

Joseph Kraft

Inflation: There Are No 'Good Choices' ...

The special character of the current inflation and the difficult decisions it imposes on President Ford are underscored by the latest crop reports from the Midwest. For grain production is down in a way that threatens another inflationary surge in this country.

But Mr. Ford cannot check the rising prices by restricting demand as prescribed by the oldtime religion. He has to take international action on the supply front, including perhaps some painful restrictions on American food exports.

At the root of the problem is a tight food situation which has prevailed the world over for the past few years. It results from many different and complex developments.

World population has been growing at a rate of about 2 per cent annually and at a far faster pace in some of the underdeveloped lands. Steadily rising expectations in the developed world have led to larger food consumption—notably in Europe and Japan.

Soviet leaders have been less willing to have their own people tighten their belts when Russian food production goes down. The United States, which has been the supplier of last resort, ended in the decade of the 1960s the stimulative policies which produced enormous food surpluses in the previous decade.

The effect of all these developments was visible in 1972 and 1973. Though the United States enjoyed bumper

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crops, droughts in the Soviet Union and the Indian subcontinent put a strain on supplies. World prices soared when the Russians went into the international market to replenish their stocks in the grain deal of 1972. For a brief time a year ago, in an emergency action taken when sales abroad outran domestic supplies, the United States cut off exports of soybeans to all foreign countries, including such traditional and dependent buyers as Japan.

As this year's growing season began, worldwide grain reserves were at minimal levels. Still the outlook was not all that bad. The Department of Agriculture estimated a record world crop of 1,290 million tons of wheat, rice and feed grains as against last year's crop of 1,274 million tons.

But in the United States weather conditions were adverse. On Monday the Department of Agriculture released new estimates made in the wake of a month-long drought. The

new estimates showed that production of corn, soybeans and wheat were all down.

Thanks to the American drop, this year's world production of wheat, rice and feed grains will be 1,240 million tons. That is 34 million tons less than last year—a reduction of about 3 per cent in total availability as against a growth of about 2 per cent in population.

The effect was felt immediately. In American markets grain futures were bid up by the maximum amount. In Europe where there are no limits, there was a 20 to 25 per cent increase in grain futures.

Commercial buyers in Europe and other developed countries are now likely to enter the American grain market with a vengeance. That would drive up the price here at home. One Washington estimate says that food prices alone will go up by 10 per cent in the last half of this year. Moreover,

commercial sales abroad would leave this country bare when it comes to aiding the truly poor countries in Southem Asia.

The number of things President Ford can do to muffle the inflationary impact of the crop shortfall is limited. Budget cuts make no dent; neither do crop restrictions. In effect, the old time religion is useless.

Probably the most equitable arrangement would be an agreement whereby traditional foreign customers would refrain from major purchases against an understanding that their most basic needs would be met. That would leave a goodly amount available for domestic consumption at stable prices and a margin left for distribution to the neediest countries.

But it may be too late for that. Well-known internationalists at the State Department, the Federal Reserve Board and in the Congress are known to be considering the need for applying unilateral export controls on grain even though they would upset orderly trade and perhaps bring retaliation from this country's best allies and most important customers.

In any case, there are no good choices. So that, despite the extraordinarily fine atmospherics of his first days in office, Mr. Ford is a long way from beginning to cope with the substantive problems which confront his presidency.