

Consumers to suffer if farm income drops

ST. LOUIS — Farmers won't be the only ones suffering if the new 1985 Farm Bill reduces net farm income. U.S. consumers could find themselves paying higher interest rates while the nation suffers from slower general economic growth, higher unemployment and an increase in the federal deficit.

That's the upshot of a report from Wharton Econometric Forecasting Associates of Philadelphia. Agricultural interests hope this new material will persuade Congress to carefully

consider the economy-wide impacts of a rapid reduction in farm support levels.

"For years we've told urban congressmen even though farmers are only three percent of the population, we have a big effect on the total economy. But we've never before had the economic evidence which this study provides," explains Varel Bailey, President of the National Corn Growers Association (NCGA), which commissioned the Wharton Study.

Bailey's "evidence" is a comprehensive four-phase research effort involving several institutions:

- Farm Journal magazine conducted a national survey which determined agricultural debt status by region, type of farm and type of farm operator.

- The Food and Agricultural Policy Research Institute (FAPRI) at Iowa State University (ISU) and the University of Missouri examined alternative farm program designs and estimated corresponding net farm income levels and other performance measures for agriculture.

- Phase three combined the results of the debt survey with those of the farm program analysis to estimate potential shortfalls in farm debt repayments. This effort was done at ISU by FAPRI economists.

- Finally, the projected farm debt default numbers were fed into the general economy modeling system at Wharton to measure its impact on the general economy.

"Congress already knew many farmers were going bankrupt," says Bailey. "To get more attention, we had to show them our problems would affect everyone else, costing jobs and increasing interest rates."

Preliminary results of the Wharton study are indeed significant, says Bailey. For example, interest rates paid by consumers could go up one to two percentage points by 1987 unless

farm income is maintained at its current level. This substantial increase in short-term loan costs would have negative impacts on the automotive, housing and other industries which are strongly influenced by interest rates.

The elimination of urban-area jobs is another consequence of the unresolved farm financial crisis. Wharton estimates that up to 275,000 jobs outside of agriculture could be lost. That's three out-of-work consumers for each job lost in the agricultural sector. The study also projects the national debt could swell an additional \$20 billion averaging about \$5 billion per year during the latter part of the decade.

These potential "costs" to the general economy are likely to be higher than the estimated costs of preventative measures points out Bailey.

Armed with preliminary information, the NCGA along with the involved economists have been briefing congressional farm leaders on the four-phase study.

"Hopefully, this information will receive the attention of urban Congressmen and the national media," says Bailey.

"Congress is faced with a difficult choice in writing the 1985 Farm Bill," adds Bailey. "Some farm bill proposals recommend immediate adoption of a strict market-oriented approach with reduced farm supports. That would not only put agriculture in a precarious financial position, but also create problems for the whole economy."

The Wharton study was commissioned by NCGA and funded by two seed companies, NC + Hybrids and Pioneer Hi-Bred International, Inc.

Weakened dollar may boost exports, Farm Bureau says

PARK RIDGE, IL. — The value of the U.S. dollar has dropped steadily in recent months kindling farm hopes that U.S. agricultural exports will again rebound. The dollar is at its lowest level in 10 months and down sharply from its peak in March.

"Our exchange rate is getting back into a more reasonable relationship with the world," said Ross Korves, economist for the American Farm Bureau Federation. "We're in a better position to sell our products on the world markets. At the same time, we don't expect our input costs to increase so our competitive position should definitely improve." U.S. agricultural exports in 1985 are expected to total \$34 billion, down sharply from a high of \$43 billion in 1981.

Korves said the dollar could continue its drop with an overall decline of as much as 20 percent from the peak reached in March, 1985. He cautioned, however, that a weakening of the dollar will not be the total solution to the nation's export problems. "The strong dollar wasn't all the problem,

therefore a change in the value of the dollar will not prove to be the total solution," said Korves.

