

3. AGRICULTURE

Agriculture is one of Oregon's largest industries, contributing nearly \$3 billion to the Oregon economy annually -- \$2 billion from direct products, and \$1 billion from food processing. Three adjectives describe it well: pervasive, large, and stable. Agriculture impacts every county in the state, providing jobs, business opportunities, and significant tax support to local and State Government.

Oregon produces an unusually diverse array of products, with no single dominant commodity. Leading commodity groups include cattle, grains, specialty horticultural products, dairy products and field crops.

Agriculture is one of Oregon's most regulated industries. Actions by international, national, state, and local governments impact the ability of a farmer to operate profitably. Thus, more than any other industry, agriculture depends on a cooperative relationship between government and industry to flourish.

Trends

Oregon agriculture is poised on the threshold of significant change and opportunity. New markets are opening up, and the industry has the potential to add value through new food processing applications. Exploiting these opportunities requires a partnership between industry and government to provide a stable supportive environment for economic expansion.

Oregon's agricultural advantages stem from a climate conducive to the production of a wide variety of commercial commodities. Further, the state's location on the Pacific Rim positions the industry to service the growth economies of the Pacific. Several key trends are pointing toward dynamic expansion for Oregon agricultural industries.

- **Globalization of world culinary taste and preferences.** This trend is epitomized by the "McDonaldization" of the world. U.S. cuisine, fast food in particular, has captured significant international markets. McDonald's success has paved the way for increased sales of Oregon food products. A significant portion of french fries used by McDonald's in Asia is produced and processed in Oregon.
- **Gradual removal of tariffs and nontariff obstacles to international agricultural trade.** Two events occurred in 1988 that portrayed the importance of this trend. First, Korea removed quotas on frozen potato products. The immediate impact of this decision has been significant sales of Oregon frozen potato products to Korea. Projections call for 1,000 tons

to be shipped monthly. The second event was removal of quotas on imported beef and oranges by the Japanese government. The quotas will be fully removed by 1991. The immediate impact is a flurry of activity by Japanese firms looking for sources of Oregon beef products.

- **Growing pressures on California agriculture.** Oregon is in a position to capture agricultural markets traditionally held by California growers. Skyrocketing land, water and electrical costs, regulatory pressures, and competing economic alternatives are hampering the competitiveness of California commodities, opening the door to competition from Oregon.
- **Devaluation of the U.S. dollar in world currency markets.** Depreciation of the U.S. dollar is the single most important factor in the increased attractiveness of Oregon products in world markets, and is the primary factor behind the recent surge in U.S. export sales. U.S. agriculture sales reached record levels in 1988, totaling \$35 billion due primarily to advantageous exchange rates.
- **Population growth in the western United States.** A significant share of the growth the United States will enjoy over the next decade will occur in the west. Most of this growth will occur in the coastal states. The west is the primary market for Oregon agriculture goods. Population growth in this region will result in larger markets for Oregon products.

Vision

Oregon is lucky to have under production such a rich diversity of high value crops. We envision this diversity to continue into the next century. In addition, the vision for agriculture includes adding more value to crops, at the same time strengthening the state's food processing industry. The products themselves will be marketed globally, with whatever product modifications are required to meet the standards of other nations.

Strategy for Achieving the Vision

For Oregon to fully benefit from the opportunities presented by changing world markets requires a partnership between government and industry. Recommended actions fall into three categories: cost containment, industry protection, and industry assistance.

Actions To Carry Out the Strategy

Cost Containment

- The executive branch should propose legislation to reduce worker's compensation health-related costs. The agriculture industry needs to contain

medical expenses as a means of lowering its workers compensation costs. One of the recommended ways to do this is through the use of preferred providers for workers compensation medical services. The employer appointed provider would be the primary treating physician for the first 30 days of treatment. A worker could change to a physician outside the provider group on a co-pay or deduction basis.

- The executive branch should support legislation to amend ORS 468-740 to allow DEQ to issue waste water discharge licenses for a period not to exceed ten years, rather than the current five-year limit. Also, the State and the agricultural industry should work together to determine how best to manage waste water. Through the Governor's Science Council and the Oregon Applied Science Grant Program, State dollars can be matched by industry dollars to conduct research on specific waste water questions.

Industry Protection

- Through the Department of Agriculture, form an advisory committee to allocate funds support research for alternatives to chemicals prohibited under federal regulations. The Department will seek \$50,000 to be raised biennially through a 5 percent set-aside from pesticide license fees. State funds will be matched by impacted industry dollars to conduct required registration tests for pesticides and herbicides. Funds will be dedicated to research at OSU for residue studies, efficacy studies and alternate field practices management.
- Through the Department of Agriculture, monitor EPA chemical review program, and assist industries during transitions when chemicals are proscribed.

Industry Assistance

- Through the Department of Agriculture, assist Oregon firms to comply with requirements of importing nations relating to pesticide residues, food additives, and label requirements. Ease entry by expanding international certification programs such as the Japan Agricultural Standards (JAS) mark. Train Oregon food producers in export control procedures and test products to be sure that they meet export quality standards.
- Through the Governor's Office and the Department of Agriculture, establish a strong federal presence to address agricultural issues. Among the areas for attention are:
 - Support for agricultural interests in international trade negotiations, especially on removing tariff and non-tariff

barriers.

- Review of the immigration reform rules to address the need for seasonal labor.
- Advocacy for safe chemicals before the EPA.
- Through the Department of Agriculture, seek from the Legislature funding for an agriculture opportunity fund. Support funding of the Agriculture Opportunity Fund at \$500,000 for the 1989-91 biennium. The fund will fulfill four roles:
 - Encourage existing Oregon agribusiness expansion
 - Promote the sale of Oregon agriculture products
 - Encourage investment in new products through research and development
 - Encourage new agribusiness to locate in the state.
- Through the Department of Agriculture, organize an industry-university committee to enhance transfer of research for Oregon's agricultural products. Seek \$1 million in general funds to finance agricultural research as a means of encouraging applied research for the agriculture industry. Timely and applicable research is critical to Oregon's competitiveness in agriculture. The industry and the state's research universities, particularly Oregon State University, need to work more closely together.
- Through the International Trade Institute, develop trade statistics to better direct and track international marketing efforts. An annual Oregon export report -- to determine the value and destination of Oregon products sold around the world -- would be particularly valuable.