GOVERNOR'S TASK FORCE ON AGRICULTURAL DEVELOPMENT

REPORT AND RECOMMENDATIONS

GOVERNOR WILLIAM P. CLEMENTS, JR.

DECEMBER 1982

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ON
AGRICULTURAL DEVELOPMENT

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WILLIAM P. CLEMENTS, JR.
GOVERNOR

OFFICE OF THE GOVERNOR
STATE CAPITOL
AUSTIN, TEXAS 78711

December 8, 1982

The Honorable William P. Clements, Jr.
Governor of Texas
State Capitol Building
Austin, Texas 78711

Dear Governor Clements:

I am pleased to present to you the report and recommendations of the Governor's Task Force on Agricultural Development. In response to your Executive Order No. WPC-41, dated December 31, 1981, the Task Force identified problems and studied opportunities to improve and strengthen production and marketing for Texas agriculture. This report contains our recommendations for handling the critical issues.

The Task Force found that Texas is one of the nation's three leading agricultural states. Agriculture is Texas' second largest industry. The value of farm assets in Texas total more than $84 billion. Despite these impressive agricultural facts, Texas farmers and ranchers, especially crop farmers, are in serious financial trouble.

The Task Force sought to define problems and search for solutions by first circulating a questionnaire to its members and to all leading Texas agricultural organizations. The response was most gratifying and very helpful.

Seven critical areas for study were determined: water, land, capital, energy, transportation, marketing and production efficiency. A committee was formed to study each critical area. The committee chairmen together with the Task Force chairman and vice chairman constitute the Executive Committee.

Your presence at the Austin organizational meeting on April 13, 1982, was greatly appreciated. Subsequent meetings of the Task Force were held in College Station on July 7, 1982, and in Dallas on August 18, 1982. Individual committee meetings, telephone conferences, correspondence and personal visits between Task Force members added depth to the report.

The Task Force membership is broadly based and highly competent. Representatives of state agencies contributed valuable expertise. Long hours of outstanding work by Dr. Neville Clark and his drafting committee at Texas A&M University made it possible to complete this report in its allotted time.

We are grateful for the opportunity to participate as members of your Task Force on Agricultural Development. We sincerely hope this report and its recommendations will be of value to the citizens of Texas.

Sincerely,

Robert L. Parker

Robert L. Parker
Chairman

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INTRODUCTION

The Task Force Charge

The characteristics of Texas and its agriculture are undergoing rapid change. The impact of such change, offering both opportunity and difficulty, on the state's agricultural industry carries considerable import in assessing future growth and development in Texas.

The Governor's Task Force on Agricultural Development was established on December 31, 1981, to examine the Texas agricultural industry and identify methods to improve productivity and profitability. The members were charged with developing specific recommended actions designed to meet existing and perceived future problems confronting Texas agriculture. The Task Force approach is an attempt to formulate both a short and long range plan for Texas Agriculture. It is in this spirit that the Task Force on Agricultural Development has worked.

TEXAS AGRICULTURE IN PERSPECTIVE

Importance of the Agricultural Sector

Historically, growth and development in Texas have been closely associated with a progressive and productive agricultural industry. The production of agricultural products expands economic activity in Texas far beyond the farm gate. Suppliers, processors, distributors -- all agribusiness -- benefit from agricultural production; one dollar of farm sales stimulates over $3.40 in activity within the Texas economy. In 1981, $10 billion of farm and ranch sales generated nearly $34 billion in the state economy -- about 18% of the gross state product.

The value of farm and ranch assets, $84 billion, equals about 3/4 of the total capital assets of state and national banks in Texas. These figures do not include the vast assets involved in agribusiness activities beyond the farm gate.

Texas is a major agricultural state and leads the nation in the production of cattle and calves, cotton, and sorghum. Texas ranks among the top ten states in the production of 17 of the nation's top 25 agricultural commodities.

Opportunities for Texas Agriculture

Texas agriculture has excellent growth opportunities. The people of Texas are progressive and innovative and personal income is above the national average. Population, over 14 million in 1980, is growing at an unprecedented rate and will exceed 22 million by the year 2000.

This rapid growth will present critical problems in agriculture but, conversely, it offers great potential for new markets, new products, available labor, and improved production output.

The diverse geographical regions in Texas provide a unique diversity of commodities and perspectives and offer a stable commodity mix. Texas enjoys a superior strategic location for fostering national and international trade.

Agriculture, the second leading industry in the state, essentially is based on renewable resource and offers huge economic benefits for technology-based gains in productivity.

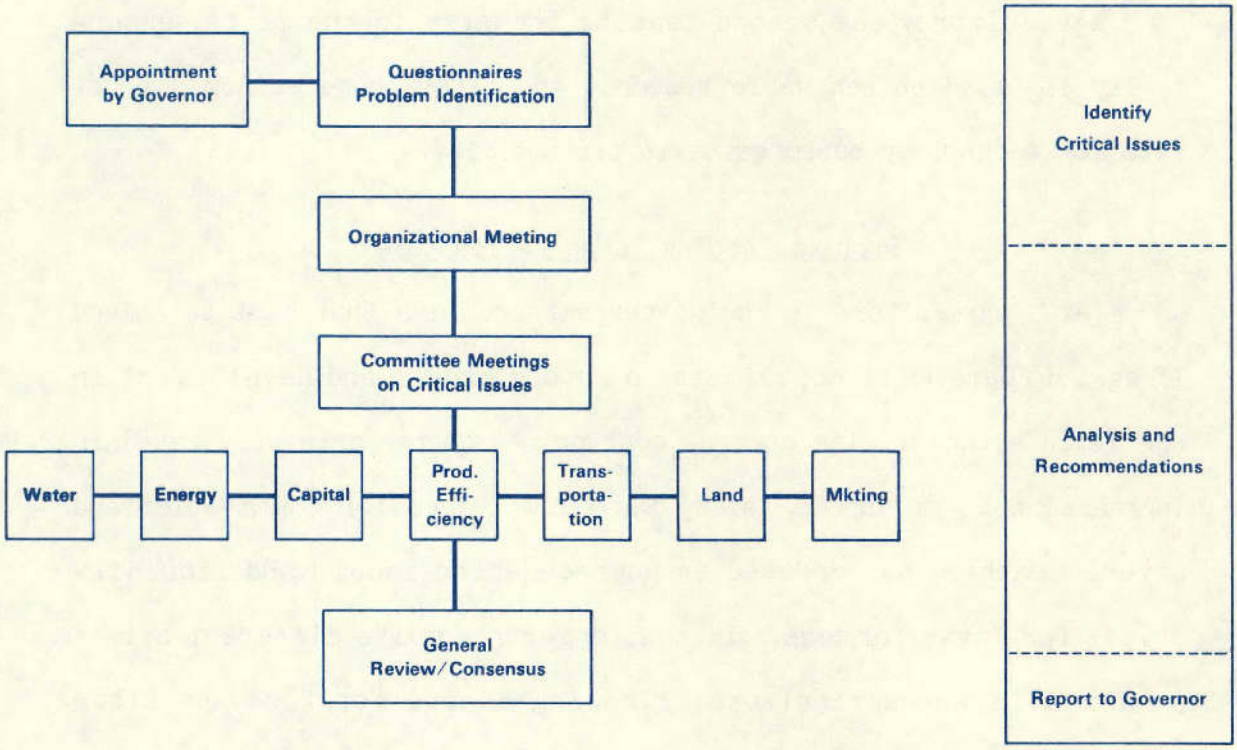
Problems Facing Texas Agriculture

Texas agriculture is facing current problems that must be solved if agriculture is to contribute to future growth and development in the Texas economy. The current cost-price squeeze,primarily based in increased cost of inputs, along with low prices for commodities and severe weather, has created an unprecedented income and liquidity crisis for Texas farmers. In the long-run a quite different set of problems impact agriculture. Growing demand for food and fiber starkly contrasts with limited production resources and competing needs anticipated in Texas' future.

Improved productivity and profitability is crucial to the success of agriculture in Texas. Yet, much of existing agricultural technology is based on the assumption of continued abundant land, water, and other resource use coupled to availability of inexpensive energy. The disparity between this and the present situation in Texas clearly underscores the need for rapid technology development.

Task Force on Agricultural Development

OVERALL APPROACH



(FIGURE 1)

TASK FORCE APPROACH: ACTION ALTERNATIVES

The procedures used in developing this report are shown in Figure 1. Prior to the first meeting, questionnaires were mailed to organizations and individuals representing a cross section of Texas Agriculture and related agribusiness. Problems, issues of concern and recommendations for action were identified.

At the organizational meeting of the Task Force, these recommendations along with inputs from Task Force members, led to the definition of seven broadly stated critical issues.

From the Task Force membership, seven committees were formed to address each of these critical issues. The agencies of state government concerned with each issue participated in the committee deliberations. Professional staff members of the Texas Agricultural Experiment Station and the Texas Agricultural Extension Service provided background information and helped prepare drafts of committee reports.

Draft committee reports were reviewed by the entire Task Force which generated discussion and ultimately a consensus within the group. The executive committee of the Task Force, the chairman, the vice chairman as well as the chairman of each committee, provided the final editing and drafting.

Each committee evaluated the specific issue using the perspective of both the present and projected situation in Texas Agriculture. The deliberations focused on developing recommendations for action designed to reduce or eliminate problems and to provide new opportunities. For each critical issue, the committees considered actions which might be taken by:

- Individual Operators
- Local or Regional government or organizations
- State Government
  - o Governor's Office
  - o Regulatory Change
  - o Legislative Change
- Federal Government

The Task Force Report is intentionally action oriented. The Executive Summary, which follows this section, presents a condensed version of all recommendations. Each is developed more fully in the body of the committee reports. For each recommendation, the committees provided a rationale for the recommended action, the expected impact of the action and, where appropriate, outside reference pertinent to the recommendation.

