Economics. And stayed in that position until 1993, until President Clinton was inaugurated.

00:02:10:16 At that time then Mike Espy came in as Secretary of Agriculture and asked me if I would serve as the Acting Assistant Secretary for Economics. A job that I thought I would only have for a month or two, until a presidential appointee was named and succeeded me in that position and I would go back to my other bureaucratic home.

00:02:31:22 Well, that never happened. The Department had a major reorganization in 1994. The Assistant Secretary position was eliminated or replaced by another presidential appointed position, the Under Secretary for Food Safety.

00:02:49:06 And the position of Chief Economist was created. And so I served as the Acting Assistant Secretary from 1993 until I was appointed as Chief Economist in 1995. And I've served as the Department's Chief Economist since 1995.

00:03:07:08 Q: So that was a new concept that actually evolved during that reorganization.

00:03:11:03 A: It was a new concept. Prior to that the Secretary did get advise on economic issues, principally from the Assistant Secretary for Economics, who had a lot of responsibility, who had a number of agencies working for the Assistant Secretary for Economics.

00:03:27:14 The new concept was to take those agencies and move them to missionaries of the Department, so they would report up through presidential appointees. But the Secretary still felt the need for a small, independent staff that could provide an objective economic advise.

00:03:44:26 And so the Office of the Chief Economist was created, staffed with about 50 people, given a series of responsibilities. The principal one being to advise the Secretary on the state of the farming rural economy and on the economic effects of legislation, proposed programs, regulation and so on.

00:04:05:11 But in addition to that we had seven specific responsibilities. One would be to clear all of the Department's significant, economically significant major regulations. And so we do get involved in all of the cost/benefit analysis that goes on in the Department underlying our regulatory actions.

00:04:24:00 We are also charged with putting out any official projections, all the official forecasts for supply and demand and prices for the U.S., for the world, for agricultural commodity markets.

00:04:36:15 In addition to that, we have other responsibilities. We have been charged with coordinating (unint.) development dealing with farm work and regulation, overseeing energy policy, and energy issues for the Department of Agriculture.

00:04:50:29 And also reviewing risk assessments of the Department that are associated with major rules that effect human safety, human health through the environment. So it's a collection of things, generally related to program and policy analysis.

00:05:05:27 Q: So would it be fair to say that you were in charge of taking information that is factual in nature, interpreting it in terms of policies for farm programs and for decisions of the Secretary?

00:05:17:06 A: Absolutely. We do some of our own research. A lot of what we do though is synthesizing the data and research that exists out there in society. Some of it Federal research, some of it university, some of it private sector. And we try to bring that all together to (unint.) whatever decision, whatever issue the Secretary needs help on. So, yes, we are in the information, massaging, analyzing, synthesizing business.

00:05:46:16 Q: You've had a chance at the Department of Agriculture for, if you would pardon the reference, nearly a quarter of a century of agriculture to take a look at what's happened to American agriculture. And a lot of change has happened during that time. Any observations generally about the economic position of agriculture during those almost 25 years?

00:06:06:05 A: The changes have been dramatic. When I came in here in the 1970s agriculture was prospering. Exports were soaring. We were taking the first steps towards what is now known as globalization.

00:06:23:11 The Russians, for example, had entered world grain markets and sent grain prices soaring in the mid-1970s and set farm incomes to record high levels. But those changed pretty quickly in the 1980s. We built up some very high land values.

00:06:41:25 We came to believe in exports as the salvation for American agriculture. Some people called it the export euphoria of the 1970s. But in the early to mid 1980s the world went into a recession. And often we see agriculture, the performance of U.S. agriculture, world agriculture tied to the developments in the world economy.

00:07:02:17 And the world economy went into recession in the early 1980s. Here at home of course we had high inflation rates and President Reagan who came in in 81 committed to getting rid of inflation in the U.S. economy.

00:07:19:09 And one of the ways that that was done was to slow down the growth of the money supply, which meant high interest rates. Well, higher interest rates just devastated land values in American agriculture.

00:07:29:25 Agriculture was pretty highly leverages. People in the boon towns of the late 70s had purchased a lot more capitol equipment. Financed -- they bought a lot of land. Financed it. And in the early 1980s when interest rates soared, we had double digit interest rates, prime rates went as high as 18 percent, we saw a collapse in land values.

00:07:49:19 And we saw a lot of highly leveraged farms become insolvent and less agriculture. So we had what was called the credit crisis of the 1980s in agriculture. And so I certainly lived through that in the protest and concerns that we had with farmers.

00:08:07:08 Some of those concerns were addressed in the 1985 Farm Bill, which I had the opportunity to work on. But then agriculture started to prosper again. In the late 80s we started to get a recovery of exports as the world economy grew.

00:08:19:11 Farm income started to rise. Some of the surpluses we built up in the mid-80s dissipated. But then again in the early 1990s, just before the Clinton administration, we had a global recession in 1991.

