Agriculture by Cynthia Parsons

Amendments cut price supports

Congress gave in to long-term OMB pressure for cuts, despite administration willingness to make election-year compromises.

In a frantic effort before the presidential elections, the Senate Agriculture Committee hurriedly approved a compromise package that greatly reduces government support for the wheat, feed grains, cotton, and rice farm programs set up in the 1981 farm bill. The increase of acreage-reduction programs in this new bill establishes that the United States will continue to undercut its agriculture despite the growing food crisis at home and abroad.

After a three day closed-door session with Office of Management and Budget (OMB) Director David Stockman, Agriculture Secretary John Block, and Sen. Bob Dole (R-Kan.), the Senate passed an expanded, amended version of H.R.4072, the House wheat bill.

The administration had asked for passage before March 16, the deadline Block had announced for farmers to sign up for the 1984 wheat program. Despite threats of a filibuster by Sen. John Melcher (D-Mont.), the Senate approved the bill on March 8, but the bill did not come up before the House in time to ensure the enactment of the wheat program by March 16.

The primary accomplishment of H.R.4072 will be a 10-20% reduction in wheat production over two years, and similar drastic cuts in corn production.

The bill reflects a "negative compromise" by the administration, since it originally had asked for a 30% unpaid acreage-reduction program for wheat plus a payment-in-kind diversion program of 10-20%, under which farmers would be paid only 75% of their established yield.

Under election year pressure and afraid of congressional recalcitrance, the administration had expressed willingness to allow the projected target prices for 1985 to increase to $4.45 per bushel from the current $4.38. But in the current bill Congress granted OMB's long-term request for a freeze of target prices at the current level for two years. Stockman, who has played a key role in setting farm policy for some time, could not have wished for anything more.

Target prices are the foundation of the U.S. price support system. When prices fall below the target set by Congress, the difference is met by the federal government in "deficiency payments" to farmers.

Farmer registration for the spring wheat program has to date been well below the Department of Agriculture's (USDA) expectations. In fact, the USDA has been expecting record plantings. The spring planting of wheat is generally much smaller than the winter planting, the latter accounting for about three-quarters of all U.S. wheat output.

How much farmers themselves intend to increase or decrease production is as yet unkown. Agriculture Secretary Block has tried to tempt farmers to sign up early: On March 12 he stated that "farmers can guarantee themselves a minimum price protection for their crops by signing up this week." The last time the USDA offered a significant paid diversion program was in 1975; there was only a very small one in 1983.

Following the large-scale signup for the 1983 corn payment-in-kind program, which was responsible for an almost 50% cut in production, corn reserves are down to the lowest ever, at about 2.3 billion bushels short of estimated domestic usage. To fill the gap caused by the shortage of corn, farmers have been increasing their use of wheat as a feed grain for the livestock. Reductions in the wheat crop, however small, will jeopardize the entire cattle industry.

H.R.4072 represents the virtual completion of a process set in motion in the 1960s aimed at cutting U.S. crop prices below the very low "competitive" international prices—a process which has bankrupted large numbers of U.S. farmers, forcing them to stop producing.

The price cutting is now becoming a self-feeding process. All agriculture prices are by and large set according to U.S. prices; forcing the U.S. target prices down to the level of the international market price will ultimately merely force international prices down even lower, setting off a rash of price cutting.

The administration estimates that the new plan set up in the amendment bill will save the government more than $3 billion in farm spending over the next four years from funds already allocated under previous farm bills. But the amended program will require new allocations of at least $400 million by the end of fiscal 1985 according to the *Wall Street Journal*.

Neither estimate, however, has anything to do with economic reality. The real costs must be measured immediately in sharply rising food prices. These are already taking their toll on the U.S. economy. Far worse, thousands of lives are being lost now in Africa and in Ibero-America due to famine—lives that could easily be saved by increased U.S. food production.