EXECUTIVE SUMMARY

Task Force General Recommendations

The following general recommendations reflect common thoughts expressed by most of the committees which dealt with critical issues.

Designate Agriculture As A High Priority Sector Of The Texas Economy: Increasing urbanization with the requisite increase in urban influence on state government underscores the need to better communicate the importance of agriculture in the state economy to the Texas citizenry. The urban dweller needs this economic perspective to better understand how this complex industry produces an abundant, relatively inexpensive, food supply. An accurate perception of the role of agriculture in sustaining and improving future development in Texas is imperative to judiciously consider the inevitable conflicts emerging for use of the state's fiscal and natural resources.

Minimize Government Regulation: In the context of broad societal needs, efforts should be expanded to reduce the adverse impact of regulation on the efficiency of food and fiber production and on the allocation of resources to agriculture.

Establish Incentives For Conservation Of Natural Resources: The availability of water, land and other natural resources has begun to limit state development as a whole, and in particular, the size and efficiency of Texas agriculture. Incentives should be created, without over-regulation, for the conservation of natural resources.

Increase State Funding for Agricultural Research and Education: Pervading all committee deliberations was the recognition of need for

expanded programs of research and education. These programs, generating new technology, will be essential for Texas to maintain a competitive position in production agriculture. Agricultural research has an established return on investment of between 30 and 50 percent per annum and an urgent need exists for a stronger investment of state resources for this purpose. Public funding of agricultural research and extension is substantial, yet, it is small relative to agricultural income generated yearly in Texas. The relatively higher cost of production and the risk associated with production in Texas can be further reduced with new technology.

Improve Agricultural Information Systems: Agricultural production in this country relied first on manpower, later on horsepower, eventually on machine power. Today and in the future success will depend on science power to improve efficiency and effectiveness in the production of food and fiber. Coupled to expanded programs of research is the need to improve methods of technology transfer to expedite use of new knowledge. Production and management strategies for agriculture must become more sophisticated. Major new use must be made of marketing information, provided in a current and usable form. The ability for continuous reassessment of management strategies during the course of an individual crop year is necessary. Capital availability will become dependent on the ability of the individual to demonstrate such sophistication in planning. Information will become a critical ingredient in successful agricultural operation and Texas must take the lead in developing a ready usable source of current information. The computer will be a tool in providing this service, but cannot be expected to offer a total solution.

Specific Issues and Task Force Recommendations

The following critical issue areas were identified by the Task Force in the development of recommendations for improving the productivity and profitability of Texas agriculture. These issues have great influence on the viability of agriculture and so, will shape future growth and development in Texas.

Water

Texans currently use seven million acre-feet more groundwater than they receive each year. Sixty-nine percent of all water used in the state comes from underground reservoirs, and these groundwater sources are being depleted at an alarming rate. A vast amount of water for irrigation is pumped from these sources. Texas agriculture cannot continue its present growth rate without solving its limited water resources problem.

Specific Recommendations:

- **Develop financing for water conservation equipment.**
- **Develop and fund a continuing comprehensive water research and eudcation program for Texas, including brush management for water conservation.**
- **Expand local water districts to assist development of efficient groundwater management.**
- **Develop and fund a comprehensive water research and education program for Texas.**
- **Amend the Texas Water Plan to meet the needs of agriculture.**

Energy

Much of the current agricultural production and processing technology is based on the expectation of abundant, readily available, inexpensive energy. Texas agriculture, heavily dependent on irrigation and extensive land use, is more sensitive to rising energy costs than is agriculture in other states.

Specific Recommendations:

- **Designate agriculture as a high priority sector for emergency fuel allocation.**
- **Increase state funding for Research and Development of alternative energy technologies for and from agriculture.**
- **Systematically deregulate natural gas to eliminate the competitive disadvantage of Texas agriculture.**
- **Increase financial support for educational programs to develop energy efficiency in agriculture.**

Capital

Capital in agriculture is the monetary value of all physical inputs used in agriculture. Capital investments per farm and in agribusiness have increased dramatically, particularly since 1972. Texas agriculture has one of the larger capital investments per worker of any major industry in the United States. The size of required capital investments, increasing costs, high interest rates and cash flow difficulties emphasize the need for improved management of capital in agriculture.

Specific Recommendations:

- **Improve farm financial management practices and the efficient use of capital**
- **Provide funds to implement the Family Farm and Ranch Security Act.**
- **Do not discourage foreign investments in farmland.**
- **Evaluate the adequacy of warehouse bonding requirements and bankruptcy claims priorities.**
- **Evaluate the impact of additional taxes on agriculture.**

Production Efficiency

Texas agriculture faces increasing conventional production risks, and more complex production problems. These problems are particularly challenging in Texas where irrigation and energy use in agriculture is high. Significant increases in production efficiency must occur to insure the growth and development of Texas agriculture. Improved agricultural efficiency will be dependent on developing and implementing new technologies.

Specific Recommendations:

- **Increase funding for research and education in all critical agricultural issue areas.**
- **Review agricultural regulatory programs.**
- **Increase Research and Development for production and marketing information systems in agriculture.**
- **Establish a Research and Education Center for Agricultural Policy.**

Transportation

Texas is a surplus agricultural producer that is critically dependent on transportation to link itself with domestic and foreign

markets. Agricultural transportation demands are unique as compared to other industries. Many agricultural products are bulky and of relatively low unit value, so transportation becomes a major marketing cost. In addition, agricultural transportation demands are seasonal, and often, transportation is inadequate during peak demand periods. Any factor unfavorably affecting transportation places Texas agriculture at a comparative disadvantage.

Specific Recommendations:

- **Deregulate trucking for agriculture.**
- **Maintain and expand Farm-to-Market road system.**
- **Support the retention of needed railroads in Texas.**

Land

The population of Texas is growing rapidly and Texas agricultural land resources are being developed for non-agricultural uses, for recreation and retirement activities, and for mineral and energy production. These uses increase demands on agricultural land as well as water and other resources. There is potential for conflict and competition for the use of agricultural land. The future of Texas agriculture will be affected by the way in which our land and basic resources are managed.

Specific Recommendations:

- **Provide additional financial support for soil conservation programs, including soil surveys and other land resource inventories.**
- **Provide additional financial support for soil surveys and other land resource inventories.**

- **Avoid conversion of important agricultural lands to other uses where possible.**

- **Protect individual landowner rights.**

- **Create tax incentives to encourage soil and water conservation practices and lower tax burdens on land.**

- **Clarify the definition of navigable waters and oppose the redefinition of wetlands.**

Marketing

The economic risk and uncertainty due to weather, insects, and diseases of plants and animals has been compounded by changes in government farm programs and by increased governmental use of food as a tool of inflation control and foreign policy. World events now have a great impact on Texas agriculture. These trends will affect farmers, marketing firms and the agricultural industry in Texas. New markets and improved marketing methods must be developed for Texas agriculture.

Specific Recommendations:

- **Expand agricultural exports, especially to Mexico.**

- **Maintain and improve agricultural market news collection and dissemination.**

- **Amend the existing legislation and the Texas Constitution to expand and improve the agricultural commodity check-off programs.**

WATER

FINANCING FOR WATER CONSERVATION

Recommendation:

Develop financing for water conservation equipment.

Rationale:

Irrigation farming is a major user of water in Texas. Over 70 percent of total annual water use in recent years was for irrigation. Continuous annual water supplies, while limited, are available in some areas of Texas, but supplies in other areas will ultimately be exhausted with continued use. Therefore, the need to increase agricultural water use efficiency through the use of water-conserving irrigation equipment and methods is critical.

In 1980, Texas had about 8 million acres under irrigated production, down about 620,000 acres from peak irrigated acreage in 1974. Reasons for the decline include economic factors, such as rising energy costs and declining commodity prices, and declining availability of irrigation water in some areas. Studies show that water supplies for irrigation will continue to decline in future years because of physical limitations on existing groundwater reserves, shortage of developable surface water sites, and competition for water from nonagricultural industries and municipal operations. In order to maintain current irrigated acreage levels, the efficiency of irrigation systems must be improved to eliminate excessive leakage and evaporation losses between water supply points and crops in the fields.

Water conservation equipment, including drip and trickle irrigation systems, soil moisture monitoring instruments, irrigation system measuring and monitoring instruments, and water-conserving tillage implements, have proven their effectiveness. They can reduce the quantity of water that must be pumped from underground sources or diverted from surface sources, per acre irrigated, by 40 to 50 percent per year, when compared to conventional irrigation methods such as siphon tubes from open ditches discharging into furrows.

Irrigation farmers recognize the need to increase water use efficiency in order to save water and to reduce farm operating expenses. They are willing to adopt and use waste conservation equipment such as drip and trickle irrigation application equipment, sprinklers, pipes, lining of existing canals, and tailwater recovery systems in order to make the most effective use of irrigation water. However, such equipment is expensive, requiring long-term investments of $80 to $260 per acre depending upon the type of irrigation water application system chosen.

Action Required:

A source of long-term financing is needed, with repayment terms equal to long-term repayment capacity of water conservation investments or cost-sharing of water conservation equipment by the U.S. Department of Agriculture, Agricultural Conservation and Stabilization Service through the Agricultural Conservation Program. The Small Reclamation Projects Act of 1956 (P.L. 84-984) should be used to the maximum extent possible by irrigation districts and local conservation districts to secure long-term loans for water conservation improvements.

Present legislation authorizing tax-exempt bonds for public water supply purposes and for industrial development to create new jobs does not appear to include investments for water conservation types of investments, such as those described above. New legislation or amendments to present State and Federal statues would be needed in order to establish a tax-exempt water conservation bond fund, through which a water conservation district would issue tax-exempt bonds at lower interest rates than would otherwise be the case, and use the proceeds to make loans to farmers to purchase water conservation equipment. Such loans would be repaid with interest, and the conservation district could then retire its bonds.

