Agriculture by Cynthia Parsons

Block's Pig in a Poke

The Agriculture Department's Payment in Kind scheme is another attack on the farm price-support program.

On orders from the Office of Management and Budget, to cut the cost of the farm program, the Department of Agriculture devised a scheme called Payment in Kind or PIK.

PIK is designed to cut government-incurred costs for buying up surplus grain and storing it. However, the scheme will operate at the expense of the farm-price support program.

Bowing out of all responsibilities for the agricultural sector, the administration is in effect telling farmers to take care of their own produce: "If you continue to grow food at the rate you are, then take the responsibility of storing it and disposing of it." Alabama Senator Howell Heflin has already given the PIK a new acronym—PIP, standing for Pig in a Poke.

PIK is one of those foot-in-the-door programs that is not so bad in itself, but for what it is leading to. In this case, the intent is to eliminate the government price-support programs altogether, using the now-tired "free-market" arguments as the ideological justification. If that should occur, in the midst of what is already the worst farm crisis since the last Great Depresssion, 1984 will make the worst years of the 1930s look like a Sunday picnic.

The budget cutters have motivated the PIK by pointing to the fact that unsold grain is said to be costing the government $415 million in deficiency payments, and this figure is expected to jump to $530 million this year. However, falling commodity prices and decreased purchasing ability, both here and abroad, have increased stock volumes to near-record levels.

The U.S. holds roughly 60 percent of the world's grain stocks. By law, those stocks, held in the farmer-held reserve and the Commodity Credit Corporation reserves, cannot be released until a target price—a price set by Congress every five years taking into account some considerations of production costs—is reached.

The budget office is pressuring the Agricultural Department to drop the target pricing system altogether. Block is expected to compromise by freezing the target price at 1983 levels and is asking Congress to give him the authority to determine the appropriate target levels beyond 1983. Such a step mirrors the dairy pricing issue, where the Agriculture Secretary pulled off the same "freeze" stunt on the milk prices for three years. Should the Secretary be granted powers to determine prices, the freemarketeer wreckers will have won their biggest victory in dismantling the federal farm program.

Since the lame-duck Congress failed to pass legislation continuing a PIK program, Block will now take matters into his own hands. He is expected to release details in the coming weeks of an administration version of a PIK program, even if it will stretch his existing authority. Unfortunately, this program is almost "the only game in town" as Senator Helms put it. Its cost-cutting features were praised by Assistant Agricultural Secretary Dr. William Lesher, who claimed that it "would save $3-5 billion over three years when storage, interest, and loss from deteriorating grain were added up." Even the London *Financial Times* lauded the program as an "ingenious and inexpensive scheme."

Under the proposal, farmers of wheat, feed-grains, rice, and cotton would receive compensation in the form of surplus crops in return for leaving up to 50 percent of their land idle. Since the farmers will not be receiving an equal-bushel trade, it is expected that there will be less grain on the market. This decreased supply is supposed to send signals to the market and thereby push the depressed prices up. This feature of the program, as Senator Melcher—the only Senator to oppose the program—has pointed out, would not help farmers' prices at all.

The Senate bill introduced by Senators Cochran and Huddleston, failed to address the issue of price supports, placing these Senators in the same camp as freemarketeer Dole who claims that the agricultural economic outlook was "bleak," but that "overproduction" was "draining the treasury."

Senator Melcher managed the defeat of the bill, but was unable to legislate an alternative proposal to increase government-paid price supports.

Since the 1960s, government support for the farmer-held reserve has been the target of budget cutters. Stocks held under the CCC program are those which cannot be sold unless prices reach a certain level fixed by the Farm Act. Farmers receive loans from the government for putting their grain in such reserves. Therefore, the grain is technically owned by the farmers. Since prices are well below the target prices now, the Agriculture Secretary cannot release that grain until prices rise.