

PolicyPennings by Daryll E. Ray & Harwood D. Schaffer

Grain reserves: A much needed discussion, though some see it as off-the-table

The headline of the Friday, September 21, 2012 news story written by DTN's Washington Insider (WI) caught our eye. It read: "Buffer Stocks, Yet Again," as if there were something blasphemous for people to talk about the role of grain reserves in ensuring the availability of essential foodstuffs in times of production shortfalls.

Perhaps WI has come to believe that wide swings in the production of agricultural commodities are a thing of the past, having been banished to history's dustbin through the miracle of modern plant breeding programs.

Leaving out this year and looking at the previous ten years of production records in the US, it might be possible to come to that conclusion. But as any dry-land Texas farmer can tell you, if you don't have the rain, you won't have a crop, no matter how good the genetics. And as we saw in 1993, too much of a good thing—rain—can be just as problematic.

The most memorable editorial cartoon from that year appeared in the Des Moines Register. It showed the cross-section of the depth of a "lake" with a farmer sitting in the back of an outboard motorboat. Attached to rear of the boat was a bar that descended to the bottom of the lake—with stubble from the previous year's crop—where it was attached to a corn planter. Much of the crop planted in the upper Midwest in 1993 was mudded-in.

We may wish that crop production were an industrial activity that is as controllable as making automobiles or Christmas ornaments, but it is not. Joseph knew that back in the second millennium BC. And farmers know it today—that is why they want a farm program.

We find it strange that when it comes to storm preparedness, households are urged to keep on hand a several day supply of essentials like food, water, and medicine and yet when it comes to our national household, we do not want to talk about setting aside a reasonable supply of storable commodities to tide grain demanders through crop years like 1993 and 2012. Even if WI does not want to talk about it, a discussion of the value of a reserve program is an essential part of the ongoing evolution of agricultural policy.

WI bolsters his dismissal of any discussion of grain reserves by asserting that they were abandoned

by the US because they were too expensive. We ask, "Compared to what?" Were reserves in the earlier Farmer-Owned-Reserve program more expensive than the billions we spent in Emergency Payments between 1988 and 2001? Were they more expensive than paying LDPs on every bushel of production rather than storage payments on a portion of production put into a reserve? Were reserves more expensive than 16 years of Direct Payments? The answer is categorically no. And we have not even begun to talk about the economic destruction caused by prices that explode skyward then drop like an anvil. Nor have we mentioned the cost of subsidies to the Federal Crop Insurance program—what will this year's price tag be?

WI argues that they were "impossible to manage." Certainly management is an ongoing challenge, especially when reserve programs are managed by those who—because of ideology or private profit considerations—want the program to fail. And when it comes to complexity, the operation of a buffer stock program is considerably more simple than today's Federal Crop Insurance programs.

Yes, we agree with WI that political interference in the management of a reserve program is a major concern. But problem identification should be the first step toward a solution, not a reason for despair or dismissal.

Operational decisions need to be taken out of the political realm. One approach would be to create an independent Federal-Reserve-like entity that is sensitive to the concerns and economic-wellbeing of grain farmers, cattle producers, household-level consumers, industrial users, and export customers. Well-intended decisions do not have to be perfect to vastly improve upon government cost and economic cost of no reserve program at all.

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