

# NCGA Completes Target Price Study

ST. LOUIS, MO. — A comprehensive study of target prices, entitled "Corn 2000 -- Value and Policy," has just been completed for the National Corn Growers Association (NCGA).

The study, underwritten by corn checkoff funds from the Illinois Corn Marketing Board, Missouri Corn Merchandising Council and South Dakota Corn Utilization Council, was conducted by Temple, Barker & Sloane, Inc., Lexington, Mass.

"As discussion of the 1990 Farm Bill has escalated, questions have been asked if corn target prices are out of line with other feed grains and commodity target prices," says NCGA President Alan Kemper, a Lafayette, Ind., corn farmer. "The study examines the relationship of corn target prices to basic feed values, world prices and other commodity prices, and concludes they (corn target prices) are 'in sync' with other commodities."

Kemper says that he and other NCGA leaders and staff recently delivered a copy of the study to USDA Deputy Undersecretary for International Affairs and Commodity Programs Richard Crowder, and discussed the study with him. "We plan to meet with him in the future regarding corn target prices and other farm program issues such as reserves."

The study examines the role and performance of target prices as part of U.S. agricultural commodity price and income support policy. It focuses particularly on the relationship between the target prices of different crops and how they might rationally be maintained in the future.

The principal findings and conclusions of the paper were:

- The alignment of current target prices for feed grains is rational based on their nutritional value.

- The alignment of feed grain target prices with those of other program commodities presents a mixed picture. The relationship between the target prices of those commodities in which the U.S.A. has achieved a competitive advantage in world trade, is relatively rational, but the world price of some program commodities exceeds their current target prices.

A rational process for the establishment of target price levels would involve the following, sequential steps:

- establish a target price for a strategic commodity, say barley, at a level that will provide sufficient income to enough farmers that the U.S.A.'s volume needs for barley are met.

- use the barley target price as the base for all feed grain target prices according to comparative feed value, so that target prices for corn and the others are set at the appropriate premium or discount.

- calculate target prices for the program commodities other than feed grains, using the corn target price as the base, according to their long-term world price in comparison with that of corn.

- assess the strategic value of supporting commodities such as wheat, barley, rice and cotton.

- modify the target prices for wheat, rice and cotton so as to meet the U.S.A.'s volume objectives for each commodity.

The foregoing findings and conclusions were reached as follows.

- Four approaches to the setting of target prices were evaluated for their theoretical soundness: pro-

duction cost per acre, income per acre, relative feed value (for feed grains), relative market value.

Three of these approaches were ultimately used to analyze the period 1976 to 1988. (Crop production costs as a basis was rejected on the grounds it would present insoluble problems of cost measurement, and its implementation would result in misallocation of agricultural resources, and imbalances in supply and demand for feed grains.)

### Income per acre

- Between 1976 and 1986, target prices would have provided consistent income per acre, in real terms, for all the program crops examined.

- However, this consistent income has been reduced by (a)

declining target prices since 1986, and (b) persistent ARPs.

### Relative feed value (for feed grains)

The feed energy value of corn and sorghum compared to barley and oats suggests a greater premium in their respective target prices than currently exists-- unless one looks to the latter's premium use as a dairy feed. Alternatively one can give an additional value to the extra protein content of barley and oats over corn that would also suggest their current target prices are fair. Since current target prices closely match feed value, no rational argument for modifying the current target prices on the basis of feed value can be made.

## Composting Program Using Biodegradable Bags Launched

SPRINGFIELD, IL. — In a move to reduce solid waste, officials of the City of Springfield, Ill., recently announced a leaf collection and compost program using biodegradable plastic compost bags, made partially from cornstarch.

Residents of the capital city of Illinois were offered a free package of 10 biodegradable bags for use in the program, which began November 6.

Once filled, the specially marked biodegradable bags will be picked up by city waste haulers and deposited at a compost facility, where decomposition of the grass, leaves and bags will occur. Composting landscape wastes can reduce nearly 20 percent of the total volume of solid waste

presently being dumped in landfills, and renews a natural resource -- soil.

In announcing the program, Springfield's Public Works Director Todd Renfrow congratulated city aldermen for their foresight and initiative in implementing the composting program one year before the Illinois law bans all cities from dumping leaves and grass clippings in landfills.

Working with the City of Springfield by providing 350,000 cornstarch-based biodegradable bags were, North American Plastics Corporation, Archer Daniels Midland Company, Dow Chemical Company and the Illinois and National Corn Growers Associations.

"We anticipate many cities and

Relative market value

- The world prices between 1976 and 1988, in real terms, are close to 1988 target prices for those crops in which the U.S.A. has achieved a competitive advantage in world trade: corn, sorghum, and also soybeans (taking as a proxy for its target price the break-even equivalent of the corn target price).

- Wheat and barley 1988 target prices are somewhat high in relation to world prices, due principally to the policy of the E.C., a leading exporter of both commodities, that disposes of production surpluses by driving down prices. The U.S.A. aggressively competes with the E.C. and strategically supports wheat and barley production.

towns across the country will implement similar programs using biodegradable bags," says Randy Cruise, market development chairman for the National Corn Growers Association (NCGA) and a Pleasanton, Neb., corn farmer.

Cruise says demand for biodegradable plastic products such as garbage and compost bags and disposable diapers is "taking off" throughout the U.S. as landfills begin to reach capacity levels.

According to Cruise, biodegradable plastic compost bags will decompose in approximately 12 to 24 months, compared with 200 years for regular plastics.

Cruise estimates the growth in the biodegradable plastic market could result in future annual use of 150 million to 300 million bushels of corn.

NCGA and its 22 affiliated states have served as a catalyst in developing new industrial markets for corn such as biodegradable plastics.

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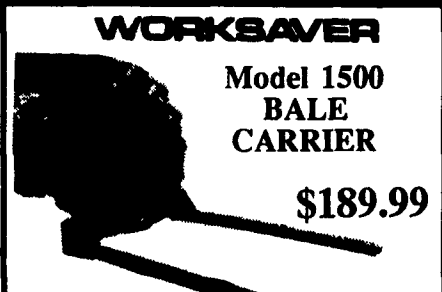
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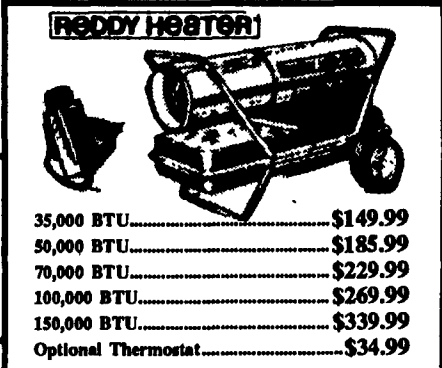
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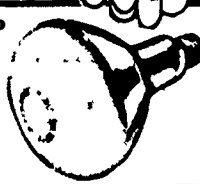
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