

Hallowell expresses concern over Carter grain embargo

HARRISBURG — State Agriculture Secretary Joseph Hallowell said that initial reactions are possible negative effects of President Carter's decision to curtail sales of grain to the Soviet Union. Hallowell said that initial reactions are poor and market prices are down, not only in local markets, but in the foreign marketplace as well.

Hallowell urged Pennsylvania farmers to stay calm and not panic at grain prices which have been depressed since Carter's announcement last Friday.

"Pennsylvania buyers and sellers should take a wait-and-see attitude on sales, with all markets full of speculation as to the total effect of the President's decision," he said.

"Grain markets have reacted poorly to the President's announcement," Hallowell said, "but Pennsylvania farmers have increased corn production in recent years, from a deficit

position to a slight surplus, and shouldn't be in as bad a shape as their midwestern counterparts."

Pennsylvania annually produces 119 million bushels of corn (three million metric tons).

Some effect will be noticed in southeastern Pennsylvania markets according to Hallowell because much grain and soybeans from the region is sold for export.

Carter's decision announced Friday night will curtail grain sales to the USSR from 22 million metric tons to a maximum of eight million metric tons in 1980.

"That poses the threat of 14 million metric tons of grain being dumped back on the open market," Hallowell said. "And until we have some hard figures of market possibilities, it would be unwise to try to fix the effect of any prospective federal moves."

"The farm community is concerned, and it well should be," he said. "While it ap-

pears that the Carter administration is attempting to help the situation by providing support for prices, farmers are reluctant to see an artificial support such as a grain reserve since farming has traditionally been a bastion of free enterprise.

In his Friday night address the President suggested the purchase of five million metric tons of corn to produce 500 million gallons of gasohol.

Hallowell said that while the idea sounded good to farmers, the nation does not now have sufficient facilities to produce the ethanol. The USDA press office in Washington confirmed that fact Monday morning.

Hallowell said he understood that the world grain markets were "in sheer confusion."

European markets which should have responded positively to Carter's announcement have been depressed, he said. The London soybean market

closed down \$11 on Monday, a five percent drop in prices in just one day.

He noted his concern went beyond immediate market prices.

"The United States exports more than \$32 billion in agricultural commodities every year," he said, "with a net agricultural trade surplus of \$18 billion. The Soviet Union accounted for 15 million metric tons in 1978, more than 11.3 percent of our total grain exports."

Hallowell said Conrad Leslie, perhaps the nation's leading grain marketing expert, has projected the effect of Carter's announcement to be a decline in agricultural exports of about \$2.5 billion this year.

"Coming on the heels of a fifth consecutive year of record grain harvests, this curtailment will have a ripple effect," Hallowell said, "affecting jobs in export trade, market prices and farm income. With decreased farm incomes,

less money will be spent by farmers and this effect will carry into the local economy.

"We have been given assurances from Washington that other world grain marketing nations have been contacted about their participation in this move," he said, "but we have not yet seen any assurances from Canada, Australia or Argentina to confirm their support or outline their intentions."

Hallowell said initial reactions point to the possibility that the negative domestic effects could be greater than any impact on the USSR and that other nations may come to regard the United States as an unreliable source as a result of this action.

CHICAGO, Ill. — A recent national survey of farmers indicates an increased interest in the farm futures market, but farmers still indicate skepticism about who benefits from the market.

The futures market allows farmers to contract for the sale of anticipated production at an agreed upon price. Eighty percent of the farmers responding to a survey by International Harvester, said they understood how the futures market operated, but 48 percent said they do not use the futures market.

The most common reason given for not using the market was a belief that speculators and big grain companies control the markets (30 percent). The majority of farmers responding to the survey said the markets do not serve the interests of the farmer (52 percent) while 42 percent believed the opposite was true.

Despite this skepticism, 55 percent of those surveyed indicated they would use the market more in the future and 63 percent said they pay more attention to the market now than they did several years ago.

Of those who regularly participated in the future market, most said they did so to reduce the risk of price moves.

