ILLINOIS FARM AND FOOD OUTLOOK

COLLEGE OF AGRICULTURE
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FREE MARKETS THREATENED IN TRADE POLICY DEBATE

THE EXTENT OF GOVERNMENT INVOLVEMENT AND CONTROL in the sale and export of U.S. farm commodities has become a major farm policy issue.

Most farmers oppose limits on farm exports by government. Since acreage set-aside programs to control output and stabilize prices were scrapped in 1974, farmers argue that they should have unlimited access to markets at home and abroad. However, consumers might argue for unlimited imports.

Consumers, processors, and some other buyers also dislike the wide price fluctuations and rising food prices under the "free market." Such groups advocate "export management" to prevent such wide price swings and to stabilize food prices. Congressman Weaver of Oregon introduced a bill to make the Commodity Credit Corporation the seller, or marketing agent, for all export sales of wheat, corn, other feed grains, and for soybeans. Although not expected to be approved, it illustrates one approach to export controls.

The export management advocates point to a 25-percent cutback in the domestic use of feed grains during 1974-75 and only a 12-percent cut in feed-grain exports. They claim meat would be more plentiful now if more feed grains had been fed and less had been exported last year.

The advocates of export controls should recognize the consequences of such controls on export volume, returns to producers, future exports sales needed to maintain favorable trade balances and the value of the dollar, and the loss of incomes and employment to many workers if a government limitation is placed on the foreign markets for U.S. farm products.

Closely tied to the issue of export management is that of commodity reserves to stabilize supplies following short crop years, as in 1974. In the 1960's and until 1972, the CCC provided this reserve. Now that CCC stocks have been sold, market prices react more quickly to supply-and-demand conditions around the world. These concern commodity buyers and sellers as well as consumers of finished food products.

The producers and consumers of farm commodities face a dilemma. While many favor the idea of price stability, they must recognize the consequences of carrying out stabilization policies and the results of price movements, both up and down.

If a free and open market is to be maintained for export buyers, two policy choices are available to adjust demand to supply: (1) market prices can be permitted to move up or down to ration the supply among all buyers; or (2) in a time of short supply, reserves built up during years of plenty will be released and export controls should be unnecessary. The difficulty with the second choice is getting agreement as to what constitutes a reasonable reserve or a reasonable price at which unlimited exports should be permitted.

If the policy decision is made to build up reserves for emergencies, farmers and private industry can hardly be expected to pay all the costs of holding the reserves for indefinite periods of time. Some system of government subsidy for private holders or government holding of reserves would be needed.

If subsidized reserves are not created, then a year-to-year possibility of government limits on exports can be expected when the domestic supply is reduced and consumer pressures mount.

This issue illustrates the new forces entering into decisions about farm and food policy. For many years, the role of government in agriculture was determined largely by the agriculture committees in the Congress, the U.S. Department of Agriculture, the major farm organizations, and the land-grant colleges and universities. However, the control and influence over farm and food policy decisions is slipping from the traditional decisionmakers of the past to other government and private agencies and groups.

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