00:08:34:07 And that slowed down farm income, slowed down our exports a little bit. One of the ways that we measure income is with the concept of net cash farm income where we look at the total cash receipts of farmers, subtract off their cash expenses.

00:08:50:00 And in the early 1990s that was running 50 to 52 billion dollars. Today it's higher than that, much higher than that as we went through the 1990s. We started the 1990s with agricultural exports in the range of $40 billion.

00:09:09:00 And we started the early 90s with a slow U.S. economy and slow world economy. But then things again started to improve, as always. The world economy and the farm economy go through cycles. The world economy which had been growing at about two percent a year in the early 1990s progressively got better.

00:09:29:18 And by 1994 it was growing at about four percent a year. And it grew three to four percent a year for 94, 95, 96, 97. And when we look at the relationship between the world economy and U.S. agriculture we see whenever the world economy is growing at more than three percent a year our exports do pretty well.

00:09:51:10 And that is exactly what happened in the early years of the Clinton administration. The U.S. economy was improving. The world economy was improving. Unemployment rates were falling. Just before the Clinton administration, 1992, the unemployment rate was about 7 and a half percent in the U.S. economy.

00:10:09:29 And it was coming down. As income grew, as the unemployment rate fell, the purchasing power in our economy was going up. More people were in the marketplace, with more money, buying more agriculture items.

00:10:23:14 And that was true all over the world. And so we very quickly saw our exports go from between 40 and 45 billion dollars in the early 90s to $60 billion by 1996. So we had an increase of a third or more in a space of a couple of years.

00:10:44:12 And that really helped the farm economy. That really propelled farm income and made things a lot better. Unfortunately, when you get strong markets like we had in the mid 1990s and high prices like we had for farm commodities in the mid 1990s, that encourages more production.

00:11:05:00 And so we've got more production in the U.S. and around the world and that started to bring prices down and incomes down. And that's a problem that we have endured the last couple of years.

00:11:15:24 Q: So the production management is still something that looms as a part of farm policy in a sense. If the farmers don't arbitrarily do it themselves, then programs come along to do that or help them do that.

00:11:28:25 A: Well, production management has always been a problem in agriculture. You have demand growing as populations grow, as income grows people want more food. And it grows fairly predictably, unless you get these world recessions like we had in the early 80s and early 90s.

00:11:51:06 But what's not predictable is the supply side, the production side. Agriculture of course being dependent upon biological processes can be upset by weather events, natural disasters, or very good weather.

00:12:07:20 And so you get roaches (ph.) in the marketplace as you get too much production and not enough production from year to year. And certainly government policy has operated to try and help that in a number of ways.

00:12:24:22 Throughout most of the periods, since the 1930s, the government employed acreage control programs where we tried to limit production by setting a maximum amount of acreage farmers could produce to be eligible for government benefits, government program benefits.

00:12:45:23 But that had its problems too. When we started to set aside a lot of land and prop up our own domestic prices we saw that foreign countries expanded their production and took some of our market share away in the world.

00:12:59:05 And there is also a general concern about setting resources aside and not using them. Setting aside land costs money. It's income that farmers can't earn on those acres. So there is a direct cost to that involved too.

00:13:12:17 And that's led to a lot of concern about acreage production programs, acreage control, production control programs to the point that they were eliminated in the 1996 Farm Bill. And so today we are more letting the marketplace give the signal (ph.) to the producer, whether the producer should cut back some or plant a little more.

00:13:40:18 Q: There has been a term called the safety net that I've heard Secretary Brinkman use many times during his tenure and his concern about that safety net where we have taken away some of the support for farmers. How have you and others advised him in developing policies that would compensate for the safety net feature?

00:14:01:08 A: The safety net is a interesting concept. And it's really been fundamental to farm policy in the 20th century. If you go back to some of the genesis of farm policy as we know it today, it was the Agricultural Adjustment (ph.) Act of 1933 in which the Federal government decided to support prices and support income of farmers mainly because their incomes were so low, relative to the non-farm population.

00:14:28:23 And those programs that were set in motion back in the 1930s, largely are similar to the tools that are still used today. Although there have been some substantial changes. The main one being, over the last eight years, the 1996 Farm Bill.

00:14:48:29 The safety net prior to the Clinton administration consisted of three basic tools. The first was income support payments to farmers, which was basically called deficiency payments.

00:15:04:11 And it was tied to prices. When price went down, the payment went up. So it was a counter cyclical payment. The second major set of tools were non-recourse press support loans. A farmer could bring a crop to the USDA, pledge the crop as collateral for a loan, and get a loan at a set rate per unit of production.

00:15:28:18 And then if prices went up, pay off the loan. If prices don't go up, forfeit the crop to the government. So the government became a buyer of last resort. And then the third set of tools were the acreage control programs.

00:15:43:06 Now all three of those were in play when the President took office in 1993. But they came up for review with the expiration of the 1990 Farm Bill. It expired in 1995. And there was no easy successor to the 1990 Farm Bill.