"If we don't see real economic growth in the middle income countries such as Mexico, South Korea and the middle eastern nations that have the greatest potential to increase food consumption, there will still be no place for our products to go. Other agricultural countries are producing for world markets and pricing their products to gain entry to those markets. That production will be there even with a weakened dollar," said the economist for the nation's largest farm organization.

"We should not expect to return to the boom export conditions which existed in mid and late 1970's. Yet, there is more room for optimism in the next four years compared with the past four years," Korves added.

"American agriculture needs expanding markets. These markets must come from outside the U.S. and outside the traditional trading partners of Western Europe, Japan and the USSR. These are still important markets, but not major growth markets," Korves added.

Three honored

WASHINGTON — Honors went to three individuals for their contributions to U.S. Department of Agriculture programs fostering international cooperation and efforts to combat hunger in the developing world.

In ceremonies at USDA, Joan Wallace, administrator of the department's Office of International Cooperation and Development, presented the awards to:

--John Moore, University of Maryland, for working to improve the management of development projects and promote scientific exchanges on agriculture between the United States and other nations;

--Eugene Nasir, professor emeritus at Gordon College, Rawalpindi, Pakistan, for 20 years of research on USDA projects in Pakistan and his outstanding contribution to the study of crops and plants in his country; and

--Larry Zuidema, Cornell University, for improving cooperation between USDA and the university community in training programs to strengthen agriculture in the developing world.

"We're grateful to the universities for the tremendous dedication they've shown to USDA's efforts in agricultural cooperation and development," said Wallace. "Each individual receiving an award today has played a key role in designing or carrying out these efforts."

Public Auction Register

Closing Date Monday 5 00 P M
of each week's publication

AUGUST

THURS. AUG. 8 - 7PM 55 Holsteins. Located Frederick Co. Fairgrounds, Frederick, MD. Reimsburg Sale Service.

FRI. AUG. 9 - 8PM D.S.T. Di-Dan Holstein Complete Milking Herd and Heifer Dispersal for Daniel & Dianne Messner, Glenmore, PA. Located Smoketown Quality Dairy Sales, Smoketown, PA, Rt. 340, 5 mis. E. of Lancaster, 5 mis. W. of Intercourse, PA. Sale Managed by Gordon & Helen Fritz.

SAT. AUG. 10 - 11AM 197 Acre Farm, 52 Holsteins, Mach. Located 2 mis from the courthouse in Montrose, via Chenango St., Exit 67 off I-81 to Montrose, PA, Susq. Co. W. Stewart & Joy Bennett, Owners. Jim Adriance, Auct.

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Inter-State 14 schedules picnic

SOUTHAMPTON — Inter-State Milk Producers' Cooperative District 14 has scheduled its annual picnic at Knoebels Grove, Elysburg, for Wednesday, Aug. 7.

James R. Barnett, Inter-State's member relations manager, will be the guest speaker.

Picnic registration will begin at 11 a.m. in pavilion "U." Milk and ice cream will be provided.

Inter-State District 14 covers

Clinton, Columbia, Luzerne, Lycoming, Montour, Sullivan and Union counties and parts of Centre, Northumberland and Snyder counties.

Inter-State Milk Producers' Cooperative represents about 3,000 dairy farm families in Pennsylvania, New Jersey, Delaware, Maryland, Virginia and West Virginia. The cooperative marketed more than 2.4 billion pounds of milk in fiscal 1984.



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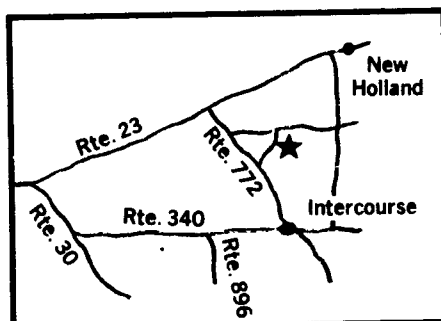
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