New subsidies expected to boost pea production

By PHILIP BRASHER
AP Farm Writer

WASHINGTON — Lentils and dry peas, two crops American farmers traditionally grew little of, are going to become more popular with growers now that the government will subsidize their production.

Under the farm bill that President Bush signed in May, subsidies commonly reserved for corn, wheat, cotton, soybeans and other crops are being offered for lentils and dry peas, the type of peas used in split-pea soup.

"You can get more yield off peas than wheat and you don't need fertilizer. It will be a tremendous cash crop for the farmers," said Les Knudson, who cleans and bags peas and lentils in Crosby, N.D., near the Canadian border.

"We don't have the marketing channels to handle the kind of volumes that could happen with this," he said.

The farm bill also offers subsidies to peanut growers for the first time and revives payment programs that were ended in the 1990s for honey, wool and mohair. There also is a temporary new subsidy program for milk.

"You bring in these smaller commodities and it brings in a few more congressmen and a few senators" to vote for the farm bill, said John Schmitzke, Sr., a former Agriculture Department economist.

"Why not add them on when there are senators who want to do it and we're spending money on everything else?" Economists say the impact of the program on consumer prices probably will be modest.

Farmers know they must find more markets for their peas and lentils if they are going to grow them. Lentils are a staple in much of Asia, but other countries such as Canada have been supplying that market.

"We need to do acres from other countries Canada is quite nervous about this for that very reason," Knudson said.

Dry peas can be used in livestock feed, but growers need to persuade hog producers to use them.

Until the 1996 Freedom to Farm law ended production controls on farmers, there was little of either crop grown in the United States. Last year, farmers harvested less than 400,000 acres of the two crops, primarily in Washington, Idaho and North Dakota. By comparison, farmers harvested 48 million acres of wheat.

Brian Glancey, a British Columbia-based market analyst, sees U.S. lentil and dry pea acreage reaching 1.2 million acres over the next five years.

Without the subsidies, banks "have grown reluctant to finance those crops," he said. "They want to see the growers growing crops where there is some kind of government subsidy coming in."

The subsidies are estimated to cost taxpayers $120 million over the next decade. The actual cost could vary widely depending on how much farmers expand production.

Under the farm bill, farmers will be guaranteed about 12 cents a pound for lentils, about 2 cents more than they can get on the market. The subsidy level for dry peas is about a penny over the market price.

None of the new subsidies is expected to have a significant impact on retail food prices, which are driven more by costs of processing, marketing and transportation than by changes in production and commodity prices, economists say.

For peanut growers, the new subsidies will replace a quota system that has been used since the Depression to control supply and prop up market prices. The subsidies will provide farmers less than the $110 per ton they could make on peanuts under the quota system, so economists expect farmers to reduce their production.

The milk subsidies, in effect through 2005, are the result of a compromise among dairy interests.

The payments will substitute for a price-setting system, or compact, in New England that ended last year amid opposition from the processing industry and producers in other parts of the country.

Advocates of compacts think there may be more support for them in Congress by the time the subsidies expire.

The average producer is expected to receive about $15,000 to $20,000 under the program this year.

"Just about anybody would prefer to get their money from the marketplace, but with the fluctuating markets the way they are, self-preservation becomes more important some time," said Eric Oem, a dairy farmer near Albany, N.Y.