00:16:04:05 The debate took a long time and it stretched into 1996.

And so instead of having the 1995 Farm Bill, like everyone expected, we had a 1996 Farm Bill. And it made some fundamental changes in those tools.

00:16:16:17 The income support payment, the old deficiency payment, was replaced with a fixed payment, called the AMTA payment, which stands for Agriculture Market Transition Act, which was the part the Farm Bill that authorized those fixed payments.

00:16:30:05 Some people just call them fixed payments. Some people call them production flexibility contract payments. That's what USDA technicians call them. And the loan program continued. But instead of being a non-request loan program, it became I'm not getting a loan.

00:16:46:10 So that if prices went down, the producer wouldn't forfeit the crop that was pledged as collateral for the loan, instead the producer could pay off the loan at the lower market price. That way the government wouldn't have to take possession of commodities anymore.

00:17:02:02 And then the third tool of the acreage reduction programs were simply eliminated. This collection of changes had one very important upshot. And that was that farmers were now free to plant it ... whatever they wanted to plant, largely in relation to the market price.

00:17:21:06 Because you no longer had the income support payment. The deficiency payment was no longer a function of market price. It was no longer a function of what was planted. It was, people use the term, decoupled from production. It was a fixed payment.

00:17:34:21 Didn't matter what you planted or how much you planted or what price you got, you got the same payment. So that made the production decision market oriented and people would refer to that as production flexibility.

00:17:45:07 So the combination of eliminating acreage control programs and decoupling the payment by making a fixed payment allowed markets to react to farm prices. And immediately we saw, in 1996, a substantial increase in acreage in the United States, because farm prices were high in the mid 1990s.

00:18:03:09 When the President took office farm prices had been fairly low in 1992. We are talking about corn prices at about $2 to $2.10 a bushel. Wheat prices at about $3.25 a bushel. But then slowly prices started to raise. Immediately in 1993 we had the devastating floods in the Midwest, the Mississippi.

00:18:30:17 And that reduced our corn crop. We saw our corn prices shoot up in the air in 1993. And, in fact, 1993 was the highest net cash farm income ever recorded in the history of American agriculture.

00:18:45:16 It seems strange to have it in a year when we have a natural disaster. But in 1993 when the President took office livestock markets were very strong. So income from livestock was very good. And then with the floods grain prices shot up in the air and farmers had enough stocks to sell at those high prices, so they kept their cash flow up.

00:19:06:29 And then there was the Disaster Assistance Bill, which provided additional payments to producers. So all those things combined led to a record high income. And then income came down the next year and prices started to come down. But in the mid 1990s we saw a drop off in world agricultural production.

00:19:27:00 At the same time the world economy was going very strongly, three to four percent growth in the world economy. And that then caused commodity prices, mostly crop prices to shoot up in the mid 1990s.

00:19:37:08 We set our all time record highs in crop prices in the 1995-96 season. That's when we had wheat prices hit $4.55 a bushel, for example. Corn prices hit $3.25 a bushel in that 1995-96 year.

00:19:57:26 And so that was the environment in which the 1996 Farm Bill was being debated in the past. And so when we went to full planting flexibility in the 1996 Farm Bill on top of these high prices we saw a big jump in acreage planting in 1996.

00:20:15:07 And of course then that began to sew the seeds for the farm income and financial problems that we've seen over the last couple of years in the late 1990s and in the year 2000. We saw farm acreage go up about 17 million acres or so in 1996.

00:20:33:06 We saw acreage and production increase around the world. And between 1996 and the year 2000 we had generally good weather in the U.S. and around the world. So that most major crops were setting record or near record production records each year.

00:20:51:10 So at the same time this was happening and stocks were building and prices were starting to come down we had a global shock. We had the Asian currency crisis in 1998, which immediately led to a rapid increase in the value of the dollar.

00:21:10:21 So Asian purchasing power was cut. And then the price of our products and their currencies went up because of the increase in the value of the dollar and we saw our export demand start to fall off.

00:21:22:22 And then in late 1998 the Asian problem spread. It spread to Latin America. We had a recession in Latin America, a very deep recession in 1998. We had other countries around the world begin to stumble in 1998 as well.

00:21:36:08 The former Soviet Union block countries had a big set back that year. And so we had a couple of years of big slow down in demand in the world economy. At the same time we were sort of free market on the supply side in the United States and having good weather around the world.

00:21:53:18 And then that led to big drops in commodity prices, mostly crop prices. Crop prices fell dramatically between 1995 and 1999. So that by the time you get to 1999 most of our major crops are sold at prices that are 15 to 25 year lows.

00:22:16:24 Cotton and soybeans, for example, we had the lowest prices for the 99-2000 crop year that we had since the 1970s. For wheat and corn the lowest prices since the mid 80s. So we had a real fundamental weakness in farm markets in the late 1990s.

00:22:34:20 And this really opened up the debate again about the Farm Safety Act and the adequacy of the program tools that were out there. As a result of that, I think that it's fair to say that there was general agreement on the part of USDA, the administration, and both Democrats and Republicans in Congress that the 1996 Farm Bill wasn't providing enough income support.