Impacts:

Projections show that present supplies of irrigation water are declining and, without major irrigation water conservation, by the year 2000 would support only 60 to 65 percent of acreage irrigated in 1980. With the implementation of existing irrigation water conservation methods, present irrigation water supplies would be adequate to support approximately 95 percent of presently irrigated acreage through the year 2000. Forty percent, or about $1.7 billion of the estimated annual value of crops produced on Texas farms and ranches in recent years is directly attributable to irrigation. Water conservation to maintain irrigated acreage between now and the year 2000 is estimated to result in a contribution to gross value of agricultural product in the year 2000 of at least $600 million annually.

Cross Reference:

Texas 2000 Commission Report and Recommendations.

WATER RESEARCH AND EDUCATION

Recommendation:

Develop and fund a continuing comprehensive water and water research and education program for Texas, including brush management for water conservation.

Rationale:

The State is experiencing increasing demand on present declining groundwater resources. A research and education program is needed to provide new technology for improvement of use of existing water supplies.

Projection of the growth and development of Texas indicates an increasing demand on water supplies. A research and education program will develop innovative techniques and technologies for water supply augmentation. Research in agricultural crop production, development of new technologies for water reuse and recycling, desalinization of brackish water, and improved water use efficiency promises significant water use reductions and presents many opportunities for supply augmentation. Research on increasing yields from existing water wells and development of new well technology will improve the efficiency of aquifers and energy use. Research is also needed to analyze the impact of brush-covered land areas on water supplies and brush management for water conservation.

The general public is not well informed as to the role they can play in assisting the State in meeting expected future water demands. An education program directed to appropriate groups will provide the public with the necessary information to take action in meeting future water demands.

Action Required:

Legislative action is required to provide increased funding for major new and expanded water research and education related to agriculture. These resources should be directed to research and education agencies and universities with strong programs in water technology.

Impacts:

The potential impacts are varied but all production regions of Texas are expected to benefit from the research and education program.

For example, an improved irrigation distribution system is estimated to reduce irrigation water use on 1.7 million sprinkler-irrigated acres by 50 percent at current use levels, increasing the value of groundwater by $1 billion over 20 years.

Present research indicates that dryland cotton yields increased from 11 to 25 percent with row-damming, and grain sorghum yields increased from 25 to 40 percent. Assuming that row-damming was applied to all the dryland cotton and sorghum acres in the Rolling and High Plains regions of Texas and Oklahoma, the net annual increase in income to the farmers would be $87.6 million. The annual off-farm benefits which would accrue as a result of this increase in productivity would be $297 million.

Improving the efficiency of water use through development of new techniques and technology will assist agriculture in maintaining economic crop production in the decades ahead as competition for water between agricultural and urban areas will be minimized by the program.

Cross Reference:

Texas 2000 Commission Report and Recommendations.
Texas Agriculture in the 80's: The Critical Decade, Texas Agricultural Experiment Station B-1341, December 1980.

Recommendation:

Expand local water districts to assist development of efficient groundwater management.

Rationale:

Current State Law treats underground water as private property subject to capture and use without limit, provided the water is put to beneficial use and is not wasted. In contrast, surface water is a public resource in which the "rights" to its use are granted by the State through an appropriate permit system.

Current State law does allow for the creation of underground water conservation districts ". . . to provide for the conservation, preservation, protection, recharging, and prevention of waste of the underground water of underground water reservoirs. . ."

Currently, Texas has seven underground water conservation districts, with five of these having several years experience in successful underground water management. One district was only recently formed.

Action Required:

The Texas Department of Water Resources should encourage local leaders to avail themselves of the opportunity to organize local underground water conservation districts to improve management of all aquifers.

Impacts:

Local underground water conservation districts would develop programs for improving water efficiency and, therefore, reduce waste of this valuable resource.

The management program of the local underground water conservation districts should not be burdened with overregulation which results in increased cost to the State as well as water users.

Cross Reference:

Texas 2000 Commission Report, March 1982.

WATER IMPORTATION PLANNING

Recommendation:

Continue interstate development of regional water supplies to explore importation possibilities.

Rationale:

Population and economic growth trends of recent decades are expected to continue in the future. Information about the supplies of water available in large areas of South Texas, Central Texas, West Texas, and North Central Texas in relation to present and expected future water needs of these areas indicates that local area supplies are inadequate to meet long-term municipal, industrial, and agricultural water needs.

Importation is a potential means to increase water supplies and thereby permit a continuation of irrigation on presently developed irrigated acreages. Additional irrigation water supplies would also allow more intensive use of acreages now farmed as dryland.

Action Required:

The Texas Department of Water Resources, the High Plains Study Council, of which Texas is a member, the governor, legislature and federal agencies having responsibilities in water and related areas, and private groups should continue cooperative efforts to find feasible ways to obtain and transport water to those areas of Texas having a need for additional water supplies of all types. Water importation planning should be done in cooperation with neighboring states, should consider only surface water that is surplus to the needs of states from which water importation is being considered, and should give high-priority consideration to the water needs of areas from which importation is being considered.

Impacts:

Increased water supplies are needed for municipal, industrial, agricultural, and other purposes in several semiarid and arid parts of Texas in order to ensure present economies of some areas and to continue growth of the population and economies in other areas. Imported water would provide employment, income, and production opportunities in significant proportions to cities and rural areas along the Rio Grande border and in North Central Texas, West Central Texas, and West Texas.

Imported water supplies would support long-term irrigation in several areas of the State, contributing to the value of agricultural production in major ways.

At present, Texas has about 8 million acres in irrigation annually. However, much of this acreage is irrigated from underground water

supplies that will be exhausted with continued use. In addition, as domestic food and fiber markets expand because of population growth and as foreign exports expand in response to a growing world population, irrigated acreage in Texas could be more than doubled if water supplies were available. Thus, the potential economic impacts in increased water supplies through importation are significant.

Cross Reference:

Six-State High Plains Study Council.
Governor's Water Conservation and Development Task Force, Water Importation Committee.

REVISE TEXAS WATER PLAN

Recommendation:

Amend the Texas Water Plan to meet the needs of agriculture.

Rationale:

The Texas Water Plan was developed and adopted in the late '60s. Since that time, Texas has experienced a rapid population increase from 11.2 million in 1970 to 14.2 million in 1980. During that decade, personal income of Texans increased from $39.4 billion to $135.9 billion annually.

Between 1970 and 1980, water use in Texas increased from about 17 million to more than 18 million acre-feet per year. Agriculture used between 70 and 75 percent of total water used in the State; however, most of the growth in water use during the decade of the 1970's was for municipal, commercial, and manufacturing purposes. Projected continued growth of the population and Texas economy indicate that water requirements by the year 2000 will be nearly 22 million acre-feet per year, assuming that agricultural water use does not increase.

In order to meet future water needs for all purposes throughout the State, water planning must account for increased conservation and reuse of water, along with projects to increase water supplies. Water planning should include research to develop methods to increase effective supply through: development and use of saline and brackish water; weather modification; chloride control at the source; urban, industrial, and agricultural water conservation equipment development and use; public education and awareness to achieve water conservation.

In many areas of the State, municipal and industrial water needs are impinging upon agricultural water supplies. In other areas, local supplies of irrigation water are being used at a more rapid rate than nature is replacing them -- High Plains, Winter Garden, Rolling Plains, and parts of the Gulf Coast, for example -- which will ultimately exhaust these supplies. Therefore, statewide water development, water conservation, and water quality protection planning must continue to consider and include the needs of agriculture.

Action Required:

The Texas Department of Water Resources, assisted by the Texas Energy and Natural Resources Advisory Council and the Governor's Task Force on Water Resource Use and Conservation, should proceed expeditiously to amend and revise the Texas Water Plan to include agricultural water needs.

Impacts:

Water supplies for irrigated agriculture are extremely important to the State for supply of food and fiber for in-state markets and for national and international markets. In 1980, production from the 8.04

million irrigated acres (29 percent of acres planted) accounted for 58 percent of the value of crops sold from Texas farms and ranches. Under the assumption that these irrigated acres, if planted and farmed as dryland, would have produced yields per acre comparable to yields that were farmed dryland in 1980, the contribution of irrigation was more than 41 percent of the value of crops produced on Texas farms and ranches in 1980. Unless agricultural water conservation is significantly increased in the immediate future, or agricultural water supplies are increased to replace declining supplies of underground water, irrigated acreage in Texas is estimated to decline to the extent that by the year 2000, 15 percent of $600 million (1980 dollars) of the annual value of crops produced on Texas farms and ranches in 1980 would be lost annually. After the year 2000, the annual losses would increase because irrigated acreage would continue to decline as a result of declining water supplies.

Without adequate water supplies for irrigated agriculture, Texas farm and ranch incomes will be lowered. Consumers, the ultimate beneficiaries of irrigation production, will be adversely affected by the decline in quantity and variety of food and fiber products. A reduced quantity of farm and ranch products together with a rising population of consumers can be expected to result in higher prices for food and fiber products.

Cross Reference:

Texas 2000 Commission Report and Recommendations.

ENERGY

ENERGY PRIORITY FOR AGRICULTURE

Recommendation:

Designate agriculture as a high-priority sector for emergency fuel allocation.

Rationale:

Texas agriculture requires high priority for energy availability. Food and fiber production are especially sensitive to specified production operations (e.g., planting, irrigation, and harvesting) which depend on the use of oil and gas. For example, a 5 percent shortage of natural gas for irrigation on the Texas Southern High Plains would reduce farm profit an estimated $36 million. Planting-season fuel shortages delay land preparation, which creates pest problems, delays crops, and increases economic risk appreciably. Harvest-season fuel shortages reduce yield and product quality.

