

MR. JOHNSON: Thank you, Mr. Chairman. I am pleased to have this opportunity to discuss with the Commission ways to strengthen U.S. agriculture's prospects.

A major global challenge for the 21st century is feeding a growing, rapidly urbanizing population globally in a more efficient and environmentally sound manner. How the world chooses to meet that challenge will determine U.S. agriculture's future.

If the world embraces a global open food system as the best response to that challenge, U.S. agriculture can become a growing, dynamic sector of the economy.

Before taking up that topic, I would like to make some brief comments about the U.S. trade deficit and current controversies over U.S. agricultural trade policies.

The U.S. trade deficit, in my view, is more a political than an economic problem. In economic terms, the U.S. trade deficit has been an important facilitator of our sustained, non-inflationary economic growth.

For critics of expanded trade, however, the deficit is a convenient political lever to support demands for protection against imports.

The appropriate trade adjustment assistance policy, in my judgment, is not to curb imports, but to educate workers more effectively and more continuously to participate in the growth sectors of the U.S. economy overall.

With respect to U.S. agricultural trade policy, with U.S. agricultural productivity rising twice as fast as domestic demand, a trend that has continued throughout the 20th century and looks to continue well into the 21st, U.S. agriculture must either export or it must shrink.

Similarly, the poor living in developing countries must either gain access to enhanced productivity and enlarged markets or remain condemned to a marginal existence amidst the poverty of subsistence agriculture and costly import-substitution regimes.

The best agricultural adjustment policies are rural development and job creation strategies that

provide alternatives to, rather than romanticize the simple life of, peasant farmers.

The main issue I want to address today, however, is the food challenge facing humanity as we enter the 21st century, feeding people better.

There are some key dimensions to this challenge:

First, global food-producing resources are already under stress.

Second, today only about one fifth of the world's 6 billion people represent 85 percent of the global economy and consume the lion's share of the world's resources.

Yet world gross domestic product is projected to increase by one-third, or \$10 trillion, over the next decade.

Very simply, the already stressed global food system must double in scope within a generation to serve a growing and increasingly urban consumer base.

Overcoming this challenge requires two linked strategies. On the supply side, we must produce abundant, affordable foodstuffs in a more efficient, environmentally sustainable manner.

And on the demand side, we must create rural job opportunities to absorb surplus labor released by agriculture's technological revolution without forcing excessive migration to already overcrowded urban centers, particularly in the developing world.

Together, these are the fundamental requirements of food security, access to adequate supplies of food and generating the ability to pay for them.

It is my view that this most important challenge can best be met through a trade-based food security strategy, what I would call a global open food system.

The benefits of building a trade-based food security system are enormous. More than half of the welfare gains left to be captured in trade liberalization are in the agri-food sector.

What benefits would come from reducing these excessive trade barriers?

First, rural development would accelerate. Second, supply uncertainty would decline. Third, the costs of food security also would fall.

Fourth, current price cycles, periods of artificially depressed farm prices that are punctuated by occasional price spikes, would both rise and flatten out.

Fifth, extreme price volatility also would be replaced by smaller, smoother price swings.

Sixth, among the important environmental benefits would be that agricultural resources could shift to more efficient usage patterns, marginally productive but environmentally fragile resources could shift to more sustainable uses, and agricultural technologies would flow more freely in step with increased investment flows.

Seventh, choice and variety for consumers also would expand.

And finally, there is one other important effect. The United States has a rich, land-extensive agricultural base, widespread farmer know-how, and efficient transportation capabilities well-suited to serve regions like Asia, that are six times more densely settled per arable acre.

With 96 percent of the world's consumers living beyond our borders, and with most of those

people still waiting to upgrade their diets with meat, milk, and eggs, an open food system offers U.S. farmers and ranchers a huge marketing opportunity.

That opportunity cannot be taken for granted. There are other naturally well endowed regions, South America, Central Europe, Canada, and Australia, to name a few.

But none of those areas can meet incremental export demand for grain, oil seeds and livestock products as quickly, in as varied a manner, and in as large volume as the United States.

The concept of a global open food supply system is based on four policy principles. The first is supply assurance. Dan Amstutz has already, I think, addressed this very clearly.

Unfortunately, a history of unilateral economic sanctions has given credibility to those in food-importing countries who question the reliability of food exporters, particularly the United States.

At a minimum, the United States should exempt food from economic sanctions except in war. And if possible, this should become a universal principle of the multilateral trading system.

The second principle is trade liberalization. A program of progressive agricultural trade liberalization should do the following:

It should end export subsidies and production-distorting domestic subsidies that have similar effects.

It should end the monopoly powers of state trading entities.

Food standards and other technical requirements should be designed and implemented in ways that achieve their legitimate social goals in minimally trade distorting ways.

And tariffs should be progressively reduced, tariff rate quotas should be progressively enlarged until phased out, and tariff rate disparities should be closed.

The third principle of an open food system is nurturing a food technology culture.

Development and adoption of new technologies can best be facilitated while health and environment are protected if the regulation is science based and if private and public sectors collaborate in

equipping developing countries to adapt such systems to their needs.

The final principle is a job-oriented rural development strategy.

As economies industrialize, people are freed from agriculture to move into other sectors of the economy. Past attempts, including those in the United States, to slow this process by propping up commodity prices artificially have unjustly enriched landowners, hurt consumers, and depopulated rural areas.

A better strategy is to invest in rural infrastructure, both physical and social infrastructure, to create non-farm jobs in rural areas that themselves have been made attractive places to live.

To summarize, providing abundant, affordable food supplies in more environmentally sustainable ways while reducing poverty, especially in rural areas, is a primary challenge facing humanity in the 21st century. This is the essence of meaningful food security.

The best approach to meeting this challenge is a trade-based, global open food system.

Such a system would be based on four principles: supply assurance, trade liberalization, nurturing a food technology culture, and a jobs-oriented rural development strategy.

An open food system would raise global human well being dramatically. It also would create marketing opportunities for the grains/oil-seeds/livestock sector of U.S. agriculture that would help restore dynamism and growth to this sector of our economy. Thank you. I'm happy to answer any questions.