HAVE YOU READ . . .

tions of agricultural development on poor people as well as U.S. farm exports, and are willing to take time to read and think about the related issues, get a copy from the John Hopkins University Press, 701 West 40th Street, Suite 275, Baltimore, Maryland 21211. The price is $24.95 (U.S.); $21.96 (outside).

IN AND OUT OF THE HOPPER

Farmer Recoups Trading Losses

The courts have upheld an award to a GEORGIA farmer for commodity trading losses. First, a jury decided that a broker and his employer, American Express, should pay a Georgia farmer $31,238.50. Now the Georgia Court of Appeals upheld the jury verdict which made the award for losses sustained from commodity trading.

It all started when the farmer's trading account developed a deficit. The farmer refused to pay. Shearson/American Express took legal action to recover the alleged deficit. Then the farmer counterclaimed. He argued that he had little knowledge and expertise about commodity trading, that the broker led him to make speculative investments rather than hedging transactions, and that the broker churned the account and made unauthorized trades. In the end the court concluded that the evidence was sufficient for the jury to decide that the broker and the brokerage firm acted with reckless disregard for the defendent's investment. (Contributed by Terence J.

A Choices Debate

Senator Jesse Helms Vs. Senators Pryor and Boren

The vigorous debate over the 1985 Farm Bill spilled over into the editorial pages of the Washington papers. We include an exchange between Senator Helms, the chairman of the Senate Agriculture Committee and Senators Pryor and Boren, members of the Committee. Both columns appeared in the Washington Post and are reprinted here with the permission of the Post and the Senators.

The Senators express strong views. Helms criticizes farm programs for not being geared to the needs of individual farmers and argues for targeting farm subsidies to farmers in financial stress. He would cap the amount of crop loans available to individual farmers, reduce target prices, and lower the $50,000 payment limitation.

Pryor and Boren take a different position. They claim that farmers are subsidizing the American economy. They argue further that lowering the $50,000 payment limitation from $50,000 to $25,000 would help hobby farmers and hurt the family farmer for it would "exclude over half the family farms."

Do you agree? Or disagree? Send us your views.

The Struggling Family Farmer Will Be The Victim

by Jesse Helms

Senator Jesse Helms

As the Senate prepares to begin the farm bill debate, the image of family farmers struggling to save their livelihoods will be invoked to justify huge expenditures for farm subsidies. The tragic irony is that struggling family farmers will be victims of farm programs that, in fact, target their subsidies backward—to the large and the wealthy.

Few Americans understand that less than 20 percent of the $65 billion in benefits and subsidies in the farm bill is directed to farmers experiencing financial distress.

This is the farm bill's equivalent of the "$600 toilet seat."

In fact, the fourfold increase in federal farm spending during the past five years has caused much of the stress. The reason is simple: Congress has established price supports at levels greater than the value of crops, contributing to unmanageable surpluses that drive farmers' prices below profitable levels.

Yet farm program benefits, unlike other means-tested federal programs, are not paid to individuals on the basis of need. Rather, farm subsidies are paid on the units of production—by the bushel, pound or hundredweight. So the more of a subsidized crop a farmer produces, the bigger his government check. By definition, this means the greatest benefits and subsidies go to the largest farmers who least need help.

Despite the severe—and widely publicized—distress among some sectors of the farm economy, it is a fact that there is enormous wealth in the U.S. agricultural industry. On Jan. 1 of this year, the average net equity for farms with gross sales over $250,000 was $904,446, and for farms with gross sales between $100,000 and $250,000, the figure was $429,891. In comparison, the net equity of the average American family—which is taxed to pay these farm subsidies—is about $92,000.

Farmers as a class also have larger annual incomes than Americans on the average. The average net income for farmers with gross sales over $250,000 in 1984 was $96,889, and for those with gross sales between $100,000 and $250,000 it was $36,273. The average income for the typical American family was about $25,000.

The writer, a Republican senator from North Carolina, is chairman of the Agriculture Committee.

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Centner and S. J. Brannen, University of Georgia, 404/542-2566.)

$97 Million Ban?

A decision by the Environmental Protection Agency (EPA) could have substantial impact on producers, consumers and handlers of apples and other fruit as well as on a chemical manufacturer. The critical decision involves a possible ban on ALAR, daminozide, a chemical produced by Uniroyal and used primarily on apples. EPA says studies show ALAR causes carcinogenic effects in mice and rats and has drafted a notice of intent to cancel ALAR use. USDA and the EPA Advisory Panel considered the proposed EPA notice in a fall meeting, but a final decision on cancelling ALAR use has not been made as we go to press.