By making fuels available on a priority basis during critical shortages, farm producers will be able to produce food and fiber for Texas, the U.S., and the world.

Actions Required:

Legislation is in place which provides authority to the Governor of Texas to designate priorities for liquid fuel allocation during emergencies. The Governor, by Executive Order, has established Texas agriculture as a high priority use in times of emergency fuel shortages.

Agriculture received a high priority under allocation rules and guidelines administered both by the Federal Energy Regulatory Commission and the Texas Railroad Commission. All priority rules and guidelines, with respect to agricultural usage, should remain in place.

Impacts:

Texas agriculture is both energy- and cost-intensive. As such, profit per unit of output is very low (often negative) and risk very high. Irrigation is practiced in many regions to stabilize output, increase yield, and reduce risk. Vulnerability to fuel curtailment by production agriculture threatens farm financing and introduces a serious risk element. A small fuel shortage to agriculture at a sensitive time such as planting, irrigation, or harvest could cause a disproportional reduction on yields, returns, and output. The reduced agricultural production directly impacts the community, region, and state.

Since this recommendation would assure availability of fuels to agriculture, food and fiber production would not be impeded. Thus, consumers would benefit since food and fiber supplies would be greater with lower prices.

Cross-Reference:

Casey, James E., Ronald D. Lacewell, and Lonnie L. Jones. "Impact of Limited Fuel Supplies on Agricultural Output and Net Returns: Southern High Plains of Texas." Texas Agricultural Experiment Station MP 1175, January 1975.

State Contingency Plan for Petroleum Shortages. Texas Energy and Natural Resources Advisory Council, May, 1982

ALTERNATIVE ENERGY TECHNOLOGIES

Recommendation:

Increase state funding for research and development of alternative energy technologies for and from agriculture.

Rationale:

Texas agriculture is energy-intensive and especially vunerable to high energy costs as well as fuel shortages during crop production and harvesting. The economies of many rural communities are sensitive to agricultural production changes, hence, there are serious implications for farm operators as well as many communities and regions of Texas from energy shortages and/or sudden price increases.

Over 70 percent of Texas crop production comes from irrigated lands. The value of output from irrigated lands in Texas in 1973 was $1.8 billion. Forty-one percent of the total energy used in production agriculture in Texas goes for pumping irrigation water to about 8.6 million acres. For many irrigated regions, profitability of irrigation, partially because of energy cost increases, is questionable and threatens the economic viability of the irrigated farm, suppliers, processors, and rural communities.

Texas is located in a most favorable position for producing (biological material) for energy. South Texas has special opportunities because of a very long growing season. Crops could be produced that provide grain for traditional markets as well as feedstock for biomass energy in the stalk.

Residues and waste materials currently are available in large quantities from Texas agriculture that can be utilized as renewable energy sources. For example, there are more than 20 million tons of crop residue produced from sorghum, cotton, wheat, corn, and rice. This represents over 64 percent of the total energy input for Texas agriculture in 1973 and about 1.7 times the energy demand for irrigation in Texas agriculture.

Renewable energy sources include production of low-energy gas from agricultural residues, production of methane from animal wastes, production of ethanol from agricultural crops with emphasis on non-grain crops as feedstocks, production of plant oil for use in diesel engines (utilization of gin trash at the gins to produce energy), and evaluation of alternative crops whose primary purpose is energy-related. These technologies show very favorable economics.

Continued research is needed for equipment efficiency, improved cultural practices and crop production, and improved management strategies for the farm, ranch, and rural communities.

Improved crop production systems for cotton developed for South Texas reduced energy requirements 33 percent and increased farmer profits. A low-pressure, highly efficient irrigation distribution system reduced energy for irrigation as well as improved water use efficiency by 50 percent and 30 percent, respectively. Other opportunities exist for crop and livestock production systems throughout Texas.

Action Required:

Legislative action, which provides for the availability of funds and manpower to develop new energy-saving technologies and alternative fuels for agriculture is required.

The agencies involved are Texas Agricultural Experiment Station, Texas Energy and Natural Resources Advisory Council, U.S. Department of Energy and the U.S. Department of Agriculture.

Impacts:

New energy-efficient crop production systems have been shown to increase farmer profit, or in the case of the Trans Pecos, change farmer profit from a negative to a positive value.

An improved irrigation distribution system is estimated to reduce irrigation energy use on 1.7 million sprinkler-irrigated acres by 18.6 million cubic feet of natural gas (a 50 percent reduction at current use levels) and increase value of groundwater by $1 billion over 20 years.

The potential impacts are as varied as Texas agriculture and Texas agricultural production regions. There are opportunities for farmer energy cooperatives using biomass, energy biomass farms, and on-farm energy production systems, and for significant improvements in crop production systems. Overall, such advances are required for Texas agriculture to remain competitive in the U.S. and to continue making an important contribution to the Texas economy.

The possible controversy of this program revolves around food and fuel competition. If traditional agricultural crops are used to produce fuel (energy), then the food sector must be impacted, causing

higher prices for consumers. A viable option is research toward a crop that satisfies both demands simultaneously.

Cross-Reference:

Texas 2000 Commission Report and Recommendations.

Texas Agriculture in the 80's: The Critical Decade.

DEREGULATE NATURAL GAS

Recommendation:

Systematically deregulate natural gas to eliminate the competitive disadvantage of Texas agriculture.

Rationale:

The Natural Gas Policy Act of 1978 (NGPA) provides a wellhead price deregulation for certain categories of "new" natural gas while other categories of "old" gas will remain under price ceilings after January 1, 1985. An estimated 40 percent of the flowing gas will remain under price controls as of the 1985 date. Most of this gas, which will remain under very low price ceilings, is dedicated to the inter-state market, serving primarily out-of-state consumers. The current phase-out schedule of natural gas price ceilings and various restrictions on access to new gas supplies is now placing, and will continue to place, intrastate consumers and producers at a supply and price disadvantage, raising the specter of shortages, high prices, and a general deterioration of the intrastate market in favor of the interstate system.

Texas agriculture is primarily dependent on the intrastate natural gas system and will be at a competitive disadvantage relative to

competing agricultural regions who depend upon natural gas for fuel and fertilizer, if these market distortions are not corrected.

Federal laws and regulations have created major natural gas price distortions and have led to a system of gas dedication that puts Texas intrastate consumers at a disadvantage compared to most other regions of the country.

Action Required:

To implement this recommendation, Federal legislation would be required to decontrol, in a systematic way, both new and old natural gas properties.

Agencies involved are U.S. Department of Energy, Texas Railroad Commission, Texas Energy and Natural Resources Advisory Council, the U.S. Legislature, and the President.

Impacts:

A systematic decontrol of all gas would have a smaller negative impact on Texas agriculture and eventually a positive effect. The reason for this is that by deregulating all natural gas, the price Texas farmers will pay for natural gas will be less than under current legislation. This is not true for most other states.

A disadvantage of this, however, is the initial reduction in agricultural profit due to a relatively higher natural gas price that would result from immediate deregulation. Given the serious economic situation of many Texas farmers and ranchers, this would be most unattractive even though it would lead to an improved natural gas price and supply position for Texas farmers toward the end of the decade.

With abrupt deregulation, all natural gas consumers in Texas will be adversely affected because of higher gas prices. However, the likelihood of shortages under decontrol will be greatly reduced.

Most natural gas producers will favor decontrol legislation, since natural gas prices for most producers will rise above regulated price ceilings.

Cross-References:

Kalt, Joseph P. and A.L. Otter. "The Theory of Nonrenewable Resource Extraction Under Discontinuous Price Policy." Energy Laboratory Working Paper No. MIT-EL 81-026WP. Harvard University. May, 1981.

Collins, Glenn S., Ronald D. Lacewell, John R. Ellis, and Gerald C. Conforth. "Economic Impact of Natural Gas Price Deregulation on Texas and United States Agriculture." Final contract report to the Texas Energy and Natural Resources Advisory Council. 1982.

Texas 2000 Commission, "Report and Recommendation", March 1982.

Holloway, Milton L. and Vicky Langston. "Natural Gas Market Deregulation: Current Opportunities and Problems". TIPRO Reporter. The Texas Independent Producers and Royalty Owners Association. Fall 1981.

Means, Robert C. "A Survey of the Current Debate over Natural Gas Policy." Natural Gas Issues Working Paper Series. Texas Energy and Natural Resources Advisory Council. June 1981.

EDUCATION ON ENERGY EFFICIENCY IN AGRICULTURE

Recommendation:

Increase financial support for educational programs to develop energy efficiency in agriculture.

Rationale:

Current critical needs of agriculture include technical assistance on efficient agricultural production and use of limited energy resources. Energy and water resources are interlinked in Texas agri

culture and require simultaneous consideration. Irrigation systems that are energy efficient typically are water efficient. By providing farmers and ranchers with technical assistance and education of opportunities for improved efficiency, increased farmer profit is expected along with a more healthy agriculture.

Since Texas agriculture is energy- and cost-intensive, there is an urgency to provide information of improved production methods to the farmer and rancher. For example, cost per unit of output such as per bushel of corn is higher in Texas than most other regions of the U.S. This makes the Texas agricultural producer economically vunerable to rising energy costs and low product prices. Again, to retain Texas agriculture as an important sector of the Texas economy, new energy- and water-efficient production systems must be developed and transmitted to the farmer and rancher in a timely manner.

Action Required:

Legislative action is needed to provide continued availability of funds for the educational programs, extension of energy-efficient crop and livestock production systems, and new energy related technologies.

Agencies involved are the Texas Agricultural Extension Service, Texas Energy and Natural Resources Advisory Council and land grant universities current doing intensive research on energy-related technologies.

