

U.S. farm economy tied to world trade

[Continued from Page 1] compete in world markets has improved

The world market for farm commodities has been enlarged by increasing population, rising living standards, and the increasing willingness of Communist countries to import grain.

The elimination of surplus commodity stocks has removed an important price-depressing factor

As the result of increased world demand and other events in the past three years, farm prices generally have moved well above government support levels and significant progress has been made toward the goal of replacing government farm programs with a market-oriented agriculture.

Acreage set-aside requirements have been suspended for the 1974, 1975 and 1976 wheat, feed grain, and cotton crops. Mandatory planting restrictions have been removed from all crops except tobacco, peanuts and extra long staple cotton.

Direct export subsidies have been terminated and import restrictions have been relaxed.

"There is, however, a threat to the market price system in the compensatory feature embodied in the target price concept of the 1973 farm act which continues through the 1977 crop year," Kuhfuss said.

Under the target price concept, the federal government is required to make up the difference between average market prices and politically-determined target prices. At the present time, target prices are relatively unimportant because market prices are well above the target level.

"Some Congressmen recently have been advocating a boost in the level of target prices," Kuhfuss said, "and this would be a serious step backward toward a government-managed agriculture. Once again, the responsibility for determining what is to be produced would rest with the Department of Agriculture rather than the independent responses of individual farmers to the pull of the market."

"It also should be remembered that a target price payment on an export crop is, among other things, an indirect export subsidy, and foreign buyers recognized it as such," Kuhfuss said.

Record crop production and farmers' increasing

dependence on export markets raises questions about the possibility of a return to the surplus conditions of a few years ago, Kuhfuss said.

"Under a market-oriented agriculture stocks will, of course, rise in some years and there will be periods of uncertainty," the

farm leader said, "but if we can maintain and improve our access to world markets, we should be able to avoid serious surplus problems."

In order to maintain and expand exports, Kuhfuss said, "We need to avoid government loan rates that would price our products out of world markets."

He added that, "We need also to avoid export controls which damage the reputation of the United States as a reliable source of supply and to persuade other countries to reduce their trade barriers."

The recent U.S.-U.S.S.R. agreement was a step in the wrong direction, Kuhfuss

said, because it implies further government controls on exports to a major foreign buyer.

According to recent news reports, the State Department has acknowledged that the halting of grain sales to Poland last summer was not legally binding or en-

forceable under U.S. law, Kuhfuss reported.

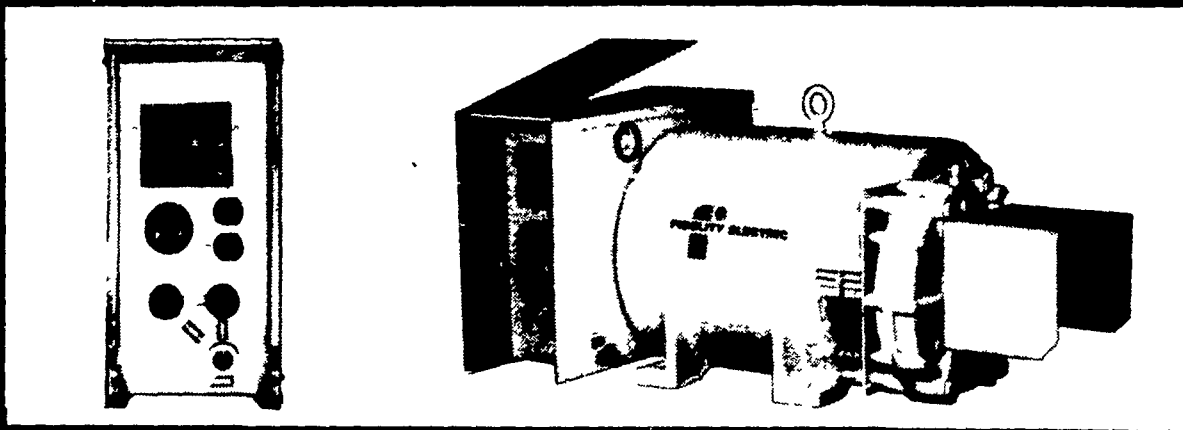
The acknowledgement came November 21 in response to a letter from several Congressmen to Secretary of State Henry Kissinger protesting that officials did not follow

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