



## Focus

### Drought saps strength of area agriculture base

By Jeff Obrecht

January 1983 and an unexpected event: The Department of Agriculture announces Payment-In-Kind, or PIK, a massive acreage retirement program.

July 1983 and another unexpected event: Severe drought and high temperatures scorch the Midwest. The two factors are combining for an unusual situation in agriculture that could prove costly for some area farmers.

"This situation is unbelievable," said Fritz Oltjenbruns, who farms with his father near Ceresco in northern Lancaster County. "Soybeans have risen \$3 a bushel in the last two months and the other day (Aug. 16), their price varied 50 cents a bushel during just one day."

The Oltjenbruns enrolled half of their 700 acres in the PIK program.

"I wish I would have went into PIK 100 percent," Oltjenbruns said. "My corn was green yesterday, but after today's heat, I'm afraid to go look. I know the yield is half gone."

Terrell Dreamer, who farms 400 acres near Alvo in western Cass County, portrays a different situation.

"I thought seriously about going into PIK and decided against it. I guess I made the wrong choice," Dreamer said. "It sure would be nice to know that you're going to get a PIK crop in

October and not have had to worry about your production costs and the weather."

Dreamer said he planted only corn and soybeans and that choice is compounding his problems.

"At least some of the corn I planted was one seed company's most drought-resistant variety," Dreamer said. "But even the weeds have a hard time growing when they don't get rain for over a month. This drought is terrible."

The drought area is roughly south of Interstate 80, from Indiana through central Nebraska, according to Dr. James Kendrick, professor of agricultural economics at UNL.

#### PIK farmers: Better off

Southeast Nebraska farmers who enrolled in PIK are definitely better off than those who didn't, Kendrick said.

Farmers who irrigated crops in southeast Nebraska will fare better than those who didn't, he added.

"A farmer who has a full crop to market can take advantage of high grain prices in the fall, due to the drought," Kendrick said.

The drought has hit Lancaster County hard.

"The dryland corn crop in the county is pretty well done, and the hay

Continued on Page 15

### Economist: PIK hurts ag-related businesses

By Keryl Knake

The federal government Payment-in-Kind program might be an asset for the grain farmer, but its effects on agriculturally related businesses has not been good, Roy Frederick, UNL extension economist, said.

The PIK program gives surplus grain to farmers for idling crop land this year. There are 457,344 wheat acres and 2,698,217 feed grain acres (corn and sorghum) in the PIK program, said George Harnett, program specialist of the Nebraska Agricultural Stabilization and Conservation Services.

The U.S. Department of Agriculture predicted that seed, fertilizer and pesticide use would decline 12-15 percent, fuel sales would drop 8 to 10 percent, machinery purchases would decline 2 to 3 percent, and machinery repairs would drop 12 to 15 percent in 1983 as a result of the PIK program.

The PIK program is also causing a loss in profits for cattle and pork producers, Frederick said. PIK has

caused feed prices to rise from \$2 a bushel to about \$3.40 a bushel. Feed is a large cost factor for livestock producers, he said, and the large jump in prices is hurting them.

Workers have been laid off in many areas because of the effects of the PIK program, Frederick said. The biggest layoffs have been in cities where large machinery is produced.

The reduction in agri-businesses is a short term situation, Harnett said. As grain reserves go down, the prices paid for grain per bushel will increase, giving farmers more purchasing power.

A decrease in U.S. grain reserves will also result in decreased costs for storage, and should benefit the government economically, he said.

A wheat acreage reduction program has been announced that allows a PIK option of 10 to 20 percent for wheat acres, Harnett said. The feed grains program for next year has not been announced, but Harnett said he did not think a PIK program would be needed.

### PIK program interest rates cause implement sales to drop

Farm implement dealers in the Lincoln area have mixed opinions about the PIK program's effect on their industry.

Don Kuhle, owner of Beltline Tractor Sales, Inc. in Lincoln, said he believes the PIK program has caused a severe reduction in sales for dealers. Kuhle said his sales for August are down 40 percent from August 1982 sales. He said he has laid off about 25 percent of his work force and will not rehire those workers unless the situation improves greatly.

"The income from the PIK program is going to the bankers to reduce (the farmers') debt, so I

don't look for a whole lot of sales this fall," he said.

Richard Skaggs, manager of Case Power and Equipment Co. in Lincoln, also has reduced his work force. He said he has laid off approximately one of every 12 workers and does not plan to rehire those workers.

Skaggs said he is optimistic, however, about long-range benefits from the PIK program, the drought and the new federal grain export program. He said he believes these three factors will reduce the surplus grain and force prices up, which will give farmers more money to buy farm equipment.



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