Impacts:

Energy efficiency agricultural production systems require a higher level of management. As new improved systems are being implemented on farms and ranches, so must educational programs continue for

the management of such systems. Although a very large payoff is the potential for a farmer or rancher adopting a new production systems, a poorly managed system or, rather, one sensitive to key decisions can give less results than the conventional production system.

For crops, some new and important components of production systems will include new varieties, pest management strategies, irrigation decisions, and crop rotations. Irrigated wheat with no till over the summer followed by dryland sorghum shows a 50 percent yield increase for the sorghum. This is but one example of the types of energy efficient systems of which farmers need knowledge. Similar examples exist for livestock.

Cross-Reference:

Texas 2000 Commission - Reports and Recommendations.

CAPITAL

FINANCIAL MANAGEMENT PRACTICES

Recommendation:

Improve farm financial management practices and the efficient use of capital.

Rationale:

Producers and lenders should be encouraged to strengthen their analytical capabilities in the areas of financial analysis and investment planning.

Many farmers lack expertise in the completion and application of even the most basic financial statements. Yet these statements have the potential of helping the producer monitor his performance over time and provide the framework for projecting the economic and cash-flow feasibility of investment opportunities. Standardization of these statements as they apply to farming and ranching operations and their requirement by lenders as a precondition for obtaining a loan would enable both the producer and lender to evaluate the current financial structure and performance of the firm and the net economic benefit associated with production and investment plans.

Completed standardized financial statements, including reliable cash-flow projections, would enable producers and lenders to assess expected profitability and risks and would favorably affect the availability of credit to agriculture.

Producers and lenders should also be made aware of the optimal complement of physical capital for specific types and sizes of farms as well as size of firm and capital structure where long run average costs of production and cost of capital are minimized.

Actions Required:

A steering committee should be appointed. This committee should be comprised of representatives from the various lending institutions, farmers and related institutions such as the state CPA society. This committee would then identify personnel from the Texas Agricultural Extension Service (TAEX) and the Texas Agricultural Experiment Station (TAES) and other agencies and institutions whose responsibility would be to investigate the practicality of potential financial statement designs as they apply to agriculture. TAEX and TAES personnel should begin developing expanded research and educational programs designed to formulate and extend financial management tools to producers. Research should also focus on the optimal capital complement (i.e., physical capital, financial capital, and human capital) required for specific types and sizes of farms and the determinants of optimal firm size in the long run.

Impacts:

Producer use of widely-accepted financial management tools which account for both the level and timing of projected future costs and returns associated with specific investment projects should enable them to make improved investment decisions and manage their liquidity and use of leverage. Lenders should require such documentation as a precondition for granting the loan. An evaluation of optimal capital structure and alternative means of acquiring the services of high cost assets, can show producers how they can avoid cash flow problems and minimize their capital inventory, indebtedness, and exposure to financial risk.

Cross-References:

Penson, John B., Danny A. Klienfelter, and David A. Lins. Farms Investment and Financial Analysis. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1982).

Miller, Thomas A. "Economies of Size and Other Growth Incentives," in Structure Issues of American Agriculture, Agr. Econ. Rpt. No. 438 (Washington, D.D.: USDA, 1979).

FAMILY FARM AND RANCH SECURITY ACT

Recommendation:

Provide funds to implement the Family Farm and Ranch Security Act.

Rationale:

The Family Farm and Ranch Security Act was enacted in 1979. It is a Texas loan guarantee, and interest deferral program for beginning Texas farmers and ranchers. Authority exists in the law for the issuance of negotiable farm loan security bonds. The legislature apparently thought that profits earned on these bonds could be used to make deferred interest payments. While bonds have been sold and some funds have been accumulated, they are not sufficient to implement the program. As a result, no loans have been extended.

The problems of young farmers entering agriculture are uniquely difficult. Yet the maintenance of an efficient and economically viable agriculture is dependent on the ability of new farmers to have a means by which they can enter farming. The Family Farm Security Act is designed to provide that means.

Action Required:

One method of implementing the program is for the Texas Legislature to appropriate money for full payment of the bonds that have been

issued. The resulting revenue could then be utilized to make deferred interest payments. Subsequently, bonds could be issued to make the fund self-sustaining. Such a proposal or alternatives to it should be acted upon by the Texas Legislature in order that the legitimate intents and purposes of the Family Farm Security Act can be fulfilled.

Impacts:

The Family Farm and Ranch Security Act, while representing a near-term drain on State funds, is designed to be largely self-financing in the long run. That is, care in the selection of beginning farmer borrowers should lead to few, if any, losses. Since the program is a loan guarantee, as opposed to a direct government lending program, the role of government is one of facilitating, not competing with private lenders.

Cross-References:

Basic Provisions of the Family Farm and Ranch Security Program (Austin, Texas: Department of Agriculture, December, 1980).

FOREIGN INVESTMENT IN FARMLAND

Recommendation:

Do not discourage foreign investments in farmland.

Rationale:

While less than 1 percent of Texas farmland is owned by foreign interests, for each of the past two legislative sessions there have been attempts to restrict foreign investment in Texas farmland. While these efforts have been unsuccessful, they are likely to continue. Restrictions on foreign investment pose a threat to the potential sellers of farmlands, would reduce capital available for farmland

purchases, and could reduce the price at which farmland is transferred. Such restrictions also contradict the basic freedoms associated with the American free enterprise system.

Action Required:

Analysis of the impacts of alternative foreign investment policy proposals need to be made available to Texas agricultural interests and the Texas legislature so that decisions are based upon facts as opposed to emotions.

Impacts:

Restrictions on foreign investment would reduce the quantity of capital available for investment in Texas agriculture. It also holds the potential for undermining existing farmland values or at a minimum reducing appreciation in farmland values. While these effects are apparent, their magnitude is unknown. Increased data resulting from federal foreign investment reporting requirements makes it more feasible to provide research insight into these issues.

Cross-References:

DeBrael, J. Peter and T. Alexander Majchrowiez, Foreign Ownership of U.S. Agricultural Land: February 1, 1979 through December 31, 1980, Agr. Inf. Bul. No. 448 (Washington,D.C.: College Station, July 1981).

STATE WAREHOUSING LAWS

Recommendations:

Review and evaluate the adequacy of the Texas agricultural commodity warehouse bonding requirements and bankruptcy claims priorities.

Rationale:

The financial failure (insolvency) of grain and cotton merchants and/or warehousemen has resulted in farmers across the United States

not being paid in full for products in storage or purchased on contract. Proposals to deal with this issue are currently before the Congress on grain or cotton stored in federally registered warehouses. Similar proposals are likely to be made in the next legislative session for Texas registered warehouses.

Action Required:

Careful study of Texas bonding requirements is needed in light of current merchandising practices and financial conditions and proposals at the federal level to strengthen federal warehousing requirements and change the priority of claims in the event of bankruptcy. This study should involve research and extension specialists in cotton and grain marketing.

Impacts:

The main supporters of tighter bonding and/or inspection requirements would be farmers, farm organizations, responsible warehousemen, and financial institutions. Increases in costs associated with bonding would be initially born by the warehouses and merchants. Any changes in the priority of claims in bankruptcy proceedings would affect the financial position of lending institutions and the availability of credit.

Cross-References:

Grain Elevator Task Force (Washington, D.C.: USDA, August, 1981).

EFFECTS OF ADDITIONAL TAXES IN AGRICULTURE

Recommendation:

Evaluate the impact of additional taxes on agriculture.

Rationale:

New federalism programs are substantially shifting the spending burden to state and local governments. Agriculture could be viewed as a major source of tax revenues in some areas despite the fact that producers would not have received a compensating reduction in federal taxes. The impact of additional government spending and taxation at the state and local levels on agriculture should be carefully evaluated for the effects it would have upon Texas producers. Producers currently under severe financial stress (low real-net farm incomes, softening asset values on balance sheets, etc.) would be ill-prepared to shoulder an additional tax burden at this time.

Action Required:

The Governor and agriculture committees of the Texas Legislature should perform a watchdog function in analyzing and protecting the current tax status of agricultural producers. Producers and their organizations must be made aware of the potential for added revenues required by state and local governments and what this means for the level of taxes paid in agriculture. Research should be conducted to illustrate the impact that increases in state and local taxes would have upon the survivability of producers at this time. This information must then be made available to producers, their organization, legislators, and local governments so that they are fully informed of the potential consequences of tax increases at this time.

Impacts:

Implementation of this recommendation would require government planners to recognize the weakened ability of producers to finance

expansionary government spending policies, particularly during this period of financial stress for producers, include enhancement of the prospects of survival for producers in specific parts of this state and further development of the agricultural sector. Taxpayers in other sectors of the Texas economy would be adversely affected by proposals to limit additional taxes paid by producers.

PRODUCTION EFFICIENCY

MAJOR EMPHASIS ON RESEARCH AND EDUCATION

Recommendation:

Increase funding for research and education in all critical agricultural issue areas.

Rationale:

In the past, inexpensive energy and expanded use of land, water, and other natural resources created rapid increases in Texas agricultural productivity. Much of Texas contemporary agricultural technology has been based upon wide-spread availability of these resources which today are limited and expensive. The cost-price squeeze caused by increasing prices for energy and other agricultural inputs, along with low product prices and natural weather disasters, has created an unprecedented short-run income-and-liquidity crisis for Texas farmers. Farm and ranch product prices have not kept pace with production costs, creating increasing risks for capital and production. Higher costs and inefficiencies in marketing and transportation also result in lower returns and higher consumer costs. In the long-run, limitations on energy, water, and land resources threaten to reduce the productivity of agriculture and the continued growth of the agricultural industry in Texas.

