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**The  
United  
FARMER  
& RANCHER  
Congress**



**1986**

**“Strengthening the Spirit  
of America”**

**September 11 - 13, 1986**

**St. Louis, Missouri**

**Sponsored by Farm Aid**

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## Welcome to the United Farmer and Rancher Congress

by Toni Kelley, Project Director

It's no secret that American family farmers and ranchers are living through an economic crisis as severe as the Great Depression.

Plunging incomes have forced several hundred thousand families from their land since 1980, and their departure is unravelling the fabric of a thousand rural communities. Plus, in many areas of America, the farm crisis is adding to unemployment in our cities.

The majority of Americans, while sympathetic, have little or no understanding of the root causes of the problem. And our national leadership has failed to address it in any meaningful way.

Through Willie Nelson's efforts with Farm Aid, the American people have responded to the need in rural America, and Farm Aid-funded emergency relief and crisis intervention programs have reached thousands of desperate farm and ranch families.

Now Farm Aid is expanding its efforts into a new area. While the relief and counseling efforts are badly needed, they can only attempt to treat the symptoms of the crisis.

Recovery and cure can only be provided by Washington, and with Farm Aid's help, we are going to lend Congress and the Administration a hand in figuring out what exactly is needed.

Beginning July 16th and running through the end of August, more than 500 local meetings - organized by 31 area coordinators throughout the nation - will be held to draft farm policy resolutions and to elect delegates to the United Farmer and Rancher Congress in St. Louis, Sept. 11-13.

Funded with more than \$250,000 in Farm Aid funds, the 31 area coordinators will cover all of the 48 contiguous states, and from the 500 local meetings, approximately 1,500 delegates to the Congress will be elected.

It's an ambitious project, to say the least, but if the delegates can indeed come together in a spirit of unity and demonstrate broad support for one farm policy option - or even one philosophical position - the impact of the Congress can be tremendous. In fact, our fervent hope is that it will mark the turning point in the fortunes

of the American family farm and ranch system.

For years, Congress has told us - with some justification - that if farmers and ranchers can't agree on what needs to be done, how are they supposed to figure it out? The United Farmer and Rancher Congress is designed to take that excuse away from them. We expect they'll be grateful for the guidance.

We embark on this project with no preconceived notions of what sort of policy recommendations might come out of it. However, the United Farmer and Rancher Congress will give our farmers and ranchers a forum to tell the nation directly the condition of American agriculture and the policy changes needed to revitalize their industry and their communities.

It's going to take a united effort to stop the going-out-of-business sale currently under way in rural America. We're going to do our best to make the United Farmer and Rancher Congress truly a landmark event that can strengthen the spirit of America and deliver workable solutions to the crisis that is devastating rural America.



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# A river of tears

## *The time for crying is over*

Family farming embodies many of our nation's most precious traditional values - meaningful work, strong families, close-knit communities, and democratic institutions. Government support for family farm agriculture, symbolized by the Homestead Act signed by Abe Lincoln in 1862, is now only a footnote in history. If we take family farming out of agriculture, it will be like taking Willie Nelson out of country music. Things will never be the same.

Yet the loss of farms continues at the alarming rate of 2,109 per week, according to the U.S. Department of Agriculture (USDA). So profound is the farm crisis that two USDA economists project that by the year 2000, the largest one percent of farms (about 18,000) could account for about half of U.S. food production. The smallest 50 percent of the farms could account for only about one percent.<sup>1</sup> This report was made in 1980 at the end of the so-called boom of the 1970's. But since 1980 the farm crisis has gone from bad to worse.

Farmers' purchasing power, as measured by the parity ratio, is significantly lower than during the worst four years of the 1930's. From 1931-1934, parity averaged 66 percent; from 1982-1985, it averaged 56 percent. It averaged 52 percent in 1985 and is presently 50 percent.<sup>2</sup>

A major aspect of the farm crisis is the steep decline in farm land values. The USDA estimates that nationwide agricultural land values have fallen by more than 30 percent in 1986. Land values in ten Midwestern states fell between 40 and 59 percent. The results are even more sobering when viewed in constant dollars. Nationwide, between 1982 and 1985, farm land



*Main Street, Blythdale, Mo. A gas station and a grocery remain. (Carol Hodne)*

values fell by \$146 billion - a loss of wealth for farm land owners equal to the combined assets of IBM, GE, Kodak, Proctor & Gamble, 3M, Dow Chemical, McDonalds, RCA, Upjohn, Weyerhaeuser, and CBS.<sup>3</sup>

Declining farm incomes and land values are eroding local tax bases, thereby eroding local government services, such as mental health and family counseling services, at the same time the crisis is creating an increased demand for these services.

### **Depressions are farm-led and farm-fed**

Our rural communities are traditionally sustained by farmers and are now being destroyed along with the farmers. A University of Nebraska study warns, "fewer but larger farms means the eventual extinction of most towns with fewer than 900 residents."<sup>4</sup> In Nebraska 76 percent of all towns have 900 residents or fewer. Unless we turn

the farm economy around, we will see the end of family-type agriculture in the U.S. and possibly the end of small-town America as well.

A mass exodus of farmers and small town residents to large cities will create a new wave of ghetto residents looking for non-existent

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**Tom Paine said it best 200 years ago: "It is not a field of a few acres we are defending, but a cause."**

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jobs. One example of how the farm crisis is threatening urban job security is the fact that, according to the United Auto Workers, fewer than half of the farm equipment workers who worked in 1979 are working today. Farm machinery production in the U.S. and Canada fell to an all time low in the first six months of 1986, dropping another 28 1/2 percent compared to a year ago.<sup>5</sup>

Control of land has always been a measure of freedom and power. For example, in the South during the civil rights struggles of the 1960's, it was black landowners who had the independence and resources to make bail for civil rights workers.

Tom Paine said it best 200 years ago: "It is not a field of a few acres we are defending, but a cause"

Saving the family farm goes beyond the question of economic freedom. It strikes at the heart of whether we will be able to enjoy the true democracy for which our ancestors fought. Ralph Waldo Emerson's great tribute to farmers will never be forgotten:

*"By the rude bridge that arched  
the flood,  
Their flag to April's breeze unfurled.  
Here once the embattled farmer  
stood  
And fired the shot heard round  
the world."*

Many of the ancestors of today's farmers, poor and starving Europeans, left their misery of landless serfdom and came to the "new land" in search of land and precious freedom. It is an extreme irony that today's farmers, descendants of those "huddled masses, yearning to breathe free" must now huddle together in food stamp lines and bankruptcy courts. We must listen carefully to Bishop Maurice Dingman of Iowa who warns that "U.S. agriculture is headed towards an El Salvador type of agriculture" where three or four percent own over 80 percent of the land - a condition of powerlessness and hunger similar to what our ancestors came to this country to avoid.

Our struggle today belongs to everyone who believes in justice. It is for the very soul of our country. It is part of a greater struggle going on around the world. Peasants and farmers everywhere must organize at all levels to keep control of the land we love and cherish. Land is life and without land, many face hopelessness, hunger, tyranny, and death.

Our rural communities have cried

a river of tears. We have seen our friends pack up and go one by one in anguish and pain. We have grieved long and hard. We shall never stop grieving. But it is now time to act courageously, for time is running out.

This tragedy need not happen. It is not a natural part of progress or the result of "mismanagement" by individual farmers. It is a result of bad policy decisions. With the right policies we can have any kind of agriculture or country or world that we want.

The following pages are dedicated to examining some of the policies which are destroying family farming. We have pulled no punches. It is too late for anything but the truth. The truth, remember, shall set us free. As John Taylor said in a letter to



Thomas Jefferson, "Agriculture without political knowledge cannot expect justice or retain liberty."

One important truth is that we can have the best-laid plans for successful farm programs, but unless we have built the power to bring them about, they will never happen. The United Farmer and Rancher Congress must go beyond good programs and plans. It must also be about how we are going to make change. To make change takes power. To get power, we must have a clear vision and organize to demand our rights.

The civil rights struggles of the 1960's reveal important lessons on how to bring about social and economic justice. As Rev. Martin Luther King Jr. wrote from the Birmingham jail, "We faced the fire hoses and dogs. Freedom is never

given voluntarily....it must be demanded by the oppressed....this country never moves until it is forced to move through pressure."

## Grassroots organizing is key

Although farm prices for the U.S. and other countries are made in Washington, and it is important to have good legislative proposals and competent representatives there, we must always remember that the power to make change comes with strong and unified grassroots organizing. Our primary task is to build the pressure from the grassroots on up to the halls of Congress. We must develop a long-term vision of building progressive, grassroots coalitions, if we are to

achieve and maintain economic and social justice for all.

Because of our tie to the land, farmers are on the "front lines" of a critical battle to save our farms, rural communities, and a sustainable environment, and to rebuild a peaceful, prosperous world for all. Our futures and those of our children lie in our hands.

**"Justice is the proper role of all government and people."**

- Thomas Jefferson

Our future lies not in simply protecting relics of our past, but in cherishing and recreating what we have traditionally valued - caring families, democratic and sharing communities, accountable political

leaders and economic institutions, fulfilling work, and soil nurtured for future generations.

These values, though deeply cherished by farmers and rural people, are not peculiar to us. We must do our part by broadening our vision and joining hands with others who value the same things we do. To regain our freedom, democracy, and communities for all people, we must regain our government. It is a long row to hoe. But we have many friends and we have a just cause.

We are not in this fight as a self-*ish* "special interest." Thomas Jefferson put it this way: "Justice is the proper role of all government and people." Saving the family farm is a key component of that role and must be everybody's social justice issue.

Farmers have an historic responsibility during this time of crisis and despair. Regaining control of our government and economic system will not happen without the protest, inspiration, and dedication of the farmers and ranchers of this country and our many supporters. The United Farmer and Rancher Congress provides an historic step in continuing to forge the strong and enduring links necessary to save the family farm system of agriculture and build economic and social justice for all.



*Kansas farm foreclosure protest, February 1985. (Charlie Riedel)*

#### Footnotes:

1. McDonald, Thomas and George Coffman, "Fewer, Larger Farms by Year 2000 - and Some Consequences," *Agricultural Information Bulletin* 439, Washington, D.C.: USDA Economics and Statistics Service, 1980.
2. USDA Annual Price Summary, Washington, D.C., June 1986.

3. Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs, U.S. Senate, "Governing the Heartland: Can Rural Communities Survive the Farm Crisis?" May 1986, p. 4-5, Fig. 1.

4. "Economist See Demise of Small Town," *Omaha World-Herald*, Feb. 20, 1984.

5. "Record low farm assembly," *Des Moines Register*, July 1, 1986, p. 58.



*Kansas farm foreclosure protest, October 1983. (Carol Hodne)*

**"We must do our part by broadening our vision and joining hands with others who value the same things we do. To regain our freedom, democracy and communities, we must regain our government."**





# TROUBLE IN RURAL AMERICA

Carol Hodne

**A**n involuntary migration from the land is in full swing, unmatched since the Great Depression. Low farm prices have eroded farm families' buying power, severely depressing rural economies. Once-thriving communities are becoming ghost towns as their businesses and banks fail and their residents leave. For example, virtually all Nebraska towns of less than 900 residents are predicted to "disappear" by 1990, according to a 1984 University of Nebraska study.

Today's farm crisis is rooted in the dismantling of the cost-effective, prosperity-generating federal farm programs initiated during the 1930's. In contrast, farm programs of the last three decades have been designed to enforce low market prices for farm commodities. The resulting cheap raw materials play a strategic role in US trade and diplomatic policies, bringing tremendous profits to multinational, monopoly grain traders and food processors.

Today's federal farm policies, designed to ensure cheap raw materials here and abroad, are destroying the family farm system of agriculture. Consequently, never before, not even during the Great Depression, have we experienced such destruction of the social and economic structure of rural America.

The farm crisis is having a devastating "ripple effect" on our whole economy, society and political system, making it an issue of enormous importance to all people in the US.

*Carol Hodne is executive director of the North American Farm Alliance. Raised on an Iowa livestock and grain farm, she has done rural community organizing for the last ten years.*

As impoverished farmers stop buying from rural businesses and agricultural suppliers, small business failures, plant closings and layoffs result. According to the U.S. Department of Labor, at least three jobs are lost every time a family farm is liquidated. One business fails for every ten average-sized farm liquidations.