00:23:05:06 And so what we saw is these prices came down and we also had some spotty bad weather in certain areas of the country. In 1996 we had bad weather in the southern Plains. In 1998 we had bad weather again in the southern Plains. We had a recurrence of bad weather in the northern Plains -- disease problems, flood problems, all through the mid to late 1990s.

00:23:31:17 And so the combination of this spotty weather disruptions in parts of the country and the declining prices led to all the policy officials in both the administration and the Hill to conclude that more support was needed for American agriculture.

00:23:46:22 So in 1998 we had an ad hoc supplemental assistance bill that started out as a Disaster Assistance Bill, a Crop Disaster Assistance Bill. But measures were added to it to help shore up farm income so that there was some income support provided as well.

00:24:04:10 That bill was passed in 1998 providing about $6 billion in supplemental assistance to American agricultural. In 1999 as prices stayed low we had a second ad hoc supplemental assistance bill. And that provided roughly $9 billion in supplemental assistance to agriculture.

00:24:26:28 And then in the year 2000, we had a third successive bill, called the Agricultural Risk Protection Act of 2000, which provided a little over $7 billion in additional assistance to farmers.

00:24:43:11 And then the USDA's Corporation Bill enacted in the fall of the year 2000 provided another $3.5 billion in both crop and market loss assistance to farmers. So as you look back over the last four years what you see is a Farm Bill that provided a certain amount of support to American agriculture, moved American agriculture on a path toward market orientation in terms of the decisions of what to produce, where to produce, how much to produce, where to market it, when to market it.

00:25:18:27 But, on the other hand, was probably a little short in income support that would have been needed to forestall a big crisis. And so Congress came through with that support in 98 through 2000. And it's basically prevented the kind of financial crisis that we saw in the 1980s.

00:25:41:13 Certainly the returns from the marketplace, just the sales of crops and livestock products in the marketplace, would be providing a net income that's as low as it was in the 1980s.

00:25:59:13 But we haven't had this financial catastrophe that we saw in the 1980s primarily because of the joint actions of the administration and Congress to provide supplemental payments to farmers.

00:26:12:05 Q: So in a sense the farmer has regained a freedom to farm, both the amount of acreage and the crops they can produce. But then got some assistance on the risk side, which wasn't pleasant for any of them.

00:26:23:23 And I guess the irony is that it seems never that it's equal. When one farmer is doing poorly one is doing very well. So it's a hard balance for you to constantly be working on programs that work for all farmers.

00:26:35:15 A: It's very hard. American agriculture is incredibly diverse. Traditionally the programs were directed at what today are the major crops of the Midwest and the Southern crops like cotton and rice.

00:26:49:17 But we have the lowest parts of American agriculture today that depend on livestock or depend on horticultural products, places like Florida, California, southern

Texas. Those are largely outside of the price and income, the safety net programs that the government has provided.

00:27:08:05 And so it is very hard to provide comparable assistance across an agricultural economy that is so diverse as the one that we have today.

00:27:20:24 Q: It also must be very frustrating that this seems to be one of the only sectors of the U.S. economy in recent years that has had as much struggle. Most of the rest of the economy has been very strong.

00:27:31:09 A: The rest of the economy has done terrifically throughout most of the 1990s. In a way that is a help for American agriculture. Yes, we have gone off in a different direction. The strong American economy helped the domestic demand for farm products.

00:27:47:19 And our domestic demand has been very good for farm products. Not only food demand, but industrial product demand has grown tremendously in the 1990s. But we haven't prospered in the way the non-farm economy has prospered largely because of a series of natural disasters, spotty small ones throughout the 1990s, as well as the major one we had in 1993 with the floods.

00:28:15:17 And because of low prices. Because of the structure of agricultural markets when you tend to get a crop it tends to lower the prices proportionately more than the increase in production. So income goes down.

00:28:32:29 And then of course we have the difficulty on the export side. You know exports account for 20 to 25 percent of what we produce in the American economy. And when you get a couple of years of disruption on the export side like we've had in 1998, 99 and 2000, that is very difficult to offset.

00:28:52:09 I might mention that another part of the safety net that we are talking about underwent dramatic changes in the 1990s. And as a (unint.) of crop insurance and risk management. If you go back into the 1980s people didn't think that the crop insurance program could be a serious contender for being a fundamental farm program in the future.

00:29:21:00 Back in the 1980s we had very low participation in crop insurance. There were some serious administrative problems with the program. During the 1980s, for example, it's termed the loss ratio, which is let's pay out the producers in the form of indemnities divided by premiums was 1.5.

00:29:44:15 In other words, we are paying out 50 percent more than we are getting in on premiums. And so there was a lot of concern about the administration of the program. But primarily the low participation, which was only about 20 percent of insurable acres, made it difficult to depend on crop insurance as a disaster program if something goes wrong.