Research plays a vital role in developing new scientific applications and alternative means of dealing with critical agricultural issues. Therefore, the Task Force strongly recommends funding for research and development be increased. Expanded research must develop new agricultural technology to compensate for increased resource costs and limitations. Utilization of this new technology by producers and

agribusiness is the ultimate step to the solution of the critical issues in Texas agriculture.

Action Required:

A major commitment to agricultural research and extension programs in Texas is needed to develop new agricultural technology and solutions to the critical issues facing Texas agriculture. Development of new technology requires increased scientific research in the basic areas (such as molecular biology and chemistry) and other related fields to provide a better understanding of plant and animal processes. Continuing research and new education activities in crop and animal health production efficiencies, marketing alternatives and comparative advantages are also needed for Texas agriculture to cope with changing conditions.

Impacts:

Failure to address the critical issues properly will adversely affect the Texas economy resulting in continued higher costs, lower incomes and higher food and fiber prices. New agricultural technology developed through research can reverse the current trends and increase the productivity of Texas' agriculture and the growth of the agricultural industry in Texas.

Cross-References:

Texas 2000 Commission Report and Recommendations, pp. 21-31; Research and Development.

Texas 2000 Project, Report for Conclusions and Recommendations for TAES.

Texas Agriculture in the 80's, the Critical Decade, Texas Agricultural Experiment Station, B-1341.

AGRICULTURAL REGULATORY PROGRAMS

Recommendation:

Review agricultural regulatory programs.

Rationale:

Regulatory programs have a direct impact on production and market efficiency, cost of production, and availability of products and supplies. Many of these regulations may need to be modernized and/or abolished to increase production efficiency in Texas' agriculture.

Action Required:

The Governor and/or the Texas Legislature should assign specific responsibility to review specific regulatory programs at the state level that affect agriculture and make recommendations on changes that may be needed at the federal level.

Impacts:

This would be a means of periodically reviewing, justifying, and modernizing production and marketing regulatory programs that become out of date and institutionalized. Initiating change and abolishing regulations always meet with resistance, but the benefits of a modern Texas agricultural industry should not be impeded by controversy.

PRODUCTION AND MARKETING MANAGEMENT INFORMATION SYSTEMS

Recommendation:

Increase research and development for production and marketing management information systems in agriculture.

Rationale:

Volatile markets for agricultural products, increasing production costs, and declining agricultural resources are creating considerable

adjustment problems for Texas agriculture. Inflation has caused problems with balancing assets earnings, financing costs, and cash flows. Narrowing profit margins have increased production and marketing risks. Much of the federal governmental "safety net" in the form of disaster aid, subsidized credit, high support price, and supply control has been dismantled. Texas producers are relying much more on individual action to manage resources profitably and control exposure to risk and uncertainty. Producing and marketing firms also are experiencing unprecedented risks due to increasing influence of foreign trade and world events.

Traditional rule-of-thumb management techniques are inadequate to cope with these production and marketing problems. Few producers can afford economic experimentation today. Producers and agribusinesses must have additional management capability made possible through the practical use of computers. Computer management tools and programs to assist in production and marketing decisions are needed.

The managerial need for more timely and adequate marketing information is increasing. Managers must use this information in economic decision models to help them assess the potential consequences, including possible risks, instead of enduring the grim reality of substantial losses.

Action Required:

Legislative initiative is needed to consolidate efforts by the Texas Crop and Livestock Reporting Service, the Texas Department of Agriculture, and the Texas Agricultural Extension Service and Texas Tech University, and others to work out an integrated plan for de-

veloping and establishing production and marketing information systems. The overall system should include: (1) producer-oriented computer software with decision aids and management information systems, (2) Texas agricultural information in computerized management data libraries, accessible to producers and agribusiness and (3) research and development within a farm-level integrated economic production system framework.

Small computers are relatively inexpensive, reliable, and very useful in many business applications. The moderate cost of this technology allows more commercial producers and agribusiness firms to purchase individual computer systems. The current problem is the lack of software, or instructions specific to various agricultural decisions. Since software program is developed for a specific purpose, many different programs are required before full usefulness of the machine can be realized.

Impacts:

The impact of increasing the management skills of agricultural producers through improved information systems would be felt throughout the Texas economy. Benefits would include: increased production efficiency; greater returns to farm and ranch resources, increased timber resource productivity; proper adjustments to limitations on irrigation, water, energy, land, and other agricultural resources; lower production cost and/or increasing returns and decreasing production risks. These factors, in the aggregate, significantly affect the productivity of Texas agriculture and would increase the competitive advantage of Texas agriculture.

Better management skills can be applied on an individual basis. No joint action or organizational support is necessary for their use or to derive benefit. Computer modeling for management purposes does require significant time and resources to produce product quality software. Benefits of the modeling work would flow directly to individual firms. No groups would be adversely affected by their development and use.

Cross-References:

Texas 2000 Commission Report and Recommendations, pp. 21 - 32.

Texas Agriculture in the 80's, the Critical Decade, Texas Agricultural Experiment Station, B-1341.

RESEARCH AND EDUCATION CENTER AGRICULTURAL POLICY

Recommendation:

Establish a Research and Education Center for Agricultural Policy.

Rationale:

A Center for Agricultural Policy should be established to conduct research and educational programs directed toward the critical policy issues affecting Texas and Southwest agriculture. The objective of this would be to develop the data base, analysis and alternatives to help decision makers formulate policy.

State and Federal policies impact producers, agribusiness interests, those employed in agriculture and related endeavors, and consumers. Public policies significantly affect prices received by farmers for products, prices paid for imports, and the competitive

position of Texas and Southwest agriculture in domestic and international markets, as well as prices paid by consumers for food and fiber.

Existing policies are by no means set in concrete. Monetary and fiscal policies of the State and Federal governments affect the level of farm product exports, interest rates, and consumer expenditures on food. Energy policy decisions could have a major impact on the availability of energy for irrigation, which, then could affect 60 percent of the Texas crop production. Changes in the food stamp program could not only affect recipients of the welfare programs, but also the level of producer returns and availability of hired farm labor. Thus a stronger economic input into federal and state policies is needed to reflect the unique characteristics and circumstances surrounding Southwest agriculture. This input, when provided on a timely basis, will insure an improved basis for public policy decisions.

Actions Required:

Funds for establishing a Research and Education Center for Agricultural Policy should be provided. The Center would contain a critical mass of research and educational talent to identify critical problems and alternative solutions, and their consequences. Resources could be developed either by legislative appropriations or endowments, preferably a combination of the two. The scope of activities of the Center would include:

1. **Economic and social consequences of farm commodity programs administered by USDA.**

2. **Cost/benefit analysis of regulations in the area of food and fiber production and marketing.**

3. Cost/benefit analysis of natural resource and labor regulations and optimal management of natural resources and production inputs.

4. Analysis of international economic policies that affect U.S. exports and imports of agricultural products important to Texas.

5. Analysis of the consequences of regulations and policies on agricultural financial markets and institutions, and government credit and insurance programs.

6. Analysis of the effects of U.S. monetary and fiscal policy on Texas and U.S. agriculture.

7. Analysis of the impact of rural development, poverty, and food-related welfare programs.

Impacts:

The major impact of the Research and Education Center for Agricultural Policy is to provide decision-makers and the public more complete knowledge of the problem, the policy options, and their impacts. Improved decisions in the short- and long-run would be in the public interest.

TRANSPORTATION

INTRASTATE AGRICULTURAL MOTOR CARRIER REGULATION

Recommendation:

Deregulate trucking for agriculture.

Rationale:

Texas statute requires that all agricultural motor carriers involved in intrastate haulage be regulated by the Railroad Commission of Texas. Current regulation (1) limits entry into intrastate haulage by means of a permitting procedure; (2) prescribes rates at which a commodity may be hauled; (3) specifies commodities which may be transported by the carrier; and (4) prescribes geographic areas over which the regulated motor carrier may operate.

A permit holder is confined to a geographical area specified by the permit and is authorized to carry only specified commodities. This creates inefficient utilization of transportation equipment. Regulations tend to create inefficiencies which unfavorably affect Texas producers and consumers. In particular, excessive regulation leads to high intrastate trucking rates which place Texas producers and processors at a disadvantage in Texas markets. In addition, regulation leads to inefficient commodity flow patterns, circuitous commodity routing, excessive empty truck miles, and higher fuel costs.

Actions Required:

Legislation should be enacted to deregulate intrastate agricultural motor carriers.

Impacts:

Motor carrier regulation tends to increase motor carrier industry costs. Deregulation of the intrastate agricultural motor carrier

industry will lower in-state rates and/or reduce the extent of future rate increases. The lowered transportation costs will be shared with the consumer in the form of lower prices and with the producer via higher farm prices. Reduced in-state rates will remove the transportation cost disadvantages that Texas farm products now experience in Texas markets. Further, the lowered in-state rate structure will remove the transportation cost disadvantage that Texas agricultural processors now experience when competing with out-of-state firms.

Deregulation will have a mixed impact of the in-state trucking industry. Truckers previously restricted from the intrastate market would not find entrance less complicated and carriers would have increased opportunities for backhauls and efficiency. The permitted intrastate carriers will experience increased competition and lower rates, but opportunities to reduce their costs will multiply. Benefits of motor carrier deregulation to Texans and Texas agriculture far exceed any unfavorable impact on the State's regulated carrier industry.

Cross-Reference:

Texas Commission Report and Recommendations, pp. 21-23.

FARM-TO-MARKET ROAD SYSTEM

Recommendation:

Maintain and expand the farm-to-market road system.

Rationale:

Texas' farm-to-market road system has contributed much to the development of Texas agriculture and its wealth. An efficient rural

specifically aimed at the farm-to-market road system would have a favorable impact on Texas agricultural development.

Cross-Reference:

Texas 2000 Commission Report and Recommendation. p. 26.

RAIL ABANDONMENT IN RURAL AREAS

Recommendation:

Support the retention of needed railroads in Texas.