Displaced or impoverished farmers are forced to compete for scarce jobs in both rural and urban areas. (Approximately sixty per cent of all farm income comes from off-the-farm employment.) Minorities and women, already suffering high unemployment, underemployment and low wages, are particularly affected by this competition and the resulting wage devaluation.

The US farm debt, currently \$212 billion, skyrocketed to \$227 billion in the early 1980s, an increase of almost 1,000 per cent since the late 1960s. It is predicted to reach \$465 billion by 1995, according to a Farm Credit System report.

At least one third of existing rural banks are predicted to fold by 1995, according to the same report.

Private banks are likely to lose about \$10-15 billion on bad farm loans, according to Wharton and Chase Econometrics estimates. Wharton predicted that farm loan defaults of this size will shake confidence in financial systems, increasing interest rates to private borrowers by 1.25 percentage points. This could have a significant impact on rate-sensitive industries, such as transportation, oil and automobiles.

The credit crisis worsens daily as farm prices continue to fall, lessening farmers' ability to pay off existing loans and forcing them to borrow more. In addition,

Fellowship April/May 1986

values of land and machinery, pledged as collateral, have fallen at least fifty per cent in the past three years in many areas, making it even more difficult for farmers to obtain credit and further threatening the solvency of lending institutions.

Several midwestern states report that at least half the current farmers are being denied operating money for spring planting because of devalued collateral and inability to show a cash flow due to the low prices set by the 1985 farm bill. These loan denials eventually become de facto foreclosures, which lead to increasing devaluations and continuation of the cycle.

**B**ankrupt farmers, failing rural businesses and unemployed workers can't pay taxes. In 1982 alone, lost tax revenues resulting from below-parity farm prices totalled an estimated \$144 billion. Farmers in many states are unable to pay property taxes, which further threatens state and local governments' abilities to pay for education, roads and other essential services.

The potential impact of losing half of our farmers in the next few years should concern all Americans. US farmers currently control almost \$1 trillion worth of land, machinery and livestock, equal to the value of all US manufacturing industries. Unless current trends are reversed, within a few years half this amount, almost \$500 billion, will pass out of the hands of working farmers and into the hands of banks, insurance companies, large corporations and government. Such a change could deal a serious blow to economic and social justice and democracy in our nation.

The farm crisis also threatens our security. Few issues spark more conflict between the US and Europe than agricultural trade policies. The US government's goals of lowering US farm prices, increasing exports at any cost and weakening European food security systems are leading to a dangerous escalation of US-initiated trade wars with the European Economic Community (EEC). Aggressive scapegoating of European farmers and EEC policies diverts our attention from working together for real solutions to the international farm crisis.

Further, US government-enforced low farm prices, which set world prices for most major food commodities, have a devastating impact on third world agriculture. Cheap US grain dumped on

third world markets makes it nearly impossible for third world farmers to compete, use resource-conserving techniques, and earn more than a subsistence income.

Cheap imports from the US and other countries discourage third world farmers from producing food for domestic consumption, forcing them to grow more non-food, resource-depleting cash crops for export. Greater dependency on food imports increases hunger. Mounting debt and interest payments use up most nations' foreign earnings, leaving little with which to buy food from other countries, no matter how low the price.

With insufficient income caused by low farm prices, farmers often cannot afford adequate soil and water conservation practices needed for a sustainable food system. As their incomes decline, farmers must extract every possible bushel from their soil, primarily through the use of chemicals dangerous to the health of the soil, farmers and consumers.

The destruction of diversified family-owned livestock farms and ranches, through low livestock prices and financial and tax advantages to corporate feedlots, is a major cause of increasing soil and water erosion. Vertically-integrated corporate feedlots benefit directly from the low prices paid to family livestock producers who practice crop rotation, soil protection through pasture and hay production and other conservation measures. Corporate feedlots and poultry factories can buy feed much more cheaply than family livestock producers can produce it. As cattle-feeding has become unprofitable, these farmers have had to plow up fragile hillsides and convert them to cash crop production, greatly increasing erosion of some of our nation's most fertile soil.



Carol Hodne

Finally, our agricultural system is gravely threatened as family farmers are pushed off their farms and replaced by absentee corporate or private landlords, notorious for their indifference towards preserving our natural resources.

Extreme dependence on credit by most farmers has given lenders tremendous control over the livelihood and lives of farm families, leaving farmers vulnerable to illegal and oppressive lending practices. Violations of borrowers' rights have increased dramatically as private and government lenders have sought to reduce the number of delinquent or poor risk loans, or to improve their own financial status by liquidating farms with relatively high equity still remaining.

Farmers' rights to freedom of speech and assembly are routinely violated by lenders who tell activist farmers to stop speaking publicly about their credit and financial problems. In many cases, threats and actual retaliation have been very effective in quelling protest.

The doors to justice have been closed to most farmers because they are unaware of their basic legal rights or cannot locate or afford competent legal assistance.

Despite tremendous pressures, family farmers are increasing their resistance to foreclosures and illegal lending practices and are uniting with others to enact federal farm programs that could remedy the price and credit crisis. Nothing approaching this grassroots rural organizing has been seen since the farm movements of the 1930's that led to enactment of the successful New Deal farm programs. Reviving the militant call of the late 19th century Midwestern populist movement, "raise less corn and more hell," today's activists are using protests of farm foreclosures to demand fair prices, debt restructuring and fair credit practices.

Many farm movement leaders view today's farm crisis within a context of other major national and international problems, such as increased US military spending, intervention in Central America, mergers of large corporations and financial institutions and third world debt. Recognizing that it is unlikely that the farm crisis can be completely and permanently solved in isolation from other key social and economic justice issues, farmers are reaching out to learn about the problems of other groups and forge common solutions to shared problems.



# A legacy of crisis

## Farmer solutions, corporate resistance

Throughout U.S. history, many people have agreed that agriculture is the foundation of our society and economy. Without food to nourish our people and the economic activity surrounding its production, processing, and distribution, the nation would grind to a halt. But like any foundation, agriculture is at the bottom of the structure and is often the least appreciated and most taken for granted. To understand what we can do to save the family farm in the 1980's, we need an historical overview of agriculture's place in our industrial economy and farmers' political responses in previous generations to bring about needed reforms.

During the late 19th century, farmers found themselves exercising less control over the marketing and pricing of their commodities as industrial and financial barons rose to

favor in city halls, legislatures, Congress and the courts.<sup>1</sup>

In contrast, the Industrial Revolution placed agriculture in a more vulnerable economic position. The development of a national market economy, controlled from the industrial and financial centers of the country, led to declining commodity prices and rising input costs.

Awareness grew that "farmers are the only members of society that buy retail and sell wholesale." It also became apparent that as thousands of farmers individually tried to increase yields, the price situation would only get worse.

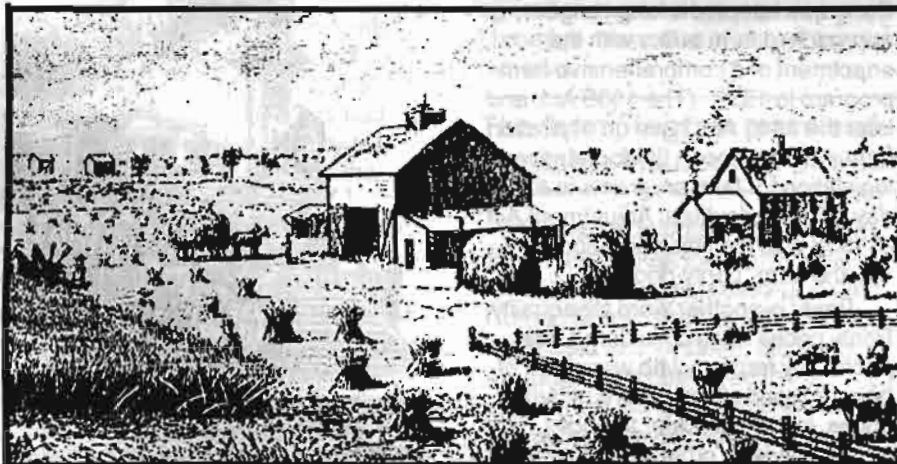
Historian John D. Hicks quotes a Kansas farmer of the 1880's: "We were told two years ago to go to work and raise a big crop, that was all we needed. We went to work and plowed and planted; the rains fell, the sun shone, nature

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**"We were told two years ago to go to work and raise a big crop, that was all we needed. We went to work and plowed and planted; the rains fell, the sun shone, nature smiled, and we raised the big crop that they told us to; and what came of it? Eight cent corn, ten cent oats, two cent beef and no price at all for butter and eggs — that's what came of it. Then the politicians said that we suffered from over-production."**

*- 1880's Kansas farmer*

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greater positions of dominance in the economic, political and social order of the U.S. This powerful new generation of entrepreneurs sought monopoly control of their industries and bought political influence and

smiled, and we raised the big crop that they told us to; and what came of it? Eight cent corn, ten cent oats, two cent beef and no price at all for butter and eggs—that's what came of it. Then the politicians said that we

suffered from over-production."<sup>2</sup>

The new industrial society also brought national "booms and busts" - periods of loose credit and inflation followed inevitably by financial collapse, foreclosures, and longer periods of economic stagnation. Today's farm crisis and farm activism is not something new. Farm unrest spread in the wake of financial panics in 1819 and in 1837, during the post-Civil War currency contraction which led to the depression of 1893, during the economic collapse following World War I and after the 1929 stock market crash.

### Farmers confront the robber barons

In the late 19th century, railroad barons, New York financiers and industrial tycoons opposed the efforts of farm organizations such as

the Grange and Farmers' Alliance who believed they had the right to seek legislative restraints to prevent further economic exploitation and concentration. Big business successfully fought the agrarian demands for railroad and currency regulation and they destroyed the cooperative production and marketing ventures organized by farmers. Nevertheless, the farmers' efforts and legislative proposals laid the groundwork for more successful efforts in later years.<sup>3</sup>

### From price takers to policy makers

The Great Depression of the 1930's devastated rural America and caused agrarian discontent to once again reach a kindling point.

Farmers' agitation spread like prairie fire as large masses of farmers decided to take direct action to save their farms and to secure economic justice. By barricading highways to shut down livestock markets, by forcibly stopping foreclosure sales, and by insisting that local lenders exercise leniency, farmers appeared to be approaching a revolutionary state of mind.<sup>4</sup>

Farm state legislatures attempted to curb the radicalism by enacting moratoriums on foreclosures while Washington moved rapidly to provide relief. Farm mortgages were refinanced at reduced interest rates and on deferred payment schedules. Production control programs were established in the Roosevelt Administration under the 1933 Agricultural Adjustment Act, but they did not immediately increase market

### Ever since 1933, farm prices have been set in Washington, D. C.

prices. Farm groups like the Farmers' Holiday Association pressed for higher prices. The Agriculture Department announced on October 25,

1933, with President Roosevelt's approval, the first non-recourse loan on corn. Continued unrest prodded ten midwest governors at a meeting in Des Moines, Iowa, on October 31, 1933, to demand that the federal government set prices at parity levels.<sup>5</sup> Because of the non-recourse loan however, corn prices immediately recovered to the loan level of 45 cents per bushel, up from less than 10 cents per bushel. Price supports have been written into federal law ever since. It must be understood, then, that *ever since 1933, farm prices have been set in Washington, D.C.*

farm and industrial sectors of the economy were prosperous and in balance.

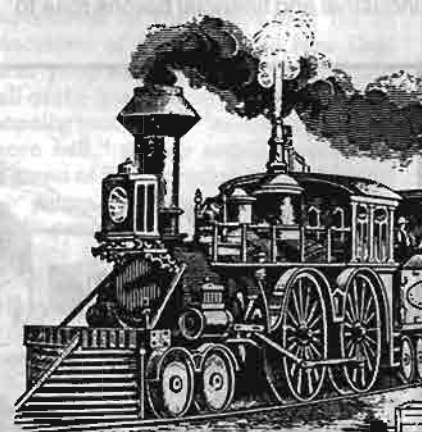
Parity price, in other words, are prices that are indexed for inflation. The parity price of corn in the base period was 67 cents per bushel. In the mid-1970's it was around \$3 because the costs of farming and family living had inflated substantially since 1910-1914. Likewise, the parity price of corn in 1986 was about \$5 because it would take \$5 to buy the same goods that cost about \$3 in the mid-1970's.