00:30:04:29 And so any time something went wrong Congress would enact a special disaster assistance bill to give farmers disaster payments and then farmers would say well if I'm getting those disaster payments I don't really need to buy crop insurance.

00:30:18:07 And so the duly tracked system of disaster payments and crop insurance wasn't working. And so actually in the 1980s the Department of Agriculture made a formal proposal to Congress to eliminate the crop insurance program, to let crop insurance be something ... it's totally a private sector program.

00:30:36:02 Well, what really changed the whole picture on crop insurance, I believe, was in 1993 with the floods in the Midwest. We had tremendous devastation in the Midwest. And that put a lot of attention on the crop insurance program, which at that point was viewed as not delivering, as not performing.

00:31:03:27 Interestingly in that year, in 1993, the first steps were made to try to restore some health to the crop insurance program. The ominous Budget Reconciliation Act of 1993 set a certain loss ratio for the crop insurance program. It had to get its administrative house in order.

00:31:25:29 And then the following year, in 1994, there was major legislation, the U.S. Department of Agriculture Reorganization and Crop Insurance Reform Act of 1994. And to sort of lead up to that Secretary Espy had actually held a major summit in crop insurance here in Washington, D.C. to look at the program, ask the question why didn't it do a better job in the horrible weather events of 1993, and what can we do to fix it?

00:31:58:25 And out of that summit and all the attention that was paid to crop insurance we got this 1994 legislation which made a fundamental change in crop insurance. Basically, it said we're going to try and make crop insurance a centerpiece of risk management and income protection, an important part of the safety net for American farmers.

00:32:17:17 And we are going to do that by making available to farmers a very low cost policy that provides protection against catastrophic events. And so that started what was called these CAC (ph.) policies, Catastrophic Coverage policies. We charged producers a very nominal fee and they got protection for losses in excess of 50 percent.

00:32:40:05 In addition to that, the 1994 Act said if you want to get program benefits from the Department of Agriculture you have to buy crop insurance, you have to have CAC coverage. So there was a linkage there, a mandatory requirement if you wanted program benefits.

00:32:54:27 Well, the result to that was terrific. Prior to the Clinton administration participation in the crop insurance program by 1992 was running about 40 percent or so of insurable acres.

00:33:10:02 After the 1994 Act it went to 80 percent. So crop insurance now became really, truly a fundamental part of the farm safety net. Well, I'll take that story another step. In 1996, the 1996 Farm Bill undid some of that.

00:33:29:01 The 1996 Farm Bill eliminated the mandatory requirement that you had to buy crop insurance to be able to get other farm program benefits. And so after 1996 we started to see the participation in the program start to trail off.

00:33:44:05 And then of course the last three years where we've had these spotty disasters around the United States, and we've had these three successive Bills in 1998, 99, and 2000 to provide crop disaster coverage in market loss payments to producers, put crop insurance back under the spotlight again.

00:34:02:08 People started asking the question, well, you got your actuarial (ph.) house in order. The loss ratio is under control. You are ministering the program better. Participation is pretty high. But it's not quite providing enough benefits to farmers.

00:34:18:17 We still have to give them this special legislated crop loss payments because your program is not thriving enough. It's not kicking in enough benefits to producers. So that led to yet another major piece of crop insurance legislation, the Agricultural Risk Protection Act of 2000.

00:34:39:08 Which not only provided some market loss in crop disaster payments for producers, but it also provided yet another reform of the crop insurance program. The main thing that the 2000 Act did now was to dramatically increase the subsidy level for premiums for producers, to make policies much more affordable, but not at the low level of coverage, at the high level of coverage.

00:35:07:14 The idea was to get producers to increase their participation at the higher levels of protection. So hopefully now as we stand here in the year 2000, having this Bill just passed a few months ago, hopefully as we look ahead in the new millennium we are going to see a crop insurance program with high participation, generally, and high participation and high coverage levels.

00:35:31:09 And maybe, just maybe, that can forestall large crop loss payments being enacted by Congress when we have a natural disaster in the future. And maybe we can get on a one track program in the future.

00:35:45:01 Anyway, the foundation I think has been set here in the 1990s to make crop insurance a really fundamental part of the farm income safety net.

00:35:55:21 Q: Let's talk about you personally a little bit in this last 90s period where you've been very pivotal in advising the Secretary and perhaps the President, the Vice President, others about this.

00:36:08:17 Must be personally very rewarding to be in a role, to use the knowledge you have, to help solve such a major problem like this.

00:36:15:07 A: Well, it is. I have an unusual position in that I'm a civil servant. And I have been involved at very high levels in the administration as a civil servant. Many of the people that I work with are political and policy officials, either presidential appointees, senate-confirmed or otherwise high level political officials.

00:36:39:27 And so I have the opportunity to work at that level. I also can draw on my experience. I have now worked for five Secretaries of Agriculture, as you know well, and have seen quite a range of experiences that I think allows me to help navigate some of these difficult economic and policy issues.

