Farm Talk

By

Jerry Webb

American farmers continue to look at the world market as a solution to their production problems. The fact is, American farmers are just too productive for their own good. They can grow more food than we can eat. This means depressed farm prices for many commodities. Right now it also means economic disaster for a lot of farmers.

Currently, about one in five American acres is producing for the world market, but that's still not enough. Surpluses continue to build as farmers look to the government and to the private sector to improve the market.

Over the past few years the U.S. Secretary of Agriculture has made some pretty strong statements to some of our European friends about the way they dump commodities on the world market with the government picking up the tab. The European community, 10 nations with similar agricultural policies that have banded together, is making it rough on American farmers in the world because our farmers are in trouble. Their farmers are in trouble also. The ...ly thin... ernment policy that ...ys up surpluses and dumps them on the world market.

The general policy of the European community is to maintain high farm prices. This has meant large surpluses that are brought up by the government, including dairy products, sugar, wheat, barley, beef, veal, poultry, even wine. Their solution to these surpluses has been to dispose of them in the world market, providing whatever subsidy is necessary to create a competitive advantage.

That's what outgoing Secretary Block has been talking about recently and that's what he wants changed. He thinks it's unfair for the European community to subsidize its own agriculture in the world market. He's saying that unless the Europeans back away from that policy to some degree, the American government will do the same thing.

You can be sure there'll be a lot of discussion and debate before the American government heavily subsidizes our farmers in the world market. While farmers might consider it appropriate in view of ... competition, it would be expensive and could create more problems that it solves. After all, the Europeans really haven't solved their farm problems–they've just put the burden on someone else.

Department of Agriculture data suggest that such internal policies within the economic community have generated prices well above the world market–in many cases, double or even triple the world price. These high price supports combined with no production controls have caused substantial surpluses. Examples: sugar production, 150 percent above domestic needs; meat production, at 105 percent of domestic use; and significant surpluses of dairy products.

While this has meant economic good times for European farmer, the cost to the government has been staggering. Current figures indicate that European community export subsidies amount to about $3 out of every $10 in agricultural product sales to noneconomic community markets.

In other words, the government is picking up the difference between what it pays farmers and what is can sell a commodity for in the world market. On the average, this has amounted to about a third of the value of the product.

One key to business success is to buy low and sell high. It seems the European community has been able to reverse that philosphy–buy high from its own farmer, sell low in the world market, and let the taxpayers pick up the difference. It's meant a certain amount of prosperity in agriculture and a bountiful food supply, but at tremendous cost.

These questions must be asked as far as our own agriculture is concerned: Is the government truly willing to subsidize American agriculture in the world market? If so, at what level? For what commodities? And at what rate of production?

Given suitably high farm prices, American farmers could increase current production by a tremendous amount. Eight-dollar soybeans, four-dollar corn would make current yields look small compared to future production.

Would taxpayers be willing to foot that kind of bill just to see prosperity in agriculture and to assure a bountiful food supply? I don't think so. It will take much harder times in rural America and much higher prices in the supermarkets before taxpayers will support a plan similar to what is in place in Europe right now.

So although agriculture department officials talk about subsidizing American farm goods in the world market, I don't think farmers should count on it happening in the near future A more obvious and less expensive approach is to control production. If farmers can somehow manage to cut back production in an organized way, they can get their price increases without tremendous governmental involvement.