The term "parity ratio" refers

**Reflecting on his own experiences in the Agricultural Adjustment Administration, agricultural economist Harold F. Breimyer concludes that: "distress and protest movements in the countryside during the depression had a lot to do with creating the New Deal's laws. Those movements were more influential than all the farm organization presidents and farm economists bundled together. In the final analysis, farm and Congressional leaders were willing to gamble on the Agricultural Adjustment Act of 1933 because they were scared."<sup>6</sup>**

Under continued pressure from organized groups of farmers, Congress adopted a long-range approach to farm policy with the enactment of a comprehensive farm program in 1938. (The 1938 Act, and later the 1949 Act, have no expiration date and have been the foundation legislation for farm programs to this day.) The Agricultural Adjustment Act of 1938 was the first legislation to use the term "parity prices."<sup>7</sup>

Parity is another word for equality. Parity prices were considered "fair prices" by farmers who were tired of being second class citizens. Parity prices, in the law, refer to prices which give farm products the equivalent purchasing power as prevailed in the 1910-1914 base period. As production expenses and family living costs increase or decrease, parity prices change proportionately. The 1910-1914 base period was a time when both



to a statistic that indicates the purchasing power of *all farm products on the average*. The USDA calculates a "prices received" index which indicates the weighted average of all farm products with respect to the base period 1910-1914. The USDA also calculates a "prices paid" index which indicates the weighted



prices of farm production costs and family expenses with respect to the 1910-1914 base period. The parity ratio, then, is simply the ratio of the prices received index to the prices paid index.<sup>8</sup> In other words, if the parity ratio is 50 as it is in mid-1986, then farm products on the average can buy only 50 percent of what they would during a period of 100 percent of parity as in the base period 1910-1914 or in the years 1942-1952.

The campaign to establish decent commodity prices won a complete victory by 1942 when Congress established the price support levels at 90 percent of parity. These loan levels remained in effect through 1952. In those eleven years, the average prices paid to farmers were at or above 100 percent of parity (The parity ratio was at or above 100). These successful farm programs raised market prices and thus were not costly to the government, unlike today's budget busters. In 1957, Representative Harold D. Cooley of North Carolina, Chair of the House Committee on Agriculture, stated, "The Commodity Credit Corporation supported the prices of major storable crops for 20 years prior to 1953, and at that time this program actually showed a 20-year profit of \$13 million."<sup>9</sup>

### Parity brings corporate backlash

Farmers' demands for economic justice led to the farm program of the 1930's and 1940's but the nation's corporate and financial leaders had always opposed any attempt by the federal government to regulate the price and production of farm commodities. They denounced the farm program as unwarranted interference with a free market economy. Urban industrialists and financiers wanted the low commodity prices that their economic power would have assured. Low commodity prices gave U.S. manufacturers a competitive edge in export markets because cheap food meant lower living costs and, thus, cheaper labor costs. Cheap labor and cheap food were two of the key factors in the rise of corporate power in the U.S. By raising and stabilizing the prices



1933 farm auction protest near Denison, Iowa. (Iowa State Historical Dept.)

of farm commodities, the farm program promised a more equitable distribution of income and wealth - a prospect which corporate America viewed with alarm.

The corporate attack against the parity farm program was mounted by domestic processors, suppliers of agricultural technology, and various corporate advocates of export expansion.

### The farm program promised equitable distribution of wealth

Corporate attempts to get Congress to weaken the parity legislation were almost successful in the Truman Administration. With the help of the Cold War hysteria, the parity legislation was destroyed in the Eisenhower Administration with Ezra Taft Benson as Secretary of Agriculture. Export expansionists persuaded Congress to begin dropping the price support levels, arguing that expanded exports and food-aid programs like Food for Peace (P.L. 480) would maintain adequate commodity price levels.<sup>10</sup>

### Exports expand, farm income decline

Instead, the reverse occurred. Even as exports expanded, the purchasing power of net farm income dropped, forcing 2000 farmers per week off their land. The purchasing power of net farm income (in 1967 dollars) dropped from an annual average of \$25 billion during 1942-1952, the parity years, to an average of \$13.3 billion annually from 1953-1972.<sup>11</sup> In 1952, after ten years of parity, net farm income was greater than total farm debt. In 1983, after thirty years of declining farm price supports and the parity ratio down to 56, net farm income was less than farm interest payments!<sup>12</sup>

Net farm income temporarily climbed in 1973 as a result of the massive grain sales to the Soviet Union. It fell again, however, to an annual average of \$12.8 billion from 1974-1980, even though exports continued to expand.<sup>13</sup> In fact, while farm exports increased 143 percent from 1973-1983, net farm income dropped 40 percent during the same period. The grain trade, on the other hand,

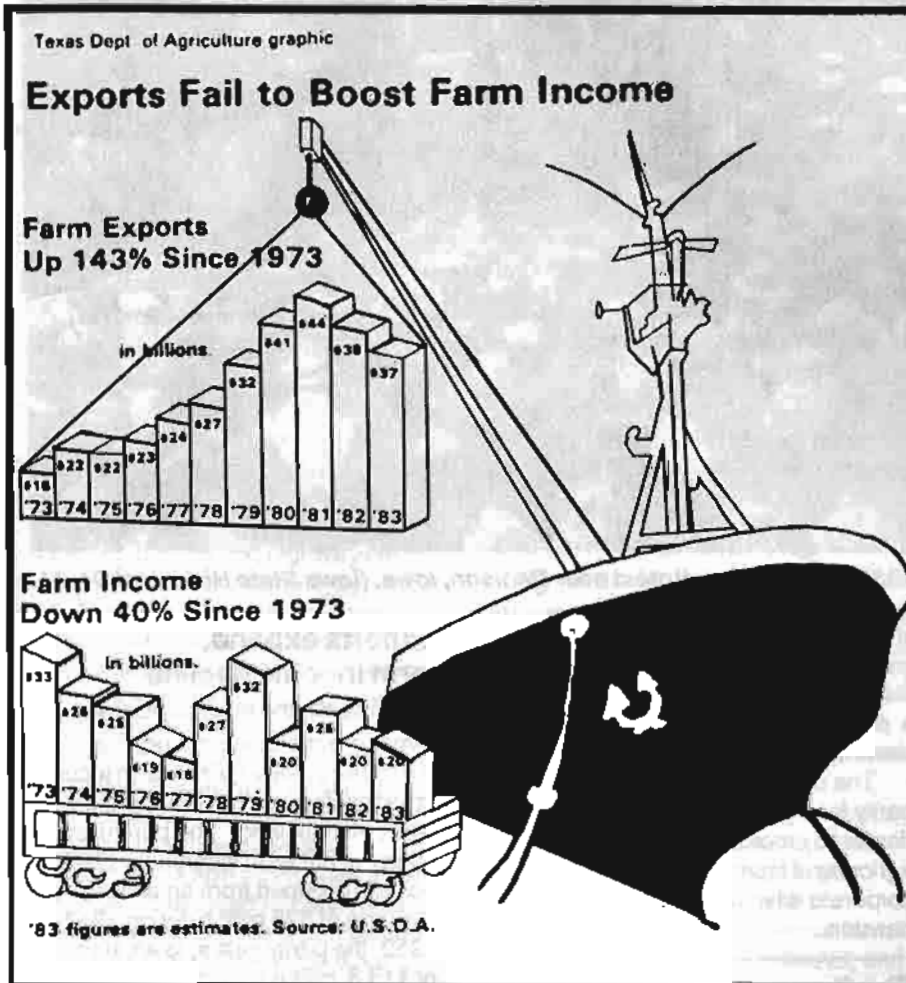


profited enormously from the renewed price instability. Re-establishing price uncertainty in the marketplace enabled commodity traders to reap greater profits from speculation and to strengthen their control over agricultural transportation and processing industries.

countries to dictate the terms of trade with agricultural countries has been the theory of free trade. Arguing that export expansion is the key to prosperity, U.S. and multinational corporations have pressed for the reduction of trade barriers worldwide. In reality, however, free trade works

production through farmland expansion and through the rapid adoption of expensive, yield-increasing technology. The economic pressure makes it difficult for farmers to abandon ecologically sound soil management and other conservation practices as they devote as much acreage as possible to expanding yields in the short-run. Soil conservation and air and water quality fall victims to the system.<sup>14</sup>

Despite the rhetoric, free trade in agricultural commodities is non-existent. State-trading is the rule in international commodity markets. In a 1984 study, the Nebraska Wheat Board found that 95 percent of the world trade in wheat involves *government assistance* as either buyer or seller.<sup>15</sup> In the U.S., the commodities trade is dominated by a few large multinational companies such as Cargill, Continental, Louis Dreyfus, Bunge and Born, Mitsui/Cook, and Andre/Garnac. Ninety-six percent of U.S. wheat exports, 95 percent of corn and 80 percent of oats and sorghum is handled by these companies.<sup>16</sup> Nor does the U.S. government pay much heed to free trade theory if it is inconvenient, as embargoes by Republican and



**Despite the rhetoric, free trade in agricultural commodities is non-existent.**

### The free trade myth: Multinationals free to smash competition; farmers free to go broke

Although export advocates couch their criticism of the parity farm programs in high-sounding rhetoric about free trade, more exports, and efficient production, they are simply obscuring their own self interests. Since colonial times, agricultural countries have been exploited by industrial countries which sought to obtain raw materials as cheaply as possible.

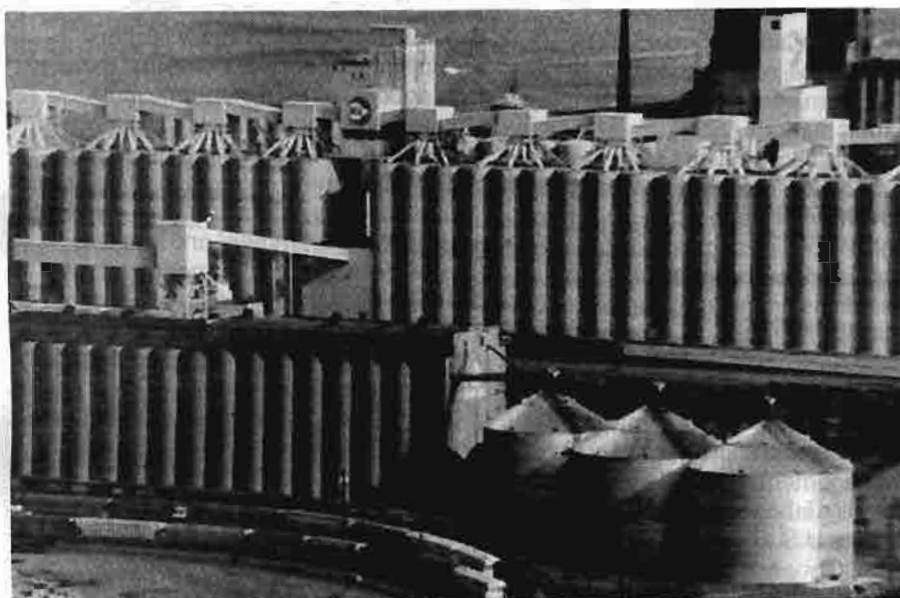
The primary tool used by industrial

to the advantage of the most economically powerful forces, that is, the multinational corporations based in the industrial countries. Multinationals are big enough to control supply and to create demand, thereby having the power to control pricing at both producer and consumer levels.

The theory of free trade is also destructive because it promotes high volume production at lower profit margins for producers, thereby making it more difficult to use sound agricultural practices. Not only are producers forced off the land, but they are also forced to maximize

Democratic administrations attest. While claiming to be free traders, the multinational export expansionists are, in reality, arguing in behalf of strengthening their near monopoly power over the marketplace. With price supports for U.S. commodities driven down to rock bottom levels, U.S. farmers are fully exposed to the predatory manipulation of a marketplace stacked against them.