00:37:03:02 And occasionally I do get the opportunity to brief and be involved at even the highest level of government. I've had the opportunity to brief the President of the United States a couple of times. Had the opportunity to fly on Air Force One, at his invitation.

00:37:22:00 I've had an opportunity to brief the Vice President of the United States. And so these are unusual opportunities for most civil servants. And so I relish those quite a bit.

00:37:33:29 Q: Did you find that their command of what was going on in agriculture was solid?

00:37:39:03 A: I was very impressed in my experiences with the President and Vice President. I'm going to tell you one of them. I got to brief the President, in 1996 when we had a real collapse in cattle prices in the United States.

00:38:01:10 Cattle moves in cycles. Often about 10-year cycles. And we were building up our cattle inventory in the United States all during the first half of the 1990s. So by the time you get to January 1, 1996, we have 103 to 104 million head in the United States.

00:38:20:19 We built it up from 97, 98 million head in the early 1990s. Well, that year we had bad weather in the southern plains and a lot of the forage that cattle feed, a lot of the forage crop was lost.

00:38:38:24 So farmers were selling their cattle to market. At the same time because we had such a large number of cattle, cattle prices had started to weaken. Farmers sold some of their cattle to market caused that to weaken even more.

00:38:52:04 This results in the period where grain prices were record high. We had corn prices over three dollars. So feed dots (ph.) were cutting back on their demand, because their profit margins were being squeezed by the high corn prices and they wanted to pay less for their feeder animals.

00:39:09:01 So all of these factors contributed to drive down cattle prices in 1996. And they got down to about $50 a underweight (ph.). I remember in the early 90s they had been $75 to $80 a hundredweight.

00:39:22:05 So this is a tremendous decline. And cattle represents the largest single sector of American agriculture. We are talking about $45 billion in sales a year, something like that.

00:39:34:09 So this actually get the attention of the President of the United States. He wanted to know what the heck was going on in cattle markets and what could be done about it. So I went to the White House with Secretary Glickman and I had the opportunity to explain to the President and his top staff what was going on in cattle markets.

00:39:51:27 Maybe that's why I remember it so well today. And the President was very interested in what could be done about it. And out of that meeting we were able to put together a program of about a half a dozen actions that the Department of Agriculture was going to take to try to strengthen cattle prices.

00:40:11:26 And this involved increasing our export sales and our GSM programs in both live cattle and beef. It would involve purchasing beef for our nutrition and food assistance programs. And a number of other things, little things, that collectively we hoped would make a difference.

00:40:31:07 Fortunately, cattle prices began to rise. Right after we announced this program and it made it look like it was a fairly successful program. And I think that on the margin it helped. It's hard to offset the huge amount of cattle that were coming to market.

00:40:42:15 But it was a good thing to do for American agriculture. And I think it did help turn the corner on cattle prices. Well, what I remember from that meeting with the

President was that he had to read a lot about cattle and he already knew what was going on in the marketplace.

00:40:59:26 And was quite familiar with price developments and market developments. Which I thought was kind of surprising for someone who had so many other things on his mind. I'll tell you a second story, if I can.

00:41:17:07 I can't actually remember the date. But sometime around 1996 or 1997, it was after the Farm Bill was passed, I shouldn't say that, sometime in the mid 90s, the President was going out to give the commencement address at the Air Force Academy.

00:41:39:23 While I was out there he was going to go up to Montana and do a town hall meeting with the residents of Montana. And he was going up there because this was a period of time where, you might remember this, the Montana militia was very active. There was a lot of descent in Montana, a lot of anti-Federal government feelings.

00:41:59:29 And the President was going up there to sort of take that head on and feel out the citizenry about their concerns. Well, one of the things he and his staff were concerned about, because Montana is a border state, was agricultural issues between the United States and Canada.

00:42:18:03 And all during the 1990s the U.S. and Canada have had a number of head butting events over agriculture, usually related to trade policy. Them not taking our products, us taking too much of their products as our farmers might say.

00:42:34:08 And so I was designated to fly to Montana to brief the President on U.S. Canada agricultural issues and to update him on the 1996 Farm Bill. So I flew out there and was met at the airport and walked to a Holiday Inn where he had the presidential suite up on the top floor.

00:42:57:14 And I was brought up to the presidential suite. And walked in there and there was President Clinton sitting in his golf clothes. He had just finished playing golf. It was about 5:00 in the afternoon and the town hall meeting was going to be around 7:30 or so that night.

00:43:16:11 And so he said, well, let's have a briefing. Let's talk about the issues that I might get confronted with tonight. And there were several other people in the room. I remember Governor Roma (ph.) from Colorado was there. And there were a couple of other people.

00:43:30:16 And the President said, well, first thing I want to do is take a look at this briefing. He had a briefing book in front of him. And he must have been about 100 pages. And I think he went through the thing in about ten minutes and seemed to be digesting it pretty well.

