Export shipping changes may reduce income says Farm Bureau

PARK RIDGE, Ill. — Proposed requirements that a large portion of U.S. farm exports move on higher-cost American vessels have the potential to reduce farm income by six billion dollars, say American Farm Bureau Federation economists.

Their study finds that, if cargo preference requirements are enacted by Congress, inflated labor costs and non-competitive features of U.S. shipping will work a significant hardship on the U.S. farm economy. Anticipating increases in shipping costs of from $40 to $80 a ton, the study concludes that farmers could expect reduced foreign trade and lower farm prices that are strongly influenced by export sales.

Current proposals before Congress would direct that five percent of U.S. farm exports be carried on American flagships in 1984—rising one percent a year until a minimum of 20 percent is reached on all shipments. Computed on the basis of the 1982/83 crop year, Farm Bureau economist Bruce J. Blanton finds that a five percent cargo preference directive would have required almost six million metric tons of grain soybeans to have been shipped in higher-cost U.S. vessels. A 20 percent cargo preference would have figured out to some 24 million metric tons of those commodities shipped under those conditions.

"Plainly, the U.S. farm economy faces serious export difficulties under such proposals," Blanton said.

The study notes substantial ripple effects of the cargo preference formula, which—in a loss of export markets—would increase farm costs closely tied to export sales, as well as increase the cost of federal farm programs programs to make up a share of income lost farm deficiencies in foreign trade. A significant disappearance of jobs in the export trade is seen.

"Certain casualties" under cargo preference requirements are the U.S. Department of Agriculture's new blended credit program for exports and the proposed export PIK program—both promising new ideas to reduce surplus stocks and government farm program costs to taxpayers.

The study concluded that, "in a competitive world market, artificially high shipping costs of cargo preference could not be passed on to foreign buyers, who would simply buy at lower world prices without paying additional transportation charges. These would be transferred back down the marketing chain to U.S. farmers in the form of reduced exports, and lower farm income."