Agriculture by Cynthia Parsons

Will wheat survive the compromise?

The proposed congressional policy on target prices and paid diversion jeopardizes the 1984 crop.

The administration's attempt to freeze target prices for the 1984 wheat program was challenged when the House Agricultural Committee reported out H.R. 4072, the Foley bill, Nov. 1. The administration is "not happy with this bill . . . but it is closer than any as a workable basis" to negotiating a price freeze, a USDA wheat program spokesman stated.

The Foley bill compromise would raise the 1984 target price to only \$4.38, and increase the price to \$4.45 a bushel in 1985. Existing law would increase the 1985 price to \$4.65.

The administration had recommended that the 1984 wheat program be passed without an increase in the crucial target price. Target prices, the mainstay of the price-support program, guarantee that the farmer receives a base price for his produce by paying a "deficiency rate" to the farmer when market prices fall below a certain level.

The Agriculture Act of 1981 established target price increments that set the 1983 price at \$4.30 and would raise it to \$4.45 for 1984. But Agriculture Secretary John Block has been trying to freeze the wheat target price at \$4.30 for 1984 and 1985 after Office of Management and Budget Director David Stockman told the Joint Economic Committee in May that this would save \$4.4 billion.

But even the 1981 measures fall far short of the mark. The price farmers currently get for their wheat covers only *half* the cost of production.

The Foley bill compromises on more than target prices. With farm income collapsing, the bill offers provisions that may help desperate farmers' immediate cash flow, but will slash production, ensuring that the gutting of U.S. agriculture continues.

Although the disastrous drought and the Payment-in-Kind (PIK) program which cut corn production by 50 percent did not affect the wheat crop in 1983, wheat production was cut between 10 and 15 percent this year by the overall economic crisis and a diversion program that paid farmers not to plant.

The Foley bill offers farmers a paid diversion for 10 percent of their crops, at a rate of \$3.00 a bushel or more. The administration wants to set up a PIK program for wheat, eliminating cash payments and substituting commodity payments. Block announced his support for a wheat PIK in August, but the administration wants to provide commodity payments worth only 75 percent of the established yield, while the Foley bill calls for 85 percent.

The combination of paid diversion and the higher PIK payment rates will induce farmers not to plant in order to save production costs and gain income—threatening a wheat shortage next spring.

During committee debate on the bill, Rep. Thomas Daschle (D-S.D.) stated that target prices should not be touched, since they would be changed anyway in compromises when legislation reached the House and Senate Conference Committee floor.

In June, the Senate Agriculture Committee actually approved a bill to freeze target prices of corn and wheat, which was attached to the administration's dairy program. Block called the bill a "vital step" in formulating a new farm program. Sen. John Melcher (D-Mont.) led the filibuster that defeated the measure by a small minority, commenting that the pressure campaign was "the biggest use of sheer power of the executive branch I've witnessed in 14 years on the House and Senate agriculture committee."

The USDA conducted heavy-handed negotiations with wheat state senators and congressmen who are willing to pull the plug on the entire crop stabilization/price support program and with pro-price support congressmen to come up with this Foley compromise bill.

Speaking for the pro-freeze factions, Sen. Bob Dole (R-Kan.) told members of the National Corn Growers Association in July: "If passed, this freeze will help to fend off criticism of farm program costs long after its opponents discover that farmers can get along quite well without an increase in the current levels." And, he went on, merely reducing the price support will not reduce "surplus" grain stocks sufficiently.

The target price issue has been debated on the Hill for over six months. In the absence of a strong farm lobby, and the presence of such farm state leaders as Dole who are willing to lead the sheep to slaughter and have the farmers accept their own demise as a productive sector, the life expectancy of any target price system is extremely short.