The free traders in agribusiness, in government, and in the nation's universities said that the profit in agriculture could be increased by expanding production in expectation of "more exports." Farmers' profit



Cargill's elevators in Duluth, MN. (Carol Hodne)

margins shrank, however, as rapidly escalating input and interest costs and falling commodity prices forced them to borrow more. As a result, farm debt climbed from \$59 billion in 1972 to over \$200 billion 10 years later.<sup>17</sup> The free marketers then said the solution to the farm financial crisis was to expand exports further by cutting the price support levels even lower. Instead of bringing prosperity to agriculture, the export expansionists brought a severe 1980's depression rivaling that of the 1930's.

### The corporate export myth

The "more exports" solution is a myth for two reasons: First, the U.S. already is the dominant supplier of agricultural products. In 1984 we supplied over 55 percent of coarse grain exports, over 70 percent of soybean exports, and over 35 percent of wheat exports- by far more than any other nation.<sup>18</sup> Because of our dominance, U.S. price determines the world export price.

Smaller competitors must always make their price competitive in order to stay in the market. (See chart showing corn prices at U.S. gulf port, Rotterdam, and Argentina.) Generally, the quantities they ship are determined by their governments through political decisions on production policies and determin-

ations on the need for foreign currency earnings. The mountains of foreign debt require mountains of foreign currency to pay off those debts. These countries are often prominent victims of the "international debt crisis."

### Low prices for "more exports" backfires for farmers

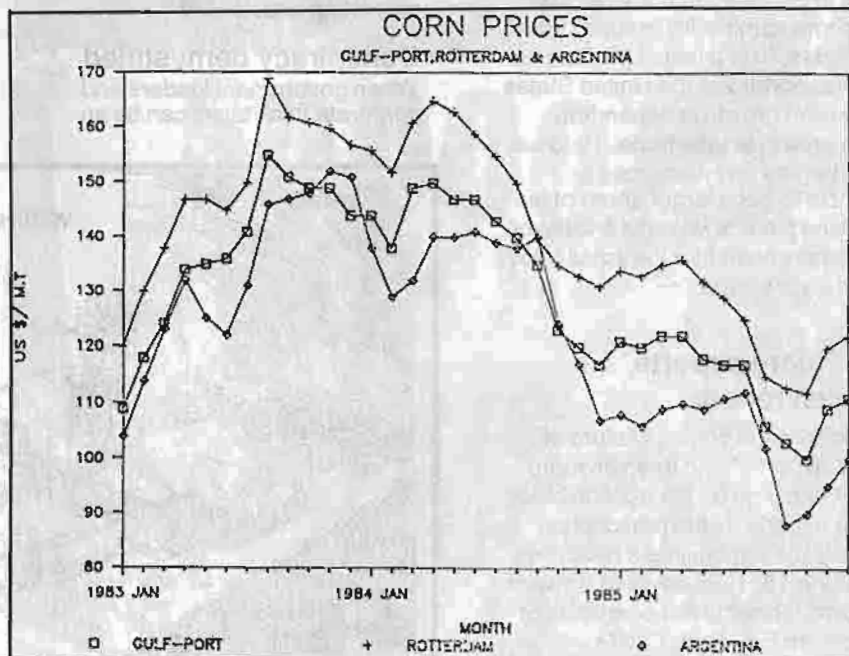
If world prices and thus export earnings are low, other countries are likely to *increase* their production and exports even more in order to

improve their balance of payments to meet their increasing debt obligations. This is often done at the expense of their own food supply.

According to a recent study prepared for the Joint Economic Committee of Congress, this has been Argentina's and Brazil's exact response. The report states, "While U.S. production and exports have been declining, debtor nations in general, and Argentina and Brazil in particular, have greatly expanded production and, as statistics concerning the increasing incidence of malnutrition in both countries indicate, they have increased their exports even more rapidly than production. In large measure, their success in boosting exports has come at the expense of U.S. farm exports . . . Meanwhile, a recent report from Sao Paulo, Brazil, indicates that the number of malnourished Brazilian children increased by 23 million over the past 10 years."<sup>19</sup>

Therefore, the corporate strategy of lowering U.S. price supports might cut U.S. market share even more, and, without doubt, inflict greater harm on family farmers all over the world, U.S. farmers included. To say that hunger and low farm prices go hand in hand may seem contradictory, but the conclusion seems inescapable.<sup>20</sup>

The second reason the "more



Exporting nations will undersell U.S. price no matter how low. (FAPRI)

exports" solution is a myth is that most economic experts don't even project substantial increases in exports. Iowa State University (I.S.U.) Professor William H. Meyers states, <sup>21</sup>"Projections based on the macroeconomic forecasts of Wharton Econometrics, assuming a movement toward market oriented



**Hunger, low farm prices go hand-in-hand.**

loan rates in the United States, do not provide a very bright outlook. Even with substantial declines in the value of the dollar and continued low commodity prices, U.S. exports by the end of this decade still do not recover their peak levels achieved at the beginning of this decade."

Dr. Meyers also warns against the "trade war" strategy proposed by some in the Reagan administration and some commodity groups. He concludes, "It is a fact of life for a major exporter like the United States that export growth is dependent upon growth in total trade. To focus our energies and resources on attempts to get a larger share of the shrinking pie is a wasteful endeavor. It is always easier for the small trader to win such battles."<sup>22</sup>

### The "more exports" broken record

Despite the obvious failure of "more exports," and even as more family farms go on the auction block, "more exports" is the prescription that hits the agribusiness headlines. The June 16, 1986 cover of *Agweek* pictures former U.S. secretaries of agriculture Earl Butz, Orville Freeman, and Clifford Hardin.

headline reads, "Former USDA secretaries join in trade symposium; U.S. farm economy hinges on strong export markets."

This shouldn't be surprising. The support for "more exports" by such government leaders, the grain trade, and big business groups is consistent and unrelenting. The headlines on the front page of *Feedstuffs* reads, "Cargill most visible advocate of change."<sup>23</sup> It is referring to changes Cargill wanted in the 1985 Farm Bill, namely lower price supports and elimination of supply management. The article indicates Cargill's influence on other groups like the U.S. Chamber of Commerce (USCC).

The USCC, one of the groups which lobbied to eliminate parity farm programs in the 1940's and 1950's, issued a new position paper on the 1985 Farm Bill. According to *Feedstuffs*, "The paper contains views similar to Cargill's. For instance, USCC said that the government has been too influential in establishing 'high commodity prices,' and the price-boosting policies have 'threatened to price the U.S. out of world markets . . .' Further, the USCC paper said, the U.S. government should refrain from any crop management programs and take a more aggressive role in promoting exports."<sup>24</sup>

### Conspiracy demystified

When government leaders and corporate think tanks can be so

insensitive to the family farmers' plight, it is not surprising that there appears to be a corporate and financial conspiracy to drive farmers off the land. It is difficult to view the displacement of family farmers as a conspiracy, when one considers how openly government and financial leaders take anti-farmer positions. The displacement of family farmers is, in reality, the natural working of an economic system based on control by the wealthy few.

Although some groups blame the farm crisis on Jewish and English bankers, on communists, on Benedictines or on the Rockefellers, wealth and power in the United States are dominated by Anglo-Saxon, Protestant, Republican and Democratic corporate elites. Their common goal is making money and the easiest way to do so is by assuring their corporations a constant supply of cheap labor and cheap raw materials.

Generally, this is assured by the sheer size of their market power. Compared to multinational corporations, the millions of family farmers all over the U.S. producing similar products have no market power whatsoever. If, consequently, farmers receive less for their production than their costs, tough luck. If this means that family farmers will lose their farms, small businesses will go bankrupt, and workers will lose their jobs, then high sounding rhetoric and slogans like "more exports" must be profusely fed





to the American people so that the corporate victims do not develop political power to achieve parity legislation to challenge the corporate "gravy train." Likewise, we often hear the victims blamed by saying they "over produced" or were "bad managers."

Government programs that originally were intended to protect family farms are turned upside down to keep the system producing while family farmers go broke. PIK programs, huge government payments, export subsidies, bank

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### Government programs intended to protect family farms are turned upside down while family farmers go broke.

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ballouts, a lower minimum wage, and free trade are all touted as big favors for family farmers and other victims of corporate power.

### Farmers and labor join hands

Throughout U.S. history, farmers and labor--the producing class--have been on the same side of the struggle for human dignity and freedom. Both have experienced severe injustice at the hands of freewheeling tycoons.<sup>25</sup> For more than a century, the corporate doctrine of cheap food and cheap labor has kept commodity prices down and wages low. Today, the corporate attack includes a massive public relations campaign to convince Americans that family farmers and workers in many industries have become surplus commodities no longer needed in a high-tech free market economy.

Corporate rhetoric aside, the so-called free market philosophy is merely a tool of wealthy and powerful special interests who use government to promote their accumulation of excess profits at the expense of everybody else. It is not a conspiracy, but the natural result of an undemocratic economic system which has enabled a few to acquire vast wealth and power. Theories of

mysterious conspiracies that can never be proven or fully understood only divide farmers and other people who need to be unified to force changes in government policies.

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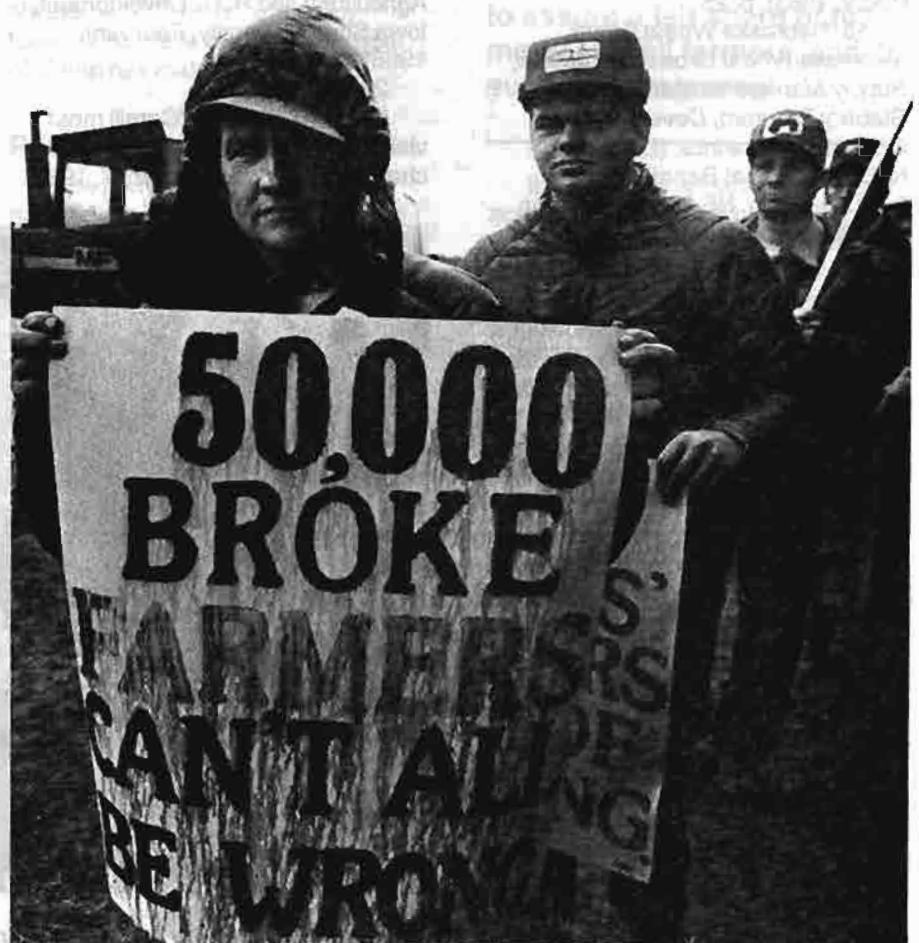
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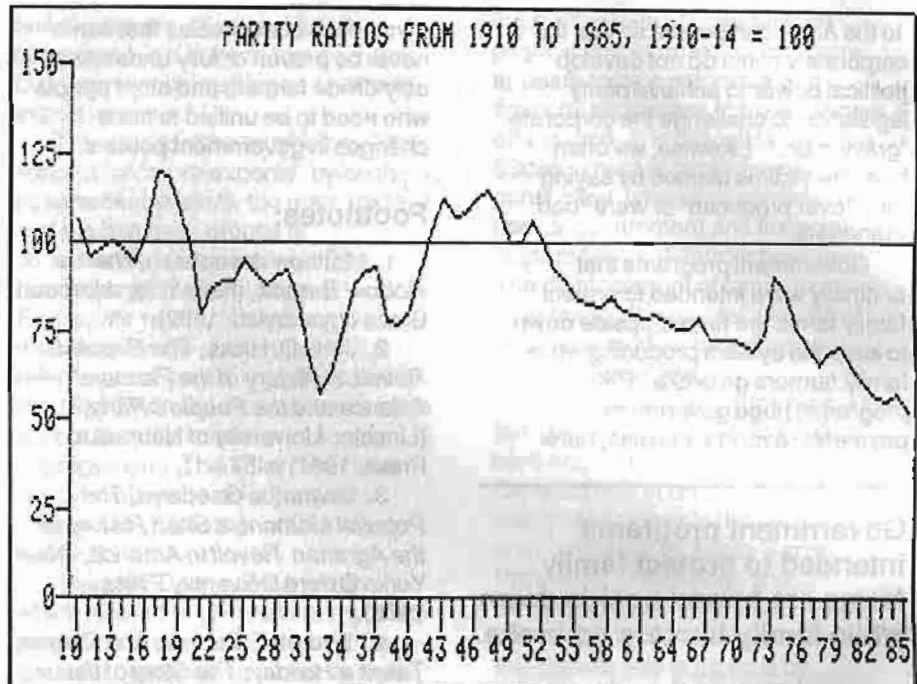
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**For more than a century, the corporate doctrine of cheap food and cheap labor has kept commodity prices down and wages low**



