Agriculture by Susan B. Cohen

Reality pushes aside ideology

Secretary Block has moved to stem the wheat price collapse, though parity remains distant.

Agriculture Secretary John Block has abruptly reversed himself on two key features of the Reagan-Block "free market" agriculture program. On Sept. 3 Block announced that he would order a 15 percent reduction in the 1982 wheat planting. The move was made in the hope that it would staunch the slide in wheat prices that after more than six months has pushed wheat prices down to $3.63 per bushel, 30 cents below last year's level and about 20 cents below the current "target price." At this rate the U.S. Treasury will have to write checks to wheat growers this year for as much as $500 million under the target price program.

Block also acknowledged that the administration had dropped efforts to eliminate the target price program from a new four-year farm bill, on the agenda in both houses of Congress this month. Under the program producers of the major grains receive federal payments to cover the difference between the "target price"—set by Congress and ostensibly based on production costs—and average market prices. "We've pulled back from that stand now," Block told reporters, "simply because we couldn't have gotten that through."

Wheat has led the trend in softening farm prices. This year's harvest, now virtually complete, is estimated at a record 2.81 billion bushels, 20 percent above last year. This comes on top of a record level of existing stocks, up 14 percent from a year ago. The bumper crops in the U.S. coincide with generally excellent crops in Canada and Australia, the other main producers.

Despite the fact that, like the farm export volume generally, wheat exports were running at higher than year-earlier levels during the first half of the year, price declines have offset the increased volume. USDA has revised total farm export revenue projections down at least twice from January, from $48 billion to $44 billion. And net farm income for 1981 is now forecast at the lower end of the $20 to $24 billion range, about the same as the disastrous 1980 level (40 percent below 1979).

The price collapse and Block's response exemplify the boom-bust cycle that is inevitable in the absence of a parity policy. Unless we guarantee producers a price, including a necessary profit for reinvestment in future production, we will continue to be faced with the terrible irony that a bountiful harvest means disaster for those who produce it, and prompting in turn acreage cutbacks, production shortfalls, and soaring prices in the next round.

This year the price collapse has hit farmers at a time when production costs have soared. For wheat, production costs are estimated at $4.13 per bushel, or $124 per acre—not including land charges. That's a 15 percent jump from 1980. For the second year in a row producers have had to forego needed equipment purchases and other capital investments in land improvement.

Since agriculture is the largest single user of steel and rubber, austerity in the farm sector will rebound; already the large equipment manufacturers are in deep financial trouble.

The economic reality that overpowered the ideology of the "free market" in John Block's USDA also promises a new challenge to residual State Department fantasies of a "food weapon" victory over the Soviets.

The fact is that Alexander Haig can chew the rug all he wants, but the immediate fate of American agriculture is in the hands of the Soviet Union. At this point, the question of whether, and how much the Soviets will buy is the most relevant issue.

At his press conference Secretary Block reaffirmed that the Soviets would be allowed to buy "at least" 10 million tons of grain under the one-year extension of the grain trade pact during the 1981-82 marketing year beginning in October—and speaking over the weekend to 3,000 farmers in Chicago, Block emphasized that that was over and above the 8 million tons provided for in the agreement. The secretary also reported that USDA would head a team meeting with Soviet representatives in Moscow Sept. 30 and Oct. 1 to discuss grain sales.

The news that the Soviets face a harvest disaster and may be in the market for as much as 40 million tons of grain, has yet to be confirmed. The harvest in the productive Kazakhstan area is not yet complete.