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FEED GRAIN AND WHEAT PROGRAMS--WHAT NEXT?

THE CURRENT ABUNDANCE OF GRAINS AND OILSEEDS, generally stagnant export markets, and the high cost of farm programs are the ingredients for renewed farm policy debate in 1987.

In the case of feed grains and wheat, there is growing concern that the combination of low Commodity Credit Corporation (CCC) loan rates and acreage reduction programs are not adequate to bring supply and demand into equilibrium at profitable prices. The maintenance of high target prices has resulted in large government payments. The current program has been successful in supporting farm incomes but may have limited potential for correcting the structural imbalance of production and market size. There is also growing dissatisfaction with the distribution of government payments, with the perception that larger, less needy farms are receiving the bulk of the payments.

The defenders of current feed grain and wheat programs argue that the programs have not been in place long enough to have the intended effects of stimulating demand and discouraging production in other parts of the world. It is clear, however, that production in other parts of the world depends as much on political factors as on economic factors. In addition, lower prices without world wide economic growth will probably do little to expand U.S. grain exports. While the defenders are correct that the new programs have not been given a chance, the concern is that the logic behind current programs is faulty.

A number of alternatives for current feed grain and wheat programs have been or will be introduced during the year ahead. The focus of these alternatives will vary depending on the major concern of the proponents. Those concerned about the cost of the programs will push for lower target prices, stricter payment limitations, and more targeting of program benefits based on financial need.

Those concerned with the mounting surplus of feed grains will support mandatory acreage controls without realizing the kind of signal such controls would give the rest of the world. Some support for marketing loans will also resurface, although the generic commodity certificate program has created the same results for corn that would be accomplished with a marketing loan.

There will also be some discussion of dumping the price support program in favor of direct income payments to farmers. The concept would be to let farmers make production decisions based on market signals and for the government to support farm incomes with direct payment. The concept is sound, but the practical issues of defining a farm and determining the level of income support would present large hurdles to overcome.

The one area of discussion that has been mostly absent from the farm program debate is the move towards a market-oriented agricultural economy with substantially reduced government intervention. The major argument against such a move is the financial pressure that would be incurred by producers in the short run. A time of low prices, it is argued, is not the time to remove government from agriculture. The irony is that during times of high prices, there is no political incentive to move programs in the direction of the market.

While the debate may be lively, the political process of compromise suggests that policy changes during 1987 may be rather modest. Who knows? Perhaps 1987 will be a short crop year, and the concerns of surpluses and large government expenditures will disappear. Such a development would only postpone, not eliminate, the need to re-evaluate farm programs.

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