Rationale:

Agriculture has a strong interest in maintaining the long-term efficiency and viability of the railroad system. Railroads have long been considered the backbone in transporting agricultural supplies and marketing agricultural products. Much national attention has focused on the deteriorating state of railroads in the Northeast and Midwest sections of the U.S. Although the Southwest historically has been spared the traumatic experience of the Midwest and Northeast, the recent bankruptcy of the Rock Island railroad and the associated abandonment of the Texas trackage has generated widespread concern. Further, the Staggers Rail Act of 1980 increases the ease with which railroads may abandon lines. In general, rural communities are completely unprepared for railroad abandonment hearings and require counsel and guidance in this complex procedure.

Action Required:

The Railroad Commission of Texas, Attorney General, and other State agencies should be encouraged to aggressively monitor potential rail abandonment and, where feasible, support the retention of railroads in Texas.

transportation system allows for rapid flow of resources into and out of rural communities, promotes development of rural industry, and links Texas farms with their markets. The maintenance and expansion of this 40, 282 mile system is vital to Texas agriculture.

The Colson-Briscoe Act of 1948 annually provides $15 million for construction of new farm-to-market roads. The State Department of Highways and Public Transportation annually has combined this with $8 million of other State funds for farm-to-market road construction. More recent highway legislation provides that 1/8 of the dedicated highway fund may be used for additional construction and expansion of existing roads. Approximately $100 million of these monies have been used for construction and maintenance of the farm-to-market road system. In spite of the increased monies for maintenance and construction, undesignated monies are relied on more and more to support the farm-to-market road system. Rising highway maintenance costs coupled with projected declines in highway fuel taxes generate concern regarding adequate funds to maintain rural roads. It is imperative that the farm-to-market road systems not be permitted to deteriorate and place the State in a "catch up" situation.

Action Required:

Legislative appropriations should be dedicated to maintain and, where necessary, expand the farm-to-market road system of Texas.

Impacts:

Good roads favorably impact rural development, rural life, and efficient marketing of agricultural products. An increase in funds

The Railroad Commission of Texas and the Attorney General's office must provide additional counsel and guidance to rural communities regarding rail line abandonment. The Railroad Commission should study and recommend how incentives may be created for railroads to maintain lines.

Impacts:

Railroads are vital to agriculture. Any loss of rail lines will economically damage agriculture. Conversely, any efforts resulting in the retention of rail lines will significantly benefit agriculture.

LAND

SOIL CONSERVATION AND LAND RESOURCE ASSESSMENT

Recommendation:

Provide additional financial support for technical assistance for soil conservation programs including soil surveys and other land resource inventories.

Rationale:

Agriculture must balance the present use of its land resource for food, feed, fiber, and timber production with the need for conservation of land for future high-level agricultural production. Conservation planning is crucial with increasing energy costs and water availability problems. Research and documentation of soil capabilities is needed to determine opportunities for and impacts of alternative production systems in agriculture. Opportunities for expanding research and educational programs directed toward limited soil and water resources should be implemented. Some agricultural production adjustments to farm programs have not been consistent with good soil conservation practices. The impacts of governmental programs on land resource should be carefully researched prior to adoption.

Action Required:

State government should increase financial support for soil conservation programs and field studies and soil surveys to document the capabilities and limitations of land resources. The soil characterization program provided by the Texas Agricultural Experiment Station should be expanded with additional funding for detailed physical and chemical analyses.

Complementary educational extension programs must also be developed, as conservation information becomes available for farmers and ranchers. Joint planning and cooperative programs should continue to be developed with state and federal agencies.

State political leaders also should urge the United States Department of Agriculture to evaluate potential impacts of proposed programs and policy changes on existing soil and water conservation practices to avoid conflicts and resource degradation.

Impacts:

Without continued efforts to prevent the erosion and depletion of our soil and water resources, we are not assured of a continuing adequate supply of productive agricultural lands.

Accurate inventory and documentation of soil capabilities will allow farmers, ranchers, and others to utilize land resources efficiently while understanding limitations. Such inventories also permit researchers to develop and analyze alternative production systems so farmers and ranchers can reduce production costs and/or increase returns.

Cross-Reference:

1982 Long-Range Soil and Water Conservation Plan for Texas, "Soil and Water Conservation--The Texas Approach."

IMPORTANT AGRICULTURAL LANDS

Recommendation:

Avoid conversion of important agricultural lands to other uses where possible.

Rationale:

Texans must recognize the value, extent, and quality of its agricultural lands and where possible, provide for continuing agricultural use of the most productive lands to sustain future generations. Concerns center on needless irreversible conversion of important agricultural lands to other uses such as urban expansion and sprawl, industrial developments, transportation and utility construction, and airport locations. In many cases lands with limited agricultural potential could be used just as effectively to meet important non-agricultural needs of the society.

Action Required:

State agencies and the legislature should place high priorities on the need to retain important agricultural lands. Such considerations should become an integral part of the planning processes of each governmental unit. The Texas State Soil and Water Conservation Board, Soil and Water Conservation Districts, and the Texas Agricultural Extension Service should develop informational/educational programs to encourage continued agricultural use of our best agricultural lands. Educational programs are needed to acquaint the public with a need to respect the agricultural resources of the state.

Impacts:

Where economically feasible, agricultural production must be maintained on important agricultural lands; however, land use conversion often occurs in connection with the most productive and more important agricultural lands. Where this is the case, social benefits may be maximized by maintaining the more productive land in agricul-

tural uses. However, where private land rights are involved, the problem is often complicated due to the fact that prime agricultural land owners may obtain large financial gains in connection with the conversion of this prime land.

Several alternatives for protecting important agricultural lands were discussed and the Task Force unanimously agreed that regulatory programs be avoided. It is not anticipated that this issue as presented is controversial; however, methods of implementing the objectives might cause considerable controversy. The Task Force preferred education and encouragement through voluntary compliance as a means of achieving the desired results in dealing with privately owned lands.

LAND RIGHTS

Recommendation:

Protect individual landowner rights.

Rationale:

Private ownership of land and the rights associated with the ownership are major cornerstones in the American agricultural production system. Recently governmental agencies and the court system have tended toward abridging those individual rights. Recognition of ownership rights and the incentive they provide for efficient use and conservation of land resource is essential. Direct actions will be required to defend these traditional values.

Action Required:

Importance of protecting individual landowner rights consistent with orderly land development should be stressed. Policy development affecting land use should be done at local levels wherever possible. This approach will maximize opportunities for incorporation of landowner rights in decision-making processes of the various governmental entities.

Impacts:

This recommendation will maximize land resource development. In most cases, efforts requested through this recommendation will result in few if any controversies. However, in some decision-making processes, public involvement would be expanded and time requirements could be extended. Properly handled, such a move would mitigate public response and add credibility to policy decisions by government.

LAND TAXATION AND RELATED POLICIES

Recommendation:

Create incentives to encourage soil and water conservation practices and lower tax burdens on land.

Rationale:

The use of conservation tax credits and other similar incentives for the application of soil and water conservation practices provides some of the most efficient uses of tax money in directing implementation of conservation practices on agricultural land. Such programs provide for adoption and implementation of qualified soil and water conservation practices in a manner similar to the cost-sharing program currently administered by USDA.

The Task Force believes that the use of ad valorem taxes as the primary source of local financial support for schools and county government should be studied and supplemental sources sought.

Action Required:

The Governor should encourage the federal government to continue and expand tax credits and similar incentives for the implementation of soil and water conservation practices. The state legislature and other political leaders are asked to provide support for tax relief for agricultural landowners.

Impacts:

Primary impacts of the conservation tax credit are to instigate more widespread adoption of needed soil and water conservation practices which provide protection of the production potential of our valuable resources. A reduction of the tax burden on landowners also contributes to a more positive cash flow to the operator, thus making more money available for additional conservation practices. From several studies it is known that landowners, in general, desire to protect and improve their resources when their financial status permits. Little, if any, controversy is expected regarding this recommendation.

Any shift in taxation policies to derive support for local government and schools from other sources will be highly controversial. The Task Force clearly recognizes that fact and believes such is unavoidable.

Recommendation

Clarify the definition of "navigable waters" and oppose the redefinition of "wetlands".

Rationale:

Present programs involving the use of the term "navigable water" have been expanded far in excess of the apparent intent of Congress in passage of PL 92-500. Use of the term "navigable waters" and application of such laws as the dredge and fill provisions (Section 404 of PL 92-500) have caused many problems for private landowners and proliferation of cumbersome bureaucratic processes. Generally, the expanded definitions lead to over-regulation of nonproblems. Current Congressional efforts (SB 777) would restrict the term "navigable waters" to those waters used as a means to transport freight to interstate or foreign commerce.

Definition changes being proposed for "wetlands" by several state and federal agencies would lead to an expansion of wetland program policies and regulations. Extensive testing of the proposed definitions have shown them to be inaccurate and not defensible when compared with previous definitions and historical land uses.

Action Required:

Primary actions requested are those by the Governor and other political leaders to: (a) support current Congressional efforts to clarify the definition of navigable waters, and (b) oppose expansion of the definition of wetlands to include those lands historically used for agricultural purposes (including timber production).

Impacts:

Proper and scientifically valid definitions of "wetlands," "navigable water," and other such terms will bring the programs in line with the original intent of Congress and promote less conflict with agricultural goals. Farmers and ranchers clearly recognize the value of "true" wetlands and the need to protect such soil and water resources.

Changes in these programs are controversial. Special interest groups have lobbied and sponsored litigation to expand the terms mentioned. Obviously, they will oppose those changes suggested here. However, substantial interest is present to support the recommendations.

MARKETING

EXPAND EXPORT MARKETING RESEARCH AND DEVELOPMENT

Recommendation:

Expand agricultural exports, especially to Mexico.

