

Iowa Farm Leader

Varel G. Bailey

Is NAFTA driving structural change? Or is structural change driving NAFTA?

- structural changes in agriculture are driven by consumers and enabled by information technology;
- with liberalization of trade either products and services move across borders, or people move, or production moves;
- policy attempts to protect segments of an industry, e.g., small farms, generally perpetuate or create uncompetitive farms, and result in production moving, (first intra-national, then international);
- policy attempts to protect segments of an industry in a global market environment are ineffective, very expensive and disruptive to trade.

There are four major drivers of structural change in agriculture today. Each one is as powerful as mechanization, hybridization, inorganic fertilizers and pesticides which came before. Those earlier forces occurred one at a time. These new forces are happening simultaneously—thus the avalanche of change:

- microelectronics and communications;
- genetic engineering;
- globalization; and
- consumer empowerment (most powerful), “Better, Faster, Cheaper! With each eating experience!”

Changes in the structure of agriculture are driven by consumer’s recognition that consumer power can change:

- the environment e.g., Greening the World;
- worker conditions e.g., garment sweat shops;
- food safety e.g., BSE;
- animal husbandry e.g., cage size for layers;
- research and development e.g., biosecurity;
- industry structure e.g., Organic food and Star-link;

- international barriers, including
 - products (dolphin-safe tuna),
 - services (transportation),
 - capital (IMF and World Bank),
 - technology (the “terminator gene”),
 - immigration (smart or wealthy).

Multinational and transnational companies become the focus of animosity for activists:

- they are visible;
- presence in multiple markets provides firms with early warning of change; and
- huge capital reserves or multiple market positions are required to offset political and climatic risks, providing the appearance that these firms are market movers.

Antitrust policy and intervention:

- U.S. antitrust policy is consumer policy, not structural or competition policy. Aggressive anti-trust intervention will result in production moves off shore;
- the underlying issue is lack of ease of business entry and exit, and predatory restraint on innovation as demonstrated in the MicroSoft case.

Solutions for structure changes:

- recognition that a paradigm exists (two systems occur simultaneously, agricultural commodities and differentiated products);

The rules have changed

- conservation compliance with Government programs,
- permits for confinement livestock operations,
- licenses for hauling manure,
- Canadian trucks on Interstate highways,
- Mexican feeder cattle into U.S. feedlots;

The players are changing

- hog contracts: White Oaks, Brown, Carroll, Murphy,
- Smithfield in four years,

- Cargill-Continental, IBP-Tyson, Case IH-New Holland,
- competitor joint ventures, and
- dot.coms;

The goals will change

- market access vs. spot price selling arrangements,
- rapid business entrance and exit,
- producer alliances, horizontally and vertically,
- access to cash register data and demographic cross-referencing,
- the “Consumer is King”.
- policy option evaluation platform for public policy development;
- demand chain management technology development;
 - ag database platform; agriculture data dictionary,
 - data “information knowledge“ management system engines for the producer level, and
 - production protocol development tools.

Solutions for trade policy problems:

- continuous negotiation platform – virtual or real disputes/policy secretariat;
- extend NAFTA to AFTA, an organization of all American democracies;
- time multinational negotiations to coincide with national elections;
- use AFTA as a politician’s excuse for making necessary domestic policy changes;
- work for a world currency buffer system that eliminates speculative “runs” and, exposes domestic fiscal and monetary deficiencies; and
- find a place at the table for “multi-functional” advocates before they become isolation terrorists.