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Farmers Subsidizing Consumers

FARMERS are desperate. They have been losing money on what they produce and, in effect, have been subsidizing consumers.

Consumers might not feel that they have benefitted, because retail food prices are up, but government policy of keeping food prices down means lower prices for growers.

Farmers often produce good yields of quality crops and sell them below cost of production. They do this by mortgaging land, absorbing capital accumulated in prior years or obtained from other sources, and by donating their families' labor to grow them.

Farmers have watched price tags on equipment, fuel and supplies be marked up time after time because of higher wages paid to urban workers, their customers.

Farmers feel that well paid workers in town are able to pay prices for groceries that would provide food growers a fair return on their investment and on their work.

This is what is behind the threatened strike of farmers, set for December 14 unless growers are assured they will receive parity prices for their products.

Parity is a theoretical price equality that has been sought for farmers since the 1920s, but seldom received.

Parity price on wheat, Oklahoma's largest cash crop, is around \$5 a bushel. Farmers say that production costs on wheat average \$3.50 a bushel. Current cash market is about \$2.25.

The target price on wheat, the amount Congress has decided should be the least farmers should have to sell wheat for, is set at \$2.90 a bushel.

At present prices, it takes about three cents worth of wheat to make a loaf of bread. If the price of wheat were doubled (still below parity), it would take perhaps six cents worth of wheat per loaf of bread.

Thus the price of bread might be justified in going up about three cents a loaf. Experience shows that reaction would be greater. This happened in 1972 and 1973, when bakers were putting out unjustified scare stories of bread going to a dollar a loaf. They raised prices as fast and as far as they thought the public would stand.

The real scare story is that when the price of wheat dropped from \$5 a bushel to \$2 a bushel, the price of bread came down only a few cents.

In November, the government will hand out deficiency payments to wheat farmers under the target price program amounting a little over \$1 billion. This is the taxpayers' subsidy of consumers to provide cheap food.

The farmers' part of the subsidy will be as great, because target prices, market prices and loan rates all still are far below cost of production.