

Technology has reached a crossroad



Guest Editorial

By **LEN RICHARDSON**

LET'S be clear. This magazine supports new technology, be it from University of California-Davis, Harvard or Monsanto. Indeed, investment in agricultural research is more important for agriculture than obtaining farm subsidies. That said, it doesn't mean we should put blinders on and accept change without question.

Let's be honest: Group situations can lead good people to make wrong choices or even do bad things. Political economy professor Jonathan Bendor, who teaches a course on negotiation that includes discussions of cheating, writes in *Stanford Business Magazine*: "For most people, fear is a more common cause of corrupt behavior than greed. People want to avoid conflict, and being a whistleblower can ruin a person's career, even if the person is vindicated. So many people keep quiet."

Upspot: It takes a huge amount of courage to say stop.

That is reason enough for us to celebrate the passage of Assembly Bill 541 (the bill has passed both houses of the

Legislature and is expected to be signed by the governor), which enacts protections against lawsuits brought against California farmers who have not been able to prevent the inevitable: the drift of genetically engineered pollen or seed onto their land and the subsequent contamination of their nonbiotech crops.

AB 541 passed

Currently, farmers with crops that become contaminated by patented seeds or pollen have been the target of harassing lawsuits brought by biotech patent holders, particularly Monsanto. This bill also establishes a mandatory crop sampling protocol to prevent biotech companies that are investigating alleged violations from sampling crops without the explicit permission of farmers.

The bipartisan support (read: courage) includes the California Farm Bureau Federation, as well as the obvious Community Alliance with Family Farmers, Earthbound Farm, California Certified Organic Farmers, United Natural Foods Inc. and Farmers Union.

The ag industry often makes farmers feel uncomfortable in speaking up. "Managers [ag leaders] need to convey that they want their subordinates to disagree with them or to speak up when something doesn't feel right," says

Deborah Gruenfeld, Stanford organizational behavior professor.

Fortunately, especially in California, farmers do speak up. It was alfalfa farmers who filed a suit that led to the ban on the planting of genetically engineered alfalfa in 2007. A federal appeals court recently upheld the nationwide ban. In a 2-1 ruling, the Ninth U.S. Circuit Court of Appeals upheld a federal judge's decision that halted the planting. U.S. District Judge Charles Breyer rejected USDA's assurances last year and ruled that the department had failed to conduct a thorough study of the product's safety and environmental effects.

Judge Randy Smith dissented, saying Breyer should have held additional hearings before issuing a nationwide injunction with "severe economic consequences" for Monsanto and its customers.

Both fear and greed may have encouraged dairy producers to start using Posilac, a recombinant bovine somatotropin permitted for use here under Food and Drug Administration approval since 1994. The greed part relates to the fact that it works; milk production is increased.

Later, fear set in because of a consumer backlash. Label disputes over the issue of using rBST continue as some processors and retailers seek to label

their products free from the hormone, as California does, saying the customer is always right. This, however, has led to legal disputes between various stakeholders in states like Ohio over how products claiming to be free of the hormone can be labeled. Their rule requires saying there are no major differences.

Without mentioning the controversy, Monsanto has sold the product to Elanco, who is repositioning the product.

Bring culture back

Agriculture needs innovation and research, but in a culture that questions and is not afraid to speak up. Industry needs open debate and whistleblowers just as government needs checks and balances.

Don Moore, associate professor of organizational behavior and theory at the Tepper School of Business at Carnegie Mellon University, describes "an endless process of co-evolution" in which businesses explore new models. Some are deemed by society to be undesirable or even unethical and eventually are outlawed. Others become the norm. It is culture that leads to the correct decision. Our industry needs to put culture back into agriculture.

Richardson is a Farm Progress editor based in California.

The ties that bind price to security



The Ford Report

By **STEVE FORD**

AGRICULTURAL commodity prices exhibited extreme volatility in 2008. As crop prices increased, so did the prices of agricultural inputs. Increased profits and future expectations for profitability have driven an increase in land values and rents. Recently, farm commodity prices have fallen significantly to about half of their crop season highs, leaving farmers to pay for much higher input prices with only marginally higher output prices.

Farm sector euphoria has turned into severe unease.

One of the primary drivers of this situation is oil prices. The prices of ag commodities are now closely linked to the price of oil. That can be seen by the direct link between the demand for corn for ethanol production and oil prices. A more indirect link is the price increase of soybeans as a result of acreage shifts out of beans and into corn as a response to energy-based corn demand. Oil prices are also a factor in the price of cotton. Falling oil prices and subsidized oil in China result in cheap polyester, the primary competing fiber for cotton.

Key Points

- The strength of the dollar is tied to oil prices.
- The strength of the dollar greatly impacts demand for U.S. ag exports.
- U.S. energy policy must address price volatility and energy security.

Higher oil prices result in a larger energy component of food production and distribution. Because demand for raw agricultural commodities is derived from finished food products, the farm share of the total consumer food-marketing bill will shrink. As more cents are devoted to non-farm costs of processing, less remains of the consumer dollar for farmers.

We all know how oil prices affect farm costs of production. The direct effect is seen in fluctuating diesel and gasoline prices. Petroleum products are used in the manufacture of farm chemicals and the production and distribution of fertilizer. As petroleum prices increase, so do prices of competing energy products like natural gas and propane. These price increases result in higher grain drying and irrigation costs and further contribute to higher fertilizer prices.

Fluctuations in oil prices are also closely tied to the strength of the dollar. As the dollar strengthens and weakens, demand for U.S. farm exports weakens

and strengthens, providing another link to farm commodity prices.

It should be clear by now, that the future prosperity of U.S. agriculture lies as much with sound energy policy as it does with agricultural policy. In fact, the costs of managing risk and providing a safety net for agriculture would be significantly smaller if we had an energy policy that reduced the volatility in oil prices.

Unfortunately, to date we have no energy policy. But our politicians are thinking about energy policy and promoting alternatives to our current oil dependence. Much of their motivation has to do with energy security. We now import roughly two-thirds of our oil use. More than half comes from countries that are friendly to the U.S.; 30% comes from Canada and Mexico alone.

While energy independence is a good policy goal, it will not insulate the U.S. from oil price volatility. The world market for oil still will determine our domestic U.S. prices. Even with alternatives to oil, those competing technologies will exhibit price increases as the price of oil increases. Any energy policy that addresses the situation outlined above must address price volatility in addition to energy security.

Ford, who farms in north Alabama, earned his doctorate in agricultural and applied economics from the University of Minnesota.

Viewpoint

By **CECIL YANCY**

Rural America needs a hand

IN these days leading up to a new administration, there are enough bailouts and handouts to help just about every industry in the nation.

The financial crisis has led to looking at the essentials that make the economic engine run. First, it was the financial giants. Now, it is the auto industry.

As we look around the country, in the small towns and rural areas that populate the nation, we see decay. In some areas, however, we see the benefits of concerted efforts of community leaders coming together for the greater good. In those areas, the residents have found a way to come together that defies the neglect that faces rural American towns.

By and large, however, areas that have faced the kind of decline as most of rural America has in the last 30 years need special attention. Jobs have long left. The ones that remain only serve to underscore the poverty.

Rural America needs a new policy. We're not asking for a bailout. Then again, maybe a bailout in the form of a helping hand might be in order.