The chemical is particularly important to the apple industry because it reduces preharvest drop, delays ripening and thus increases red color, and permits one-time harvesting instead of spot-picking for up to 6 weeks. EPA says banning ALAR would cost the apple industry about $31 million per year and boost prices for consumers by $1.00-$1.90 per bushel.

A Washington State University extension economist, Tom Schotzko, projects the ban impact substantially higher—"up to $97 million or more per year" in WASHINGTON alone.

ALAR also is used on peanuts as well as peaches, pears, prunes, nectarines, cherries, tomatoes and Brussels sprouts in California and cantaloupes in California and Arizona. (Contributed by LeRoy Rogers and R. Thomas

An accurate picture of just how many farmers there are, and who they are, is revealed in an Agriculture Department study that estimates that by the end of 1985, about 5 percent of all farms will have debt-to-asset ratios exceeding 100 percent, meaning they are insolvent. Another 23 percent will be highly leveraged, with ratios between 40 and 100 percent.

The remaining 72 percent will not be experiencing financial stress threatening their livelihoods. Yet the agricultural programs indiscriminately spew out subsidies for all who come—the large and small, the poor and wealthy, the financially successful and the financially distressed. It is indispu table that the greatest amount of money is directed to the largest, wealthiest and most financially successful, to the detriment of the small, poor and financially distressed farmers.

The farm bill the Agriculture Committee approved continues this bizarre scenario. That is why I was obliged to become the first chairman in the history of the committee to vote against reporting a farm bill.

But there is hope. There are some very good policy instruments in the bill. Fundamental changes are made in the loan rate for wheat, feed grains, cotton and rice. The bill prudently links the loan rate to world market prices in the future, ensuring increased competitiveness of U.S. farm products in the world markets our farmers must have if they are ever to prosper.

But what the committee improved with one hand, it ruined with the other. By voting to freeze the level of subsidies paid to farmers for each bushel or pound of crop they produce, the committee effectively prevents the secretary from using authorities that permit him to reduce the loan rates that make American farm products competitive. Because subsidy payments are based on the difference between the loan rate and the subsidy or target price. the budget exposure created by lowering the loan without lowering target prices is more than any administration's fiscal managers could allow.

The tragic consequence of unrealistically high target price levels is their inducement to big farmers to produce huge surpluses, continuing the depressed prices that make it almost impossible for the struggling, highly leveraged farmer to make a profit.

The most important change the full Senate should make in the committee bill is to allow target prices to ease downward over the life of the bill. My suggestion is a 5 percent reduction each year. Such gentle reductions would still ensure massive and unprecedented levels of income protection to farmers, but would signal that over time this protection will diminish marginally.

Other worthwhile changes include better targeting of subsidies to those 30 percent of the farmers in financial distress and requiring the largest, wealthiest farmers to bear market risks for producing surpluses. This can be accomplished by capping the amount of crop loans an individual producer can receive and limiting the amount of commodities for which an individual farmer may receive target price payments. The payment limitation, currently $50,000, should be reduced, and the loopholes that allow farmers to divide their farms to avoid the limit could be tightened.

Contrary to popular myths, these changes would not drive thousands of farmers off the land. It is the current perversity of farm programs, which encourages surplus production, that's driving farmers out of business. So these modest reforms would improve the effectiveness of the programs and properly target the billions of dollars in benefits and subsidies to those farmers most likely to be in need of assistance.

1986 Price Supports Cut

As the first major step in implementing the 1985 legislation, Secretary Block in Washington, D.C., announced cuts in price supports by the maximum amounts permitted by law. The new levels are:

Corn	$1.92	down from $2.55
Oats	.99	down from 1.31
Wheat	2.40	down from 3.30
Barley	1.56	down from 2.08
Sorghum	1.82	down from 2.59

Target prices are required by law to remain the same as for 1985: corn, $3.03; oats, $1.60; wheat, $4.38; barley, $2.60, and sorghum, $2.88.

As we go to press, price supports for rice, cotton, and soybeans have not yet been announced.

Puzzle Answer From page 55

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B I O L O G I C A L C O N T R O L     P
E               A       T             O
S   N O N R E C O U R S E L O A N S   L
T     M       A     R                 I
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N                 V         E
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M             A               W I C   H
E   B I O M O N I T O R I N G   D     I
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T   Y   I S A A C N E W T O N         L
P   E   M     T                       I
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C O M P A R A T I V E A D V A N T A G E
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