00:43:46:00 So he turns around and the first thing he does is he looks right at me and he says, well, what can you tell me? And I said, well, what is it that you might want to know about agriculture?

00:43:54:29 He says, well, what do I need to know? I said, well, how about the 1996 Farm Bill? He said, nah, let's not talk about that. I already know all about that. So we then proceeded to talk about a range of agricultural issues.

00:44:09:11 And sure enough, over the course of the next hour, he demonstrated to me that he knew what was going on with the 1996 Farm Bill, the provisions of it, the programs and how they were operating, and he also knew a lot about U.S. Canada agricultural relations.

00:44:25:19 And I also noted that he referred a number of times to something that he had just read in his briefing book, which quite surprised me, because it would have taken me a lot longer to go through that briefing book than he was able to go through it.

00:44:38:07 So I came away with the feeling that President Clinton is a pretty swell guy. And surprisingly knowledgeable about agriculture. Had a personal interest, I think, in agricultural.

00:44:51:23 I also had the opportunity to brief the Vice President of the United States. One time he was going out to Iowa. That was an important state for politicians. And I got sent over to brief him on Iowa agriculture. And I thought it was going to be a fairly short briefing.

00:45:12:29 It was in the Vice President's office. We sat in front of his fire place and talked for an hour about Iowa agriculture. An awful lot of it about hogs. And he was very interested in the hog market. He was very interested in environmental issues related to hogs.

00:45:27:19 Very interested in structural issues. The hog industry in the 1990s has probably undergone more change than any other agricultural industry. Well, dairy, dairy and hogs together are undergoing the greater structural change in the 1990s.

00:45:45:06 But we've seen declines in the number of hog operators on the order of 10 to 15 percent a year here in the 1990s. This is astonishing. Ten, 15,000 hog operations going out of the business of producing hogs in a year.

00:46:00:19 And so the Vice President was very interested in what the social and economic effects of this big structural change, where they were going on. And also concerned about a lot of the environmental issues -- the water quality issues, the hog odor issues, what USDA was doing about those, what kind of programs we had.

00:46:17:21 So it turned out to be a far more intense and longer discussion than I ever expected. And, once again, I was surprised at the level of interest that the highest leaders of the United States take in American agriculture.

00:46:37:03 Q: In your time of advising people about what to do in agriculture, any suggestions you would like to take back?

00:46:44:15 A: Nothing comes to mind immediately. I think I have been fortunate that policy leaders at the Department of Agriculture that I've been associated with and I mentioned that I served for five Secretaries now, they have always wanted to hear a range of opinion.

00:47:14:22 They didn't want just a very closed group of people telling them what they ought to do, giving them one option. They've always wanted a range of opinion. So I've come from a bureaucratic home in the USDA where I am not delivering a program. Yes, I have information products that I give to the public.

00:47:35:06 But I'm not delivering program benefits to a constituency. I'm not writing checks. I'm not regulating. And so I often end up in a meeting with the Secretary where one of the regulatory officials is telling the Secretary how the regulation needs to be changed.

00:47:54:11 And so that means that I can sort of be a maverick. I can sort of shoot from the hip. I can play the devil's advocate if I think the Secretary needs to hear the other side of an issue.

00:48:08:10 And it is also part of the profession. I remember George Stigler (ph.) who was considered the Godfather of regulatory economics, a Nobel Prize winner who wrote a lot about regulation and how to determine what's good and what's bad in regulations.

00:48:28:22 I remember in his memoirs he defines an economist as a person who pours cold water on the bad ideas of others. So that's not a very constructive definition. It doesn't mean that you are doing anything. It just means that you are stopping bad things from happening.

00:48:44:19 And so I get to play that role, to try and help the Secretary to understand the consequences of what is about to happen. And in that way then they are fortified. They are better prepared when they go before the public and someone from somewhere raises an issue they've heard it before and they know that that was one of the downsides of the action that they just took.

00:49:09:28 Almost every action that a Secretary takes is going to have a downside. There are not too many win/win choices that a Secretary makes. Often it involves a net benefit to our society. But no there is some positive and there is some negative. And I think that it is important that he understands the negative. And so that's a role I will often play.

00:49:36:28 Q: Let's take a look at the future. What would you tell the next Secretary of Agriculture about what's coming for the new millennium in agriculture? Any thoughts about that?

00:49:45:22 A: The first thing that I would say is that a Secretary has to look ahead. The U.S. needs to look to the future. But the first thing that I would tell them is they need to look to the future.

00:49:58:12 If there is one problem I have seen in policy program development it is sometimes we get too caught up, and it's very easy, is what we are doing now, because there are always so many crisis. And we don't sort of build the foundation for the future.

00:50:15:05 Because there are actions that we can take now that can prevent bad things from happening or things that are happening now from getting worse in the future. And so you really have to have somebody looking ahead for you.

00:50:29:05 And so I think that is sort of a general piece of advise I would give. More specifically, looking ahead at the future of American agriculture, it's going to be a very difficult and controversial period, I think, over the next decade.

