Price Parity Remains Farmers' Elusive Goal

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Agri-Business

The theory of parity prices for farm commodities was conceived in the 1920s, enacted into law in the '30s, reached in the '40s, abandoned in the '50s, revived in the '60s, and outdistanced by inflation in the '70s.

Economists are predicting, with apparently solid reasoning, that Oklahoma farm receipts this year will top last year's record $2.4 billion and exceed income from oil and gas production.

But parity prices remain elusive. Prices are higher, but production costs are up, also, forcing parity comparisons higher. By the U.S. Department of Agriculture parity index, farmers should be getting about one-fourth higher prices for what they sell.

Prices obtained from Gary Mennem, Oklahoma State University marketing specialist, show that some classes of beef cattle and calves are being sold locally at parity, but most commodities are below parity.

For June 1979, parity for beef cattle was $72.20 cwt., compared to $62.70 cwt. a year earlier. Local market reports show feeder steers moving in that range, better ones going higher and plainer types lower.

In June 1978, parity on beef calves was $62.30 cwt. This year it was $83.90 cwt. Buyers on local market have been bidding from $75 cwt. on plain stocker calves up to $115 cwt. for choice lightweights.

Oklahoma farmers this year had the pleasure of seeing wheat prices rise as much as 50 cents a bushel while they were harvesting their best crop in history.

But at $4 a bushel, wheat didn't reach parity. It was only 67 percent of parity, and current cash market quotations are less. Parity on wheat rose from $5.29 per bushel in June 1978 to $5.98 per bushel in June 1979.

Parity on cotton went up from $90.40 cwt. last year to $101 cwt. this year, but farmers probably will sell for less next fall.

Parity price on milk rose from $12.16 cwt. in June 1978 to $14.80 cwt. this year. Dairymen are still looking for parity markets.

Farm value of commodities as a share of the food dollar dropped from 38 cents in 1973 to 32 cents in 1978. The marketing bill went up. Labor costs went from 30 to 32 cents; packing and transportation rose about a penny each; so did "other costs," including business taxes, corporate profits, energy, rent, depreciation, etc.

Prospects for farmers getting a bigger share of the consumers dollar, parity or anything close to it remain dim.

At the request of the American Agricultural Movement (AAM), USDA statisticians prepared a report recently on what might happen if farmers were to receive mandated prices at 90 percent of parity.

The report said this would boost farm income from 50 to 90 percent within five years and the value of farm exports would be as much as 25 pecent above anticipated levels, with volume down.

Wheat exports volume would decline 12 percent, cotton sales abroad would be off 50 percent, and total volume would be down one-fifth.

Livestock feeding, as well as beef, pork and broiler production would go down as consumer prices rose, the USDA report said.

Value of farmland used to produce "controlled commodities" would rise one-third faster than otherwise expected. The increases would be self-defeating, the report said, by maintaining an inflation rate exceeding what would be expected without the parity support program.

So far, no farm organization is opposed to parity prices, but some do not favor rigid production controls they believe would become necessary to avoid accumulation of huge surpluses.

The Farmers Union holds that since the public benefits from food production, the public should guarantee parity for farmers.

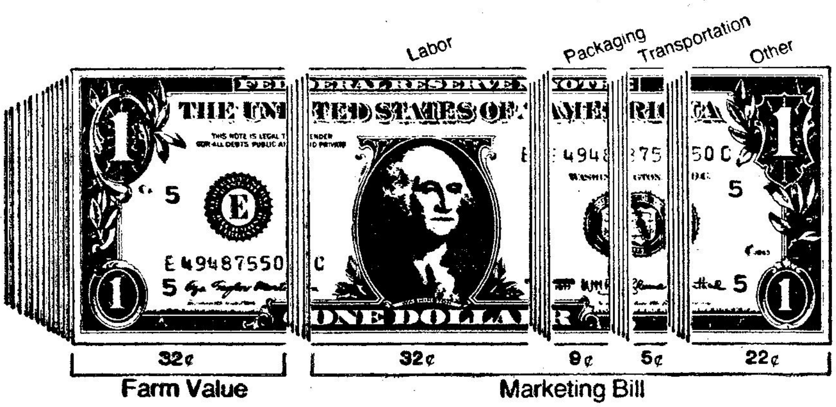
The Farm Bureau contends that farmers are entitled to a fair profit but they should get it in the marketplace, rather than as subsidies from the public treasury.

AAM threatened to shut down farm production unless they were assured of 100 percent of parity for crops and livestock. When the strike received only sporadic support, AAM staged tractorcades in Washington and elsewhere, but parity remains an ephemeral goal.

Farm leaders argue that urban workers are treated better than farmers, because they have minimum wages guaranteed by law and labor unions regularly obtain wage and fringe benefit adjustments based upon Consumer Price Index (CPI).

They insist that these are parity concepts that provide a measure of equality, but that union labor and consumer groups oppose parity for farmers.

Where the U.S. Food Dollar Goes



This diagram from the U.S. Department of Agriculture graphically represents how the consumer's food dollar is devided among those who actually produce farm commodities and those who market the final goods. The lion's share of the dollar devision goes to the 'other' category which includes business taxes, corporate profits, energy, depreciation, rent, advertising and other costs.