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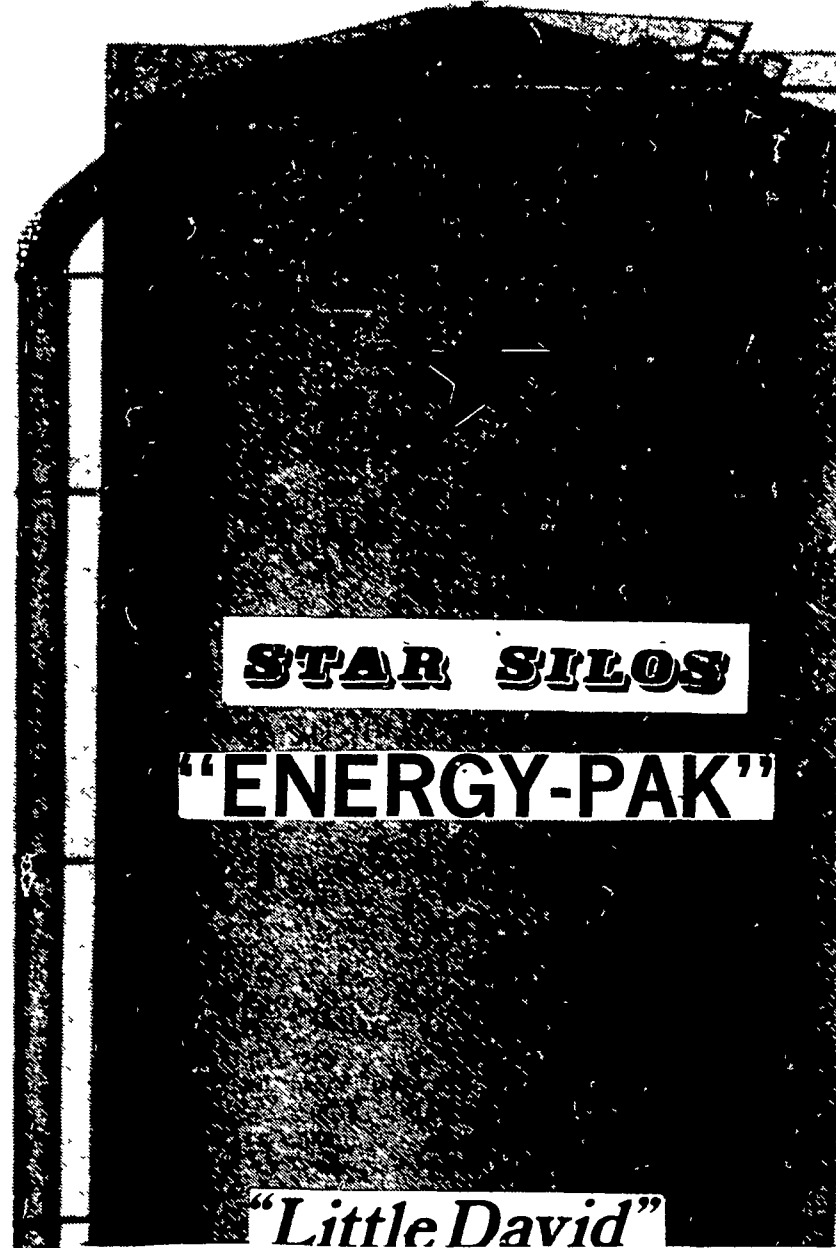
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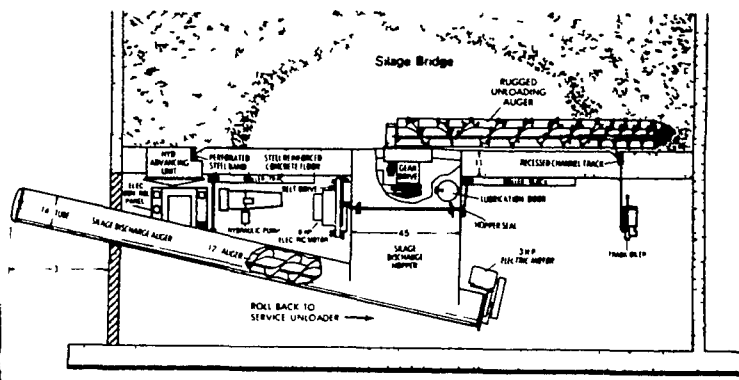
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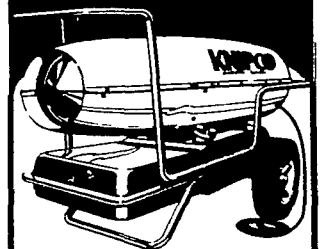


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