00:50:52:14 We have pretty important developments going on in American agriculture right now. This very notion of globalization. The growth of international trade and the importance of international trade to the prosperity of American agriculture moves that we have to keep moving ahead on international trade policy and reform.

00:51:15:26 Unfortunately, the WTO is sort of stagnating at the moment. That has to be resuscitated. The trade law (ph.) that didn't get kicked off in Seattle has to be kicked off. So I think continuing down the road of trade policy reform, getting the tariff reductions, the market openings we need around the world, getting rid of export subsidies, disciplining trade distorted (ph.) programs.

00:51:42:26 These have to be very high priority items for anybody who is going to look out for the prosperity of American agriculture. I think a second area is this whole area of technology and what it's going to mean for American agriculture.

00:52:00:07 We have been incredibly blessed in our country by having a fillable (ph.) high quality food in abundance supplies. And that's come through technology. As you go through the 20th Century we first have mechanization. Then in the mid-century we went into sort of the chemical era where we were dramatically able to increase yields.

00:52:24:26 Now we are in the biotech era. Ever since the discovery of DNA in 1953 and it is now really starting to come to the floor now. I don't know what the next era after that will be. But there will be one.

00:52:36:24 And our productivity growth is going to be tremendous. It has been tremendous. Interestingly, it hasn't slowed down very much. Most people look back at the 40s, the 30s, the 40s, and the 50s, and they look at that productivity growth and they never would have predicted that it could stay on the path that it's been on through the 80s and 90s.

00:52:56:10 With increasing environmental restraints, with the slow down in the rate of farm consolidation, with many factors that you would think would slow productivity growth. They haven't because the technology keeps coming along and America's farmers keep getting better at adapting, adopting the new technology.

00:53:14:03 And I just think that that is going to continue. And the upshot of that is fewer farmers, larger farmers. And I think that's going to continue. And that creates this social pressure. We've seen it a lot over the last couple of years as farm prices have come down.

00:53:31:00 And we've seen the small and medium size farms, particularly suffer the consequences of that. And we've also seen the changing structure of the marketplace that is associated with this technology.

00:53:42:20 As technology has allowed us to produce leaner hogs, to produce a certain color meat or the certain tenderness, a certain quality, we've seen that connection between the consumer and the producer get closer as vertical integration takes place.

00:54:03:13 It has given rise to contracting. It has given rise to concentration in the process in the retailing side. As people try to get market share by supplying larger volumes of these specific high quality products to concentrated retailers.

00:54:23:14 And that even worked its way down the chain. So that as we got farmers getting larger, and you've got concentration of corn in the processing plant, a concentration of corn in the retail level. We've got the whole connection between consumer and producer getting closer. And it's led to a lot of social concerns.

00:54:41:08 Farmers have to give up a little of their traditional independence to participate in that kind of a marketplace. They have to think about using contracts. They have to face off against huge companies that are their buyer.

00:54:55:16 And this has led to a lot of strains on the system. And I just see that continuing. I don't know how that's going to abate. And I think that there are risks going down that road.

00:55:10:11 You have to be careful not to regulate in a way that hurts the efficient prospering farmer so that you can help the one that may be less sufficient and not prospering as well. You have to figure out how to put them on a parallel path. And that's a terribly difficult challenge.

00:55:31:18 Then I think that another problem the next Secretary is going to face is the whole question of domestic policy. In 1996 things were pretty clear. We were having record high prices. We were decoupling payments. We were getting rid of supply control programs.

00:55:48:18 We were transitioning toward a more market transitional (ph.) agriculture. Hence, the title of the commodity provisions in the Act, the Agriculture and Market Transition Act.

00:55:58:18 (unint.) the transitioning too, but (unint.) was on a more market oriented path. Well, we have had $25 billion in additional payments made to farmers in the supplemental bills of 1998 through 2000.

00:56:13:13 In a sense we've gotten knocked off this path. And so there is a huge ambiguity out there right now about where domestic agriculture is going. There is a lot of calls for a less aggressive agricultural policy, for implement supply control, to couple payments back to prices or income, which would make them production distorting (ph.) again.

00:56:38:06 This is going to be a tremendous challenge for the next Secretary to figure out how to strengthen the safety net, do it in a way that it can preserve the market forces that we value in a capitalist economy, do it in a way that is consistent with our WTL (ph.) proposal that we've just made this summer in the WTL, which basically calls for continuing declines in domestic programs that distort production and trade.

00:57:07:12 So there is going to be a lot of constraints on the next Secretary to figure out how to get through the domestic policy dilemma that is going to confront him or her.

00:57:18:21 Q: Thank you for that look into the future and for a review of the past. And it looks to me like we'll have plenty of need for a chief economist.

00:57:25:29 A: I hope so.

00:57:27:00 Q: Thank you Keith Collins, Chief Economist with the U.S. Department of Agriculture. I'm Larry Quinn with the Office of Communications of the U.S. Department of Agriculture in Washington.

[END OF TAPE]