Rationale:

Over-production is a major problem intermittently recurring in the United States including Texas agriculture. Supplies that exceed domestic and foreign demand frequently lower commodity prices below production costs. Expansion of export markets can increase the demand for U. S. agricultural commodities, contribute favorably to the balance of payments, and more fully utilize agricultural resources.

There are no accurate statistics estimating individual state shares of national commodities moving into the export trade. It is estimated, however, that 75 percent of Texas wheat, 60 percent of its grain sorghum and 66 percent of its cotton are exported each year. Thus, Texas would be a primary benefactor of any increases in efforts, because of its proximity to Mexico and South America and because of its Gulf ports.

Additional funding is needed to explore new export marketing opportunities, to identify markets where Texas has comparative cost advantage, to analyze farm program provisions that might jeopardize export markets, and to develop strategies for penetrating and expanding foreign markets.

Action Required:

The Texas legislature should increase the funding and coordination of promotion and research aimed at stimulating the demand for Texas agricultural products in the international sector, emphasizing Mexico.

Export marketing development activities of the Texas Department of Agriculture and other agencies should be expanded. As the economic situation in that country improves, State agencies and the private sector should establish a joint export office in Mexico. By increasing export marketing activities, Texas agriculture could promote its products, bring buyers and sellers together, and teach foreign nations how to use the State's agricultural products.

Impacts:

Increasing foreign demand for Texas agricultural products should yield high returns to the Texas farm and ranch sector. If foreign demand can be increased, it would tend to lessen the burdensome surplus on domestic markets. With domestic supply and demand more balanced producers could sell at higher prices both at home and overseas. This could minimize the undesirable cyclic conditions in production that affect consumer food prices, disrupt food consumption patterns, and result in fluctuating farm prices.

Cross Reference:

Texas 2000 Commission Report and recommendations.

EXPAND AND IMPROVE MARKET NEWS

Recommendation:

Maintain and improve agricultural market news and collection and dissemination.

Rationale:

Collection of agricultural market news and its communication to certain audiences play a very important role in the Texas economy.

Economically justifiable technology exists to enlarge such a data base and communicate it so that a competitive market environment can be maintained. The use of computer systems should be an integral part in the communication of Texas agriculture if timeliness, accuracy, and availability of market news is to be upgraded.

Expanded collection and improved dissemination of market information can benefit all firms engaged in marketing agricultural commodities. More and better information on cash market prices, qualities, quantities, available supplies, and other market information can indicate when to sell or hold agricultural commodities in inventory to meet profit objectives. Market information is a key for decisions by producers and firms at all levels of the marketing channel, as well as consumers.

More and better information is needed on Texas forest products. Forestry is a $33 billion industry annually in Texas alone, but little information is collected on pricing, production, inventory, and other market information. Producers, forestry managers, and buyers of forestry products need such information to better manage this important resource. Expansion of state efforts in collecting this information should be undertaken immediately.

Action Required:

Adequate funds for an improved and expanded state and federal agricultural market news system are necessary. Under the general atmosphere of federal budget constraints, state responsibility may increase in several areas. Because market news is of such vital importance to agricultural producers, consumers, and the Texas econo-

my, sufficient funds must be made available for market news activities. This includes funds for maintaining current programs and additional funds for improved and expanded service. A portion of these funds should be allocated for research to improve communication methods.

The primary agencies in expanded market news dissemination would be the Texas Department of Agriculture, the Statistical Reporting Service of the United States Department of Agriculture and the Texas Agricultural Extension Service; these agencies currently collect, disseminate, and analyze market information, and should continue in an expanded role.

Impacts:

Price and other agricultural market information play a vital role in maintaining efficiency and competition in agricultural production and in marketing all agricultural commodities. Raw data must be collected and provided to users as practical information, including analyses of significant changes in market conditions. Historical price series from local cash markets must be available and maintained for hedging and analytic purposes.

Public reporting assures accuracy of information and assures that food prices result from a competitive and efficient food production and marketing system. The benefits to industry and consumers easily justify public expenditures on agricultural market information.

CHECK-OFF FOR RESEARCH AND PROMOTION OF AGRICULTURAL PRODUCTS

Recommendation:

Amend the existing Texas Constitution to improve the agricultural commodity check-off programs.

Rationale:

Chapter 141 of the Texas Agriculture Code allows agricultural producers of particular commodities to conduct a referendum and, if passed, to collect check-off monies from first or primary handlers of their commodity to support research, promotion, and education of that commodity. Approximately seven years ago, Article 55C was challenged in court and was ruled as an illegal tax on agricultural commodities even though participation in the check-off program was voluntary (by virtue of the refund provision) on the part of the contributing agricultural producer.

Today, eight commodity check-off programs are operating in Texas -- wheat, grain sorghum, soybeans, mohair, turkeys, pork, peanuts, and corn -- and some other commodity organizations are interested. Of these, the only truly successful programs in terms of collections are those for commodities which have a limited number of first handlers who closely support and often times are integrated with their producers. Bulk commodities, which have thousands of producers and hundreds of first handlers, have experienced real collection problems.

Action Required:

The Texas Legislature needs to pass a resolution calling for a constitutional amendment. Such amendment would specify that constitutional prohibitions of occupational taxes on agriculture do not apply to self-assessments by commodity producers.

Along with such resolutions, legislative action is needed to (a) reaffirm or "Grandfather-Clause" the current Texas Commodity Referendum Law providing for such self-assessments and (b) "Grandfather-Clause" the existing Producer Boards that have been established under

the current law and that have held producer referendums (these "housekeeping" actions are needed to avoid the necessity of another referendum(s) should the constitutional amendment pass).

Impacts:

Product demand can be expanded through research, promotion and education. Consumers will benefit from research and educational efforts on nutrition and food preparation. Many other states have effective check-off programs for their commodities, some of which are competitive with Texas commodities. Unless Texas producers can match other state efforts other states in research, promotion, and market development, we cannot maintain or expand our share of domestic and international markets. No state funds are required in these programs.

Cross-Reference:

Texas 2000 Commission Reports and Recommendations.

APPENDIX

THE STATE OF TEXAS
EXECUTIVE DEPARTMENT
OFFICE OF THE GOVERNOR
AUSTIN, TEXAS

DECEMBER 31, 1981

EXECUTIVE ORDER
WPC-41

ESTABLISHING THE TASK FORCE ON AGRICULTURAL DEVELOPMENT

WHEREAS, Texas' ranchers and farmers are the backbone of Texas' economy and contribute significantly to the State's high standard of living; and

WHEREAS, the estimated economic impact of agricultural production and agribusiness activities by Texas' ranchers and farmers on Texas' economy is more than $33.7 billion per year; and

WHEREAS, the total value of farm assets in Texas totals more than $62 billion—approximately three-fourths of the total assets of all state and national banks in Texas; and

WHEREAS, cash receipts from agricultural commodities in Texas were $10 billion in 1979; and

WHEREAS, suppliers of farm inputs, food processors, distributors, and others also benefit from agricultural production; every one dollar of farm sales leads to more than $3.40 in the Texas economy; and

WHEREAS, Texas is the number-one producer of cattle, and calves, cotton, and sorghum; and

WHEREAS, Texas ranks among the top ten states in production of 16 of the nation's top 25 commodities; and

WHEREAS, Texas ranked second in the nation in agricultural receipts; and

WHEREAS, agricultural productivity by Texas' farmers and ranchers, and agribusiness must be improved and any loss of agricultural productivity on Texas' economy is of serious concern; and

WHEREAS, the high technology agriculture of Texas requires a continued development and infusion of new production methods and information to support its programs; and

WHEREAS, problems of disease, pests, climate, new marketing systems, and changing economic conditions are ever changing; and

WHEREAS, research extension and higher education in Texas can equip agriculture and related industries to increase the productivity of Texas' agriculture and provide for a healthier and more prosperous society; and

WHEREAS, the State of Texas must set as its goal to become the number one leader among the states in agricultural production; and

WHEREAS, there is a need for the State of Texas to develop and implement policies and strategies to achieve the goal of leader among the states in agricultural production.

NOW, THEREFORE, I, William P. Clements, Jr., Governor of Texas, under the authority vested in me, do hereby create and establish the GOVERNOR'S TASK FORCE ON AGRICULTURAL DEVELOPMENT, hereinafter referred to as TASK FORCE.

The TASK FORCE will consist of not more than 40 members, representing all segments of Texas' agribusiness community, appointed by the Governor who shall serve for two-year terms and at the pleasure of the Governor. The Governor shall designate a Chairman and Vice-Chairman from the membership who shall serve in those positions at the pleasure of the Governor.

The TASK FORCE is charged with the following responsibilities:

a. Examine in detail the status of Texas' agricultural production and agribusiness;

b. Examine in detail methods by which productivity of Texas' agricultural production and agribusiness can be improved and strengthened;

c. Develop recommendations for legislation to address the needs of Texas' agricultural industry.

d. Perform other duties as may be requested by the Governor.

On or before January 1, 1983, the TASK FORCE shall make a complete written report of its activities, findings, and recommendations to the Governor.

The TASK FORCE shall meet regularly at the call of the Chairman. A majority of the membership shall constitute a quorum. The Chairman shall, with the consultation of the Governor, establish the agenda for TASK FORCE meetings.

The members of the TASK FORCE shall serve without compensation and without reimbursement for their travel and expenses.

All agencies of State and local governments are hereby directed to cooperate with and assist the TASK FORCE in the performance of its duties.

This Executive Order shall be effective immediately and shall remain in full force and effect until modified, amended, or rescinded by me.

Given under my hand this 4th day of January, 1982.

ATTEST:

David A. Dean
Secretary of State

WILLIAM P. CLEMENTS, JR.
Governor of Texas