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# Farm bill basics

## *Formula for prosperity and fairness*

It's clear that the "more exports" prescription for family farmers is not and never has been a solution to low farm prices. Since the level of farm prices will be determined directly or indirectly in Washington, D.C., it is important that we understand policy tools that can be implemented today by our government to support the family farm system. Without precise understanding of these farm program tools, it will be impossible to forge the political unity necessary to demand that our government support family farm agriculture rather than the interests of cheap exports.

The organized farmers of the late 19th century challenged the monopolistic system exploiting farmers and focused on creating a more equitable society based on cooperative principles. Although the farmers did not attain their goals in the 19th century, a generation later their proposals were enacted into law by Congress. The stock market crash of 1929 and the subsequent depression exposed the flawed workings of a monopolistic economy for all to see, generating popular support for legislation designed to assure a more equitable distribution of income and ownership of productive resources. The farm program of the 1930's, under the Roosevelt Administration, gave farmers enough economic and political power to stay on their land and stopped the nation's industrial and financial barons from foreclosing on family farm agriculture.

The basic aim of the farm program was to raise and stabilize commodity prices, thereby improving and stabilizing the economies of rural communities and preventing commodities traders from manipulating market prices to their own advantage. The key components of the parity farm bill included 1) price supports with

provisions to assure a fair share of the market for all farmers, and 2) supply management.

The price support program accomplished its task by establishing a floor under market prices. Farmers in those days knew the price floors had to be "the law of the land" before anything would make sense. To balance supply with demand at the price support level, the farm program included a supply management provision to reduce production in an equitable manner guaranteeing each farmer a share of the market based on their production history. The policy tools used to achieve these basic goals should always be contrasted with policy tools that achieve the corporate goal of cheap raw materials.

### Price supports

The primary price support mechanism is the non-recourse loan program administered by the Commodity Credit Corporation (CCC), an agency of the USDA. Non-recourse loans, in which the government has no recourse against any of the farmer's property except the commodity under loan, establish a floor price in the marketplace for farm commodities and provide farmers with the leverage to market their commodities in an orderly manner. All farmers who participate in the farm program are eligible to receive non-recourse loans and are thus guaranteed a share of the market. This non-recourse feature enables farmers to forfeit the commodity, which serves as collateral for the loan, and keep the money from the loan if market prices fall below the loan level. If market prices remain above the loan level, farmers sell the grain in the marketplace and repay the loan plus interest to the CCC.

The loan level itself is set by Congress, though the Secretary of Agriculture often has the power to raise or lower it. Ideally, the loan level should be established at 90 percent of parity, as it was between 1942 and 1952. Commodity loans at 90 percent of parity cause market prices to stabilize around the 100 percent of parity level and, since no direct payments are involved, the loan program is self-sustaining and

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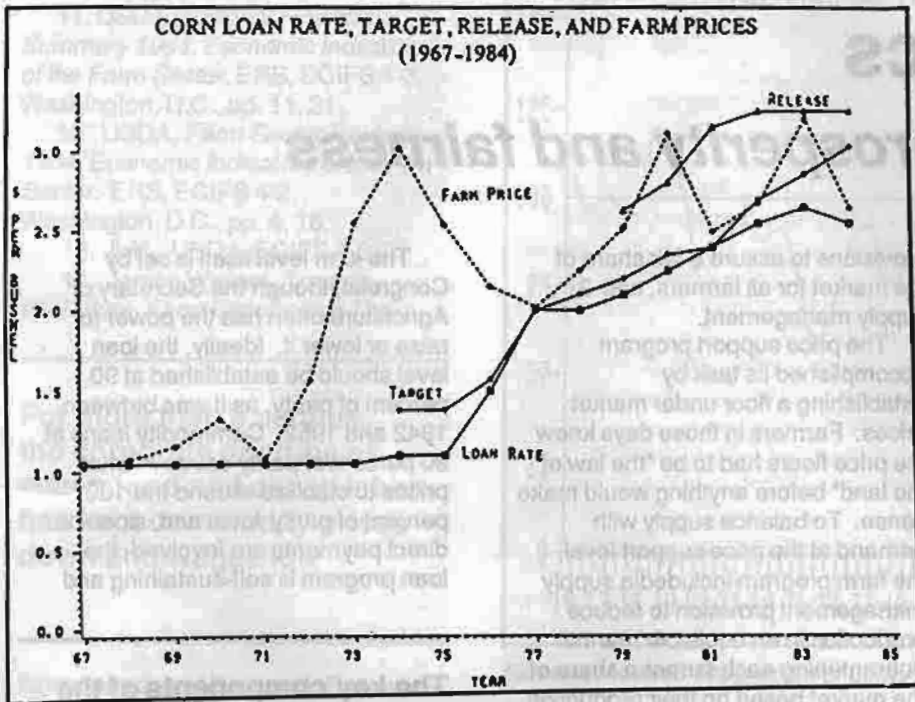
**The key components of the parity farm bill included 1) price supports with provisions to assure a fair share of the market for all farmers, and 2) supply management.**

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It is crucial to understand that *the actual loan level becomes the floor for market prices*. Commodity buyers are not able to obtain cheap commodities because farmers simply would forfeit their crops to the CCC instead of selling at market prices below the loan levels. Maintaining the commodity loans at 90 percent of parity balanced the purchasing power of the farm sector with that of the non-farm sector and restrained debt expansion, thus assuring a high level of liquidity in the banking sector.

When export expansionists persuaded Congress to begin dropping the loan levels in the 1950's, market prices also fell. Facing a steady loss of income, farmers were forced to expand their farm operations and to continually adopt yield-increasing technology. The government's failure to maintain an adequate level of farm purchasing power rapidly accelerated the trend toward larger, more capital-intensive agriculture.





Loan rates set floors and release levels set ceilings on market prices. When these levels are below parity, farm prices and farm prosperity suffer. (CARD)

Today, the loan levels have been dropped to the 40-50 percent of parity range, driving agriculture into a severe depression. As Iowa farm leader Gary Lamb points out, "A safety net doesn't do much good when it's laying on the ground."

A new device, called the "marketing loan" was designed for the 1985 Farm Bill that does not support prices but actually make market prices fall. The marketing loan, which is in effect for rice and may be implemented for other crops, allows farmers to sell their crop and repay their crop loan at less than the loan level. This destroys the price support mechanism and adds even more to government costs.

### Target prices and deficiency payments: corporate formula

The grain trade objects most strongly to the non-recourse loan program which establishes a floor under market prices and prevents price manipulation. Bowing to grain trade propaganda that the price support level had to be lowered in order to expand exports, Congress established a target price program to compensate farmers for the income

they would lose as market prices fell to the lower loan levels.

The target price program authorizes direct cash payment, called deficiency payments, for farmers participating in the farm program if market prices fall below the target price. The target price is higher than the loan level, and the deficiency payment equals the difference between the target price and the loan level, if the market price is below the loan level. Otherwise, the deficiency payment equals the difference between the target price and the market price.

Unlike the commodity loan program which operates at minimal cost to the government, the deficiency payments are a direct payment to producers which the government never recovers. Since loan rates have been lowered, the target price program is simply a cheap grain program for the grain trade. Deficiency payments are export and consumption subsidies for multinational corporations. If the non-recourse loan levels were re-established at 90 percent of parity, the target price program would be unnecessary.

## Supply management

Set-asides and marketing certificates are two of the main supply management tools. Set-asides work in the same manner as an acreage allotment program. Each producer establishes a production history with their local Agricultural Stabilization and Conservation Service (ASCS) office. ASCS, an agency of the USDA, then determines whether or not the supply of any program commodity is likely to exceed program goals. If so, the Secretary of Agriculture may announce a set-aside program to reduce the production of a specific crop. The set-asides are allocated equitably on the basis of each farm's production history and provisions are available for new producers to establish a production base.

The desired reduction in production is accomplished by requiring farmers who participate in the non-recourse loan program to reduce their production on a uniform percentage basis. Larger farmers, therefore, must place more acres into the set-aside than smaller producers.

## The Federal government, influenced by the grain trade's opposition to the farm program, abandoned not only its commitment to adequate price support levels but also to a consistent, long-term supply management program.

A marketing certificate limits the amount of commodity a farmer can sell based on production history. This device can be used in conjunction with set-asides or production decisions can be left up to the producer.

Since the 1950's, the set-aside program has not balanced supply and demand because the federal government, influenced by the grain trade's opposition to the farm program, abandoned not only its commitment to adequate price

support levels but also to a consistent long-term supply management program.

Once Congress had dropped the price supports to such low levels, many farmers had no incentive to participate in the meager set-aside programs that were announced. In order to obtain broader participation in set-aside programs, particularly during election years, Congress authorized "paid diversions" for farmers as compensation for a portion of the acres they were to place in the set-aside. These direct payments increased the cost to the government and usually had no effect on market prices.

The Payments-in-Kind, or PIK program, represents another attempt by the federal government to reduce the large commodity stocks which have accumulated because low loan levels and market prices forced farmers to expand their production. In 1983, as an incentive to encourage participation in the set-aside program, the Secretary of Agriculture offered to compensate farmers, not with direct cash payments, but by allowing them a partial payment in the form of grain in the government stockpiles. The intent was to avoid the increased cost of direct cash payments and to reduce the cost of carrying a large government inventory.

A major drought accompanied the PIK program, which lifted market prices but reduced the amount of production farmers had available to sell. In the absence of the drought, the release of government grain stocks under the PIK program would have had a depressive effect on market prices. In any case, PIK was conceived only as a stop-gap measure. The government's failure to adopt a consistent, long-term supply management program has caused stockpiles to continue mounting while prices slide even further.

The PIK idea was resurrected again in the latest farm program. Part of the deficiency payments is being paid by PIK and it is the general consensus that these payments are simply freeing up government stocks to further depress market prices.

Likewise, "export PIK" gives bonus bushels to selected foreign customers to regain their patronage. Again this may tend to have a depressive effect on market prices.<sup>1</sup>

### **Bountiful harvests should be a blessing**

Reserves are an important aspect of supply management. The blessing of a bountiful harvest should not be used as an excuse to break domestic markets or to dump surpluses on the markets of farmers in other parts of the world.

