Block announces 1983 wheat program

The plan gives farmers their death certificate, and credit to starving nations is denied.

Agriculture Secretary Block, after meeting July 12 and 13 with President Reagan and the Secretaries of the relevant departments, announced his 1983 wheat program.

Farmers have been anxiously awaiting the announcement, praying for some words of hope and sanity. Instead, they got a death certificate. Not only would his program fail to help farmers in need of reasonably priced credit, but the long-term effects would shrink grain production substantially.

The Block program, of course, is subject to congressional decision, but, as I reported last week, Congress has shown few signs of adequate response to the farm crisis.

Block linked farm loan programs to a 20 percent set-aside program. While he claimed not to believe in a mandatory set-aside, linking acreage reduction to loan eligibility boils down to the same thing. If farmers participate in the set-aside program, they will also be eligible to receive half the amount of deficiency payments at the time of sign-up and the remainder five months later. Deficiency payments represent the difference between the target and market prices paid to the farmer, as a form of subsidy, when prices are low.

A further ringer in the program is that the 20 percent land set-aside must be used for conservation purposes, and not for grazing. Block calculates that taking this amount of land out of production will result in holding the 1983 crop to the same size as 1982's.

A third point to his program is an increase of $300 million in the export guarantee program, CSM-102, bringing it to a $2.8 billion level. This, he believes, will stimulate exports. This program is already a lame duck, because the borrower only gets a guarantee, not a loan. And commercial banks are guaranteeing only creditworthy countries, at high interest rates. So a Zaire or Bangladesh is still unable to purchase grains.

What will happen to the 30 million tons of unsold U.S. grain? Block made no mention of sales to the Soviets who are out to buy 12 million tons or more, with cash, but not, under current political conditions, from the United States. When the Long-Term Agreement (LTA) with the U.S.S.R. ends Sept. 30, U.S. sales for 1983 are pitifully low (especially for corn and sorghum).

Hopes for a new LTA look doubtful. Secretary of State nominee Shultz had helped negotiate the first LTA, and his nomination sent positive signals to the farm sector. But he told the Senate Foreign Relations Committee July 14 that with martial law still in effect in Poland, "this is hardly the time to negotiate a new LTA," and that "it would be the wrong signal to lift the sanctions against the LTA." Of course, if martial law is lifted, a switch may occur, but the Soviets hardly consider U.S. supplies reliable at this point.

Aides to Sen. Thomas Eagleton (D-Mo.), who has played a leading role in legislating price support payments before the harvest, say adamantly that the Secretary has the power to use the direct credit line under "existing authority" if he chooses to do so, because it has not been deauthorized; they blame him for not exercising that option.

It is probable that Block tried to get the President to release the $500 million allocated by Congress for the export revolving fund. This is the most workable of the schemes currently on the table, but funding has been frozen since 1981. OMB considers such a fund a "bail out," yet the plan would actually pay for itself.

Until 1980, when the Carter administration killed it, the United States had a direct credit program, CSM-5, and it was the dropping of this program which has stymied increased exports of grains.

It is rumored that the President was considering what is being called a buy-down interest-rate plan. This would not require new allocations; money would be taken from the Commodity Credit Corporation's Title I of PL-480. Up to 25 percent of that fund would be used to buy a 4 or 5 percent reduction in prevailing interest rates.

In Congress, this idea is contained in the House's Hagadorn bill and in the Senate's Cochran bill.

In other words, Congress and the administration are considering stealing money that provides food aid to starving refugees in Africa and Asia. They are proposing to subsidize high interest rates that drove the U.S. farm sector into the crisis in the first place.