The parity farm programs that were established in the 1930's included provisions for grain reserves. Called the Ever-Normal Granary, the reserve program authorized the USDA to allow farmers to store their grain for a specific time period and to receive a non-recourse loan as payment for the storage. The federal government

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### **Under parity programs, the federal government could not release its grain stocks onto the market, if doing so would drive market prices below parity.**

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built its own warehouses to store forfeited commodities, thus giving the USDA a key role in leveling out the wide swings from glut to scarcity in grain production. Under parity programs, the federal government could not release its grain stocks onto the market if doing so would drive market prices below parity. Farmers, consumers, and livestock feeders were all protected by this system.

When the grain trade persuaded Congress to begin weakening the farm program in the 1950's, however, the government started dumping its stocks onto the market in a manner calculated to drive market prices down. This practice angered farmers and made them suspicious of any attempts re-establish a government-controlled reserve program.

Congress overcame the opposition by enacting a farmer-held reserve in the 1977 Farm Bill. Unfortunately, the farmer-held reserve included provisions for triggering release of the stocks at relatively low market prices. The farmer-held reserve thus became a dumping mechanism which placed a low ceiling on market prices and on farm income.

### **Parity program worked; it can work today**

Farm policy tools abound and no doubt more could be fabricated by corporate bureaucrats. But if the intentions of the government were to benefit family farms, farm programs would not need to be so complex or mysterious.

After five years of experimentation with new farm programs during the early years of the 1930's depression, Congress, in 1938, adopted a long-range comprehensive farm bill with non-recourse loans and supply management as the key components of the program. The loan levels finally were raised to 90 percent of parity in 1942 and farm prices averaged just over 100 percent for the next 10 years.

The obvious reason that farm programs of this period achieved parity for farmers is that parity was what they were intended to achieve. On the other hand, corporate-authored farm programs since the mid-1950's failed to provide parity because they were only aimed at providing cheaper commodities, and in turn cheaper labor, for their corporate purchasers.

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### **The obvious reason that farm programs of this period achieved parity for farmers is that parity was what they were intended to achieve.**

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Also, the parity farm programs had a mutually supportive effect on the rest of the economy.



From economic observations, the advocates of parity discovered that each dollar of farm income multiplied seven times in the national economy as it passed from hand to hand in trade channels. Farm commodities valued at parity brought balance back to the economy, creating new purchasing power and economic activity based on the circulation of earned income, not on debt expansion at high interest rates.

Thanks to the parity farm program and other price stabilization measures, the economy was solvent, the dollar was stable, inflation was minimal and no post-war depression occurred as had been the case after World War I. If every citizen of the U.S. understood the importance of parity to the health of the overall economy, a parity farm program might be the law of the land today.

In the 1985 farm bill debate, the Farm Policy Reform Act sponsored by Senator Tom Harkin of Iowa and Representative Bill Alexander of Arkansas was the closest approach to a parity farm program. It would have raised price supports to 70 percent of parity on most basic storable commodities with further increases in succeeding years, eliminated deficiency payments, and required mandatory production controls after approval by a farmer referendum. The Farm Policy Reform Act

would have increased net farm income, drastically cut government costs, and even increased export earnings despite slightly lower export volume.<sup>2</sup> Opinion polls indicate that most farmers today favor similar legislative provisions which clearly represent the interests of family farms rather than the interests of corporate, export-oriented agribusiness.<sup>3</sup> A farm program that strengthens family farms and the

whole economy can work today, if that is its intention.

In light of the disastrous consequences of the 1985 Farm Bill, there are renewed grassroots efforts to push for enactment of the Farm Policy Reform Act. New provisions for a dairy program, emphasizing higher price supports and a quota system to assure family farm production, will be included this time.



Kansas farm protest (George Naylor)

### Multi-state survey: farmers support supply management

July 1, 1986—A poll sponsored by the League of Rural Voters Education Project found that 91 percent of the respondents said they favored the right to vote in referendums for or against government farm programs.

The poll surveyed 1,340 scientifically selected crop and livestock producers in eleven midwest and western states. The poll showed that 64 percent of farmers and ranchers preferred production cutbacks to boost prices, while only 24 percent said they wanted full production at world market prices.

Wheat producers included in the poll indicated support for the upcoming USDA wheat referendum by a 227-203 margin.

At least 50 percent of the respondents said they wanted higher prices with mandatory production controls. Only 23 percent wanted legislation that calls for full production, and 19 percent said they wanted a two-tiered price support program.

Among meat producers included in the poll, 54 percent said that low grain prices have hurt the red meat industry. Only 26 percent said that the low grain prices have helped. At least 55 percent of the beef producers questioned in the survey said low grain prices had hurt their operations. Among hog producers the figure was 36 percent.

### 1985 Farm Bill — policy upside down

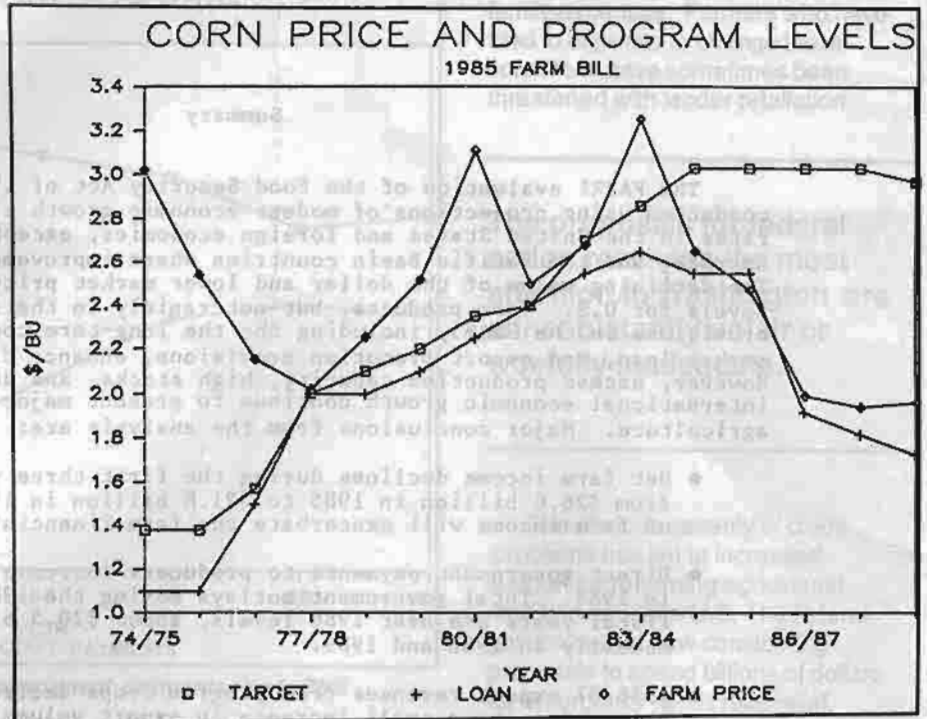
A look at central Iowa harvest bids for corn and soybeans will tell you that the new 1985 Farm Bill isn't of the parity type. Corn at \$1.54/bu. and beans at \$4.48/bu. and possibly going lower—both less than 40 percent of parity—can only spell disaster for the majority of farmers. After nearly two years of debate among farm, corporate, agribusiness, commodity, and other groups, President Reagan signed the 1985 Farm Bill, also known as the Food and Security Act of 1985 (FSA 1985), on December 23, 1985. The final version of the bill retains many of the policy instruments in the 1981 Bill, but intensifies the pressure for family farmers no matter where they



farm or what they produce. Once again, the intentions of the first farm programs have been turned upside down for the benefit of multinational corporations.

Loan rates, which were maintained at a constant level during the previous four years are reduced greatly under the Act to increase U.S. agricultural trade competitiveness. Target prices are also maintained at 1985 crop year levels through 1988, but then are allowed to decline by 10 percent during the remaining three years. Additionally, participants in supply reduction programs are "sheltered" during the transition to lower market prices by deficiency payments tied to target prices. Part of the deficiency payments will be advanced as PIK which will contribute to the price slide to lower levels. The last instrument of note in the bill is the "expanded export provision," also known as export PIK, which permits the use of CCC stocks as payments-in-kind to foreign customers in an attempt to regain their patronage.

The 1985 Farm Bill claims to "move U.S. agriculture to a more competitive position in world markets." Because loan rates, which act



Lower loan rates mean lower farm prices for the duration of the 1985 farm bill. (FAPRI)

as price floors, will be reduced by 5 to 25 percent in 1986, market prices are predicted to fall. This means direct government payments to producers are expected to rise

to \$15 billion in 1988, as compared to \$8 billion last year. But even with this increase in deficiency payments, net farm income is expected to decline to less than \$20 billion over the same period, thus worsening the farm financial crisis, according to another FAPRI report entitled "An Analysis of the Food Security Act of 1985".<sup>4</sup> The same report indicates that by 1989, nearly 75 percent of net farm income will come from government payments! FAPRI's conclusions don't include the possible implications of the Gramm-Rudman-Hollings legislation, which could reduce payment levels to program participants by 10 to 30 percent. But the analysis and projections do assume variable growth in U.S. gross national product, moderate increases in inflation, declining unemployment, volatile interest rates and a depreciating U.S. dollar. A full summary of the report's conclusions are included on page 20.

The Food Security Act of 1985 is distinctive in three ways. First, it is the most complicated farm bill yet. Second, it will cost the federal government more than any other farm bill. And third, the price supports,



North Dakota rally, March 1985 (Terry Pugh)

## Summary

The FAPRI evaluation of the Food Security Act of 1985 (FSA85) was conducted using projections of modest economic growth similar to current rates in the United States and foreign economies, except for Africa, Latin America, and the Pacific Basin countries where improvement is anticipated. The declining value of the dollar and lower market prices improve export levels for U.S. farm products, but not rapidly in the short run. The new provisions in the FSA85, including the long-term conservation reserve, the market loan, and export promotion provisions, enhance U.S. trade volume. However, excess production capacity, high stocks, and domestic and international economic growth continue to present major problems for U.S. agriculture. Major conclusions from the analysis are:

- Net farm income declines during the first three years of the FSA85, from \$26.6 billion in 1985 to \$21.8 billion in 1989. This reduction of farm income will exacerbate the farm financial situation.
- Direct government payments to producers increase to nearly \$15 billion in 1988. Total government outlays during the 1987, 1988, and 1989 fiscal years are near 1986 levels, about \$20.5 billion, only falling modestly in 1988 and 1989.
- 1986/87 export revenues from program crops decline with the lower prices despite a small increase in export volume. Generally, there is export volume expansion across the board as market prices decrease by approximately 20 percent.
- Annual farm prices for wheat, corn, soybeans, rice, and cotton decline as loan rates are reduced; for cotton and rice, the market loan is applied. By 1988/89 annual farm prices for these crops are \$2.27/bu., \$1.96/bu., \$5.05/bu., \$5.18/cwt., and \$.43/lb., respectively.
- Annual livestock prices rise initially, due to existing cycles and inventory buildup incentives associated with low feedgrain and soybean prices, then decline. By 1989, average annual prices for beef, pork, and chicken are \$58/cwt., \$40/cwt., and \$.43/lb., respectively. Dairy prices continue to be determined by support levels.
- Participants relative to nonprogram participants have returns over variable costs that are much higher, (e.g., about \$63/acre against \$6.38 acre for wheat in 1988/89). These differentials in returns are due to falling loan rates and/or the market loan and target prices that move lower more slowly, resulting in substantial deficiency payments.
- Excess capacity in U.S. agriculture remains high. By 1988/89 actual production is near use, but potential supply from idled land and beginning stocks approximates 250, 160, 120, 190, and 210 as percentages of actual production levels for wheat, corn, and soybeans, rice, and cotton, respectively.

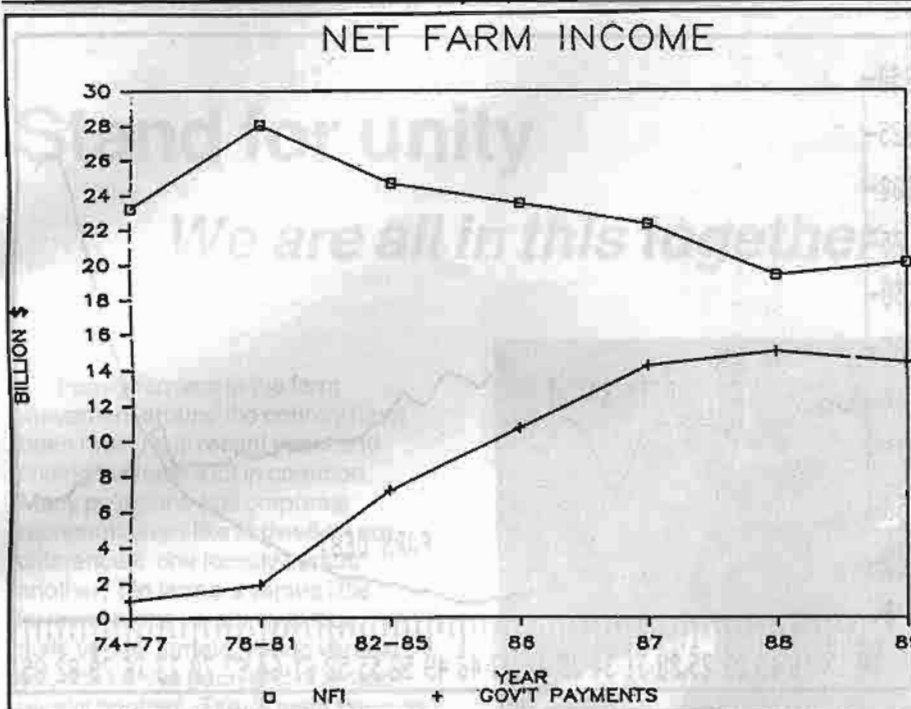
Farm commodity prices, gross farm receipts, and net farm income show little prospect for improvement due to unanticipated changes in external factors used to condition the FAPRI evaluation. Excess capacity at the lower target prices remains a problem that will require sustained change in the economic conditions affecting agricultural income and trade, if the economic situation for U.S. agriculture is to improve.

### From AN ANALYSIS OF THE FOOD AND SECURITY ACT OF 1985

Farm and Agricultural Policy Research Institute

Staff Report #1-86

By Abner W. Wornack, Robert E. Young II, William H. Meyers and S.R. Johnson



**Under the 1985 Farm Bill, income falls and government payments rise to 75% of net farm income (FAPRI)**

In terms of percent of parity, are set at levels lower than any previous farm bill. In other words, the corporate purchasers of farm products have never received such a good deal.

#### Credit: no substitute for fair prices

Because of the last thirty years of farm prices aiming for sub-parity prices, farmers substituted credit for

earned income, and amassed a total of over \$200 billion in debt by 1982. Interest payments became a major farming cost, and on the average were more than net farm income.<sup>5</sup> The downward spiral of asset values, financial stress and the threat of foreclosure have imposed constant burdens on many farm families. Some of these burdens include turning operating decisions over to lenders and begging for money to cover basic



**Rev. Jesse Jackson supports Missouri farmers during a protest of the FmHA, April 1984. Borrowers wore brown paper bags to avoid reprisals.**

family expenses. Farmers who have tried to organize to change these conditions have sometimes been threatened with lender retaliation

**The proposals for federal action receiving the most attention in Washington are either blatantly unfair or woefully inadequate.**

The obvious severity of credit problems has led to increased support for reforming agricultural credit policy in the U.S. The federal government is now considering proposals to spend billions of dollars for emergency farm credit relief. Unfortunately, the proposals for federal action receiving the most attention in Washington are either blatantly unfair or woefully inadequate. One proposal, known as "loan warehouses," would use government money to rescue agricultural lenders, but would sacrifice the farmers. Other proposals would facilitate debt restructuring negotiations between farmers and lenders with a combination of lender forgiveness and government funds to write down loan principal and interest rates. But these proposals are flawed in that many farmers will fail to cash flow even with the proposed principal and interest write downs.

#### Fair credit plan

A popular proposal among farmers is known as the "Fair Credit Plan," which would help both farmers and lenders who are in trouble. Payments on money advanced by the government to restructure the debt would be deferred until farm income improved to make the payments possible. This provision would direct public attention to the fact that higher farm commodity prices are necessary to solve the agricultural financial crisis.



We must remember that farm debt wouldn't be a problem today if parity prices had been the goal of recent farm programs. It should be clear that the only real solution to the farm crisis is a fair price.

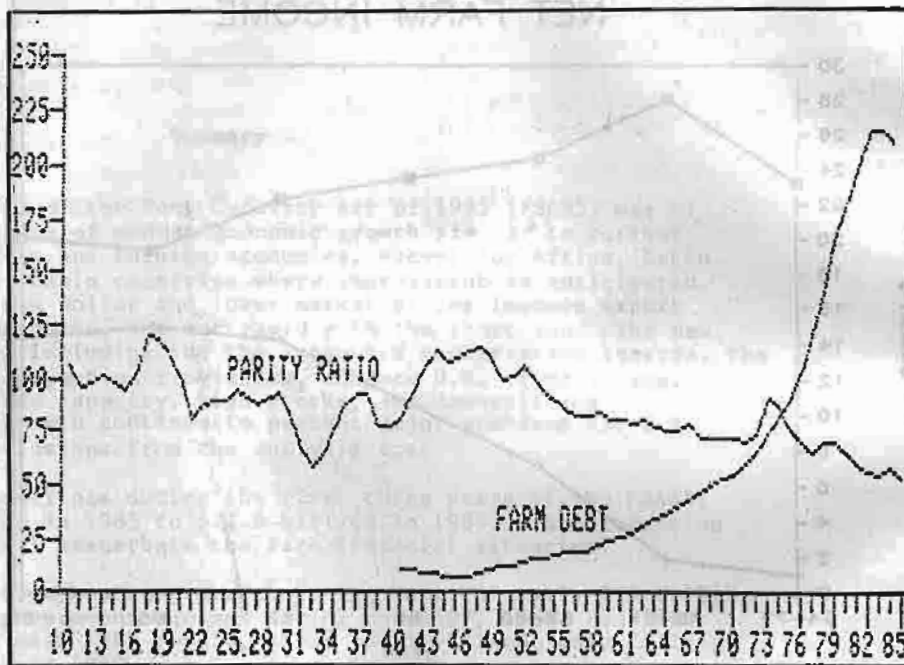


"Give us a fair price and we won't need FmHA." Wisconsin protest October 1984

**Footnotes:**

1. William H. Meyers, *Emerging Trade Policy Issues: The Hard Choices*, (Ames, Iowa: The Center for Agricultural and Rural Development, Iowa State University, February 1986), p. 5.

2. S.R. Johnson, et. al., *Options for the 1985 Farm Bill: an Analysis and Evaluation*, (Columbia,



Since 1952, farm debt rose as parity ratio fell. (ISU Extension Service)

Missouri: Food and Agricultural Policy Research Institute, University of Missouri-Columbia, Iowa State University, 1985) pp. 48-56.

3. "Kansas Farmer Opinion Survey Results," *Kansas Farmer*, November 16, 1985.

4. Abner W. Womack, et. al. *An Analysis of the Food Security Act*

of 1985, (Columbia, Missouri: Food and Agricultural Policy Research Institute, University of Missouri-Columbia, Iowa State University, February 1986) p. 21.

5. USDA, National Financial Summary 1984, Economic Research Service 1984, Economic Indicators of the Farm Sector, Economic Research Service, ECIFS 4-3.

# Stand for unity

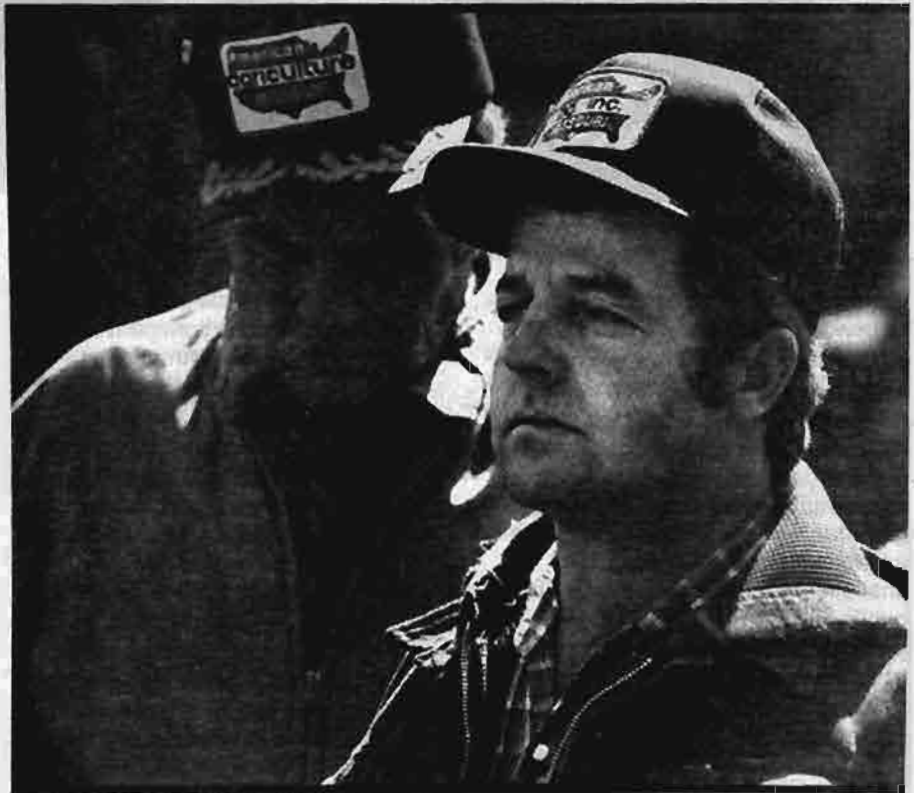
## *We are all in this together*

Family farmers in the farm movement around the country have been meeting in recent years and finding we have a lot in common. Many politicians and corporate representatives like to dwell on our differences: one locality versus another, big farmers versus little farmers, crops versus livestock, male versus female, young versus old, rich versus poor, and one race versus another. They'll even bring up the luck of the weather.

### **U.S. producers must stand together**

The reality is that all family farmers have commodities to sell, bills to pay, and hopes of having a little money left over for living expenses, a vacation, and a little savings. Family farmers produce basic commodities like feedgrains, wheat, oilseeds, milk and livestock in almost every state. It only stands to reason, if basic farm price support policies and trade policies are intended to achieve fair prices for these common commodities, the prices of other commodities would more likely be fair. We are all in this together!

Most family farmers produce several different commodities. By rotating various crops and forage, by raising livestock, and by maintaining cover crops on more fragile parts of the farm, family farmers have traditionally conserved precious soil and water. This traditional diversification has avoided disease and pest problems that result from specialization and monoculture found on corporate farms and plantations. Family farmers are the best equipped to produce healthy food and conserve precious resources. We are all in this together!



*We are all in this together!* (IPG)

Culturally, too, family farmers have a lot in common. We have a common kinship and heritage to pass on to future generations. We share the values of respect for nature and the stewardship of the land, the responsibility to family and community, and the integration of family life to make both work and play enjoyable. At the same time, the many kinds of farmers with different backgrounds contribute to the healthy diversity of our society. Society has a lot at stake in saving the family farm. We're all in this together!

The bottom line is this: we will achieve public policy that will save all kinds of family farms or we will save

none of them. We must turn back politicians and corporations who pit family farmers against each other. We are all in this together!

### **Women share the load**

Women carry a major share of the load in confronting the farm crisis within our families and communities. For example, as farm family income declines, more and more farm women are forced to seek off-the-farm jobs, where earnings average only 44 cents for every dollar earned by rural men, adding to their already major responsibilities as wives, mothers and poorly-paid farm workers. As family stress increasingly leads to depression, suicide, domestic



*More than 400 women attended a Rural Women's Conference held in Des Moines, Iowa, in January 1985. (Bill Gillette)*

violence, divorce, and alcoholism, farm women's traditional role as emotional caretakers has become especially important. Within the farm movement, farm and rural women activists are taking their rightful place as leaders in saving their farms and communities, especially at the grassroots level. Women are taking an increasingly active role in challenging public policies through public education, lobbying, and protests, and need to be represented at all levels of organizational and policy-making leadership. We are all in this together!

### **Black and minority land loss: a national disgrace**

In addition to facing the general farm crisis, Black and other minority farmers face the results of decades of racial discrimination in credit and other government agricultural policies. Blacks suffer a land loss rate of 350,000 acres per year, a loss so severe that if government policies are not changed, our country faces the tragedy of "no more black farmers by the year 2,000," according to a U.S. Civil Rights Commission report. (See "Black Land Loss: The Other Crisis in Rural America.") Solidarity among Black and white farmers is building a unified response to the Black land loss crisis as a key struggle for social and economic justice. We're all in this together!

The first stewards of the land on the North American continent were, of course, the Native Americans. More than any other people, they have viewed mother earth with respect and understanding. Native Americans' regard for the sacred land and the special gift of water continues to this day. Many Native Americans have expanded their economic base to include ranching and farming for which water is so essential. While low cost government loans have helped foster some of these activities, most government activities have worked to deny Native Americans their rightful access to their sacred land. Many times this has been for the benefit of multinational corporations in their drive for cheap mineral, timber, and agricultural resources. Sound familiar? We're all in this together!

One often forgotten group of "farmers" are those who don't own or rent the land they farm. These are farm workers who do much of the hand labor from the citrus groves of California to the vineyards of upstate New York and every state in between. Many farmworkers are of Hispanic or Caribbean descent. Working on huge farms often owned, operated, or contracted by large corporations, hard working farm laborers have endured discrimination, poor housing and education. The lack of labor laws or their enforcement has allowed their health to be threatened by inade-

quate water supplies, lack of sanitary facilities and by exposure to dangerous pesticides. Recently, a farm workers union, the Farm Labor Organizing Committee, fought back with a consumer boycott to get a large tomato processing firm to agree to three-way negotiations between the corporations, the local farmers, and the farm workers. Now a price for tomatoes can be negotiated that will provide a fair return to the farmer and fair wages to the workers. We're all in this together!

### **Livestock or grain? Diversified family farms**

A prime example of misinforming the public and dividing farmers politically is the corporate tactic of pitting livestock producers against feedgrain and soybean producers. This is an artificial division of family farmers.

Livestock production traditionally has been an integral feature of family farm operations. Family farm livestock production has traditionally provided a more regular source of income than cash grain, making it easier for producers to generate a cash flow throughout the



*Anne Kanten, Asst. Commissioner of Agriculture of Minnesota and grassroots activist. (Bill Gillette)*

year. Family farm livestock production provides a steady, inexpensive source of fertilizer, incorporating the biological principle of returning organic matter to the land



# The other crisis in rural America

## Black land loss

By Ralph Paige

There is currently a crisis in rural America for family farmers. Between a quarter and a half of all of America's remaining two million farmers are experiencing serious financial and debt problems. For many, these difficulties will mean the end of a life and a livelihood in farming unless the government acts to change the laws, policies and situation affecting rural family farmers.

This crisis is particularly acute in the rural South where Black family farmers have been in a "continuous crisis" for the past 50 years. Black farmers have faced not only the general decline in the farm economy but also racial discrimination, neglect and economic exploitation. Black farm ownership and farm population has declined steadily and at a more rapid rate than for white farmers for most of this century. In 1910, there were less than 100,000 black farmers owning 15 million acres while in 1980, there were less than 7 million acres.

Black farmers are losing land at an astounding rate of 1,000 acres per day or 350,000 acres per year. In a 1982 report titled, "The Decline of Black Farming in America," The U.S. Civil Rights Commission found that there were only 57,000 black commercial farmers (sales above \$2,500) owning 4.7 million acres in the U.S. The report warns that unless the policies of the U. S. Department of Agriculture are changed, "there will be no more black farmers by the year 2,000."

Blacks have not been abandoning their land for the lure of the urban environment. Southern rural Blacks have been and continue to be involuntarily and systematically forced to migrate from land they have nourished and been nourished by for over a century. The Black landowner/farmer faces an extremely distressing future unless policies and accompanying programs are designed and implemented to halt the decline in Black land ownership.

Historically, landowners/farmers who are Black have had to sell their land in the face of mounting financial and legal pressures. They have had to rid themselves of accumulated debt; been

victimized by unscrupulous attorneys, realtors and speculators and have received separate and unequal treatment as a result of the South's land tax, partition sale and foreclosure system. In addition, there is an underextension of program services and resources traditionally offered by the federal government to Black landowners. That is, as a farmer/landowner, the Black landowner is at a distinct disadvantage when it comes to access to capital, markets and government-funded programs.

It is also significant that the Black farm population throughout the South comprises an average of as much as 30% of the total farm population in some areas and as high as 40% in Mississippi. Mississippi is the poorest state in the union and has the highest concentration of Black owned land. As these statistics indicate, there is much disparity between the government financial assistance available for white farmers and that available for Blacks. Landowners and farmers who are Black not only fail to have the advantage of amenable financial assistance programs, they have also underutilized other government assistance programs. Their very narrow understanding of the number and range of rural development services available often-times prevents their utilization of such. Lacking this knowledge, they often fail to benefit from the programs, thereby missing out on many ways to boost their economic position. Also contributing to the bleak situation for rural Blacks is the understaffing and poor organization of the government assistance programs present in many southern counties.

Because of limited and often underutilized resources, little support or financial backing and unscrupulous tactics by outsiders, much idle and unproductive land has been abandoned and/or sold since it frequently creates an uncompensated drain on family resources.

The result is that quietly, inexorably, and perhaps deliberately, the Black community is being severed from the land. At the current loss rate, over \$150 million dollars is being lost to the Black

economy annually and very soon, Blacks could be a landless people. Already 46% of Black farm families in 1976 lived below the poverty level, as compared to 15% for all farm families. Black farmers are three times more likely to be poor.

The transformation of America's Black population from an almost entirely rural-based people to a people unemployed in declining urban areas bespeaks the urgency of the problem we are facing today.

*Reprinted with permission of CALC Report, Jan.-Feb., 1986.*

*Ralph Paige is Executive Director of the Federation of Southern Cooperatives and Land Assistance Fund which works with over 15,000 black family farmers by organizing cooperatives and providing training, support and advocacy. For more information, write 100 Edgewood Ave., N.E., Atlanta, GA 30303 or call 404-524-6882.*



Illustration by Chas Bible

North American Farmer

February 28, 1986

in order to rebuild soil depleted in the production process. From the viewpoint of society, family farm livestock production means a more economically stable farm sector, healthier animals, and an ecologically sound system of dispersed production which avoids the pollution problems of feedlot operations.

### A devastating transformation: family farms to corporate feedlots

Unfortunately, concentrated, industrial-type livestock production has been replacing family-type operations at an ever increasing pace. Empty barns and hog houses that dot the countryside are poignant reminders of the diversified family farms that once fueled prosperity in every rural community.

Export-oriented, cheap-feed farm programs, lack of enforcement of antitrust laws, and tax loopholes for corporate and tax-sheltered livestock investment are public policy decisions that have encouraged this devastating transformation.

About ten broiler chicken firms control 70 - 80 percent of U.S. production through a phenomenon known as vertical integration. One corporate umbrella often covers every phase of production from country elevator to feed mill to

processing plant to distribution.<sup>1</sup> By 1978, 50 percent of all fed beef was produced in only 400 feedlots. Many small feed lots have disappeared since then. From 1978 to 1984, 32 percent of U.S. hog farms

Farm price support policy is one area where corporate livestock factories have won victories since export-oriented farm bills became the rule in the 1950's. Low commodity price supports favor them over



A vanishing sight—a well-conserved, diversified family farm (Carol Hodne)

quit business while the larger operators of 500 head or more increased in numbers by 11 percent.<sup>2</sup> Some corporate hog factories now have as many as 16,000 sows at one location! Predictions that the hog industry will follow the trends of broiler chickens are quite common.

Public policy needs to be analyzed with these trends in mind. Questions of who produces food and how it is produced affect everyone. The question must be asked, "Does this nation want diversified family farms or specialized corporate agriculture?"

diversified family farms, since these big outfits buy all their feed (from family farms), while livestock on family farms eat feed raised right on the farm. The cost of producing that feed, whether it be grain or forage, is the key cost consideration, not the market price of manufactured feed.

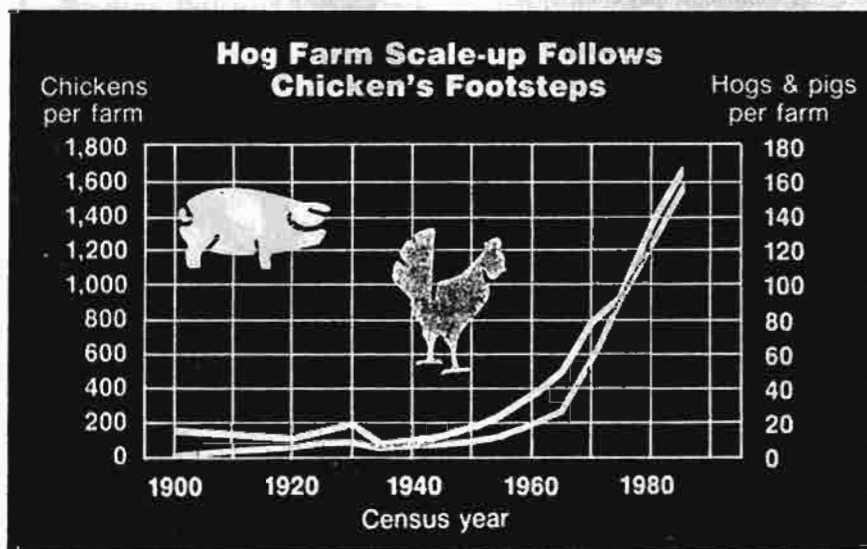
Nevertheless, USDA officials, agribusiness spokes- persons, and many politicians often wring their hands and say, "We can't raise price supports on grain and soybeans because then the higher priced feed will hurt livestock producers." Yes, corporate livestock producers.

### Divide and conquer

It is this kind of "divide and conquer" tactic often promoted by farm commodity groups that produced the 1985 Farm Bill. The clear result will be to provide cheap feed for the corporate feed mills at the expense of family farmers and U.S. taxpayers.

Just how low are feed prices these days? The USDA "feed price" index stood at 114 in early 1986 (100=1977), compared to the more general "farm costs" index at 163. In other words, the costs that most family farmers face every day have inflated four times faster than feed costs since 1977.

Another point to remember is the  
(continued on page 28)



(Reprinted with permission of Farm Journal)

# Corn price, cattle price: Is there a relationship?

WESTERN LIVESTOCK JOURNAL, Sept. 16, 1985

The old saying "Cheap grain makes for cheap cattle," has been disputed back and forth for years. Whether it is true or not is hard to say, but reviewing the last 30 years would lead one to believe the saying is true.

A record corn crop of 8.27 billion bushels has been forecasted for 1985, and near record total corn supplies (when coupled with beginning stocks for this year) mean continued abundant supplies of cheap feed grains for 1985, and some say until 1987.

On the cattle side, liquidation of breeding stock continues. And prices for slaughter cattle have hit some of their lowest levels in the last seven years.

Adding these domestic situations, with the reduced emphasis placed on exports of U.S. agricultural commodities, and an interesting paradox develops. Lawmakers are presently faced with this situation in developing farm legislation for 1986.

According to a report in the *Western Livestock Round-up*, published by the Western Livestock Marketing Information Project, the relationship between corn prices and cattle prices is far from perfect, but there appears to be similarities between the trends exhibited for corn prices and those exhibited for Omaha slaughter steers. In general, steer prices have tended to increase during the same time frame as the corn prices have increased and vice versa.

As feed grain prices become cheaper, the report states, there is an incentive for cattle feeders and others to increase grain feeding to livestock. As a result, more meat production occurs and the general

level of livestock and meat prices may be depressed.

Another argument for a positive relationship between the two commodities is being expounded by some respected livestock economists who are rather pessimistic in their outlook for the cattle market in 1986. This school of thought holds that the general price appreciation or depreciation for all agricultural commodities moves somewhat together. Thus, when corn prices are higher, the results of higher priced corn are reflected back into asset values such as land.

As a result, it requires higher priced livestock to earn a capitalized return on the higher priced land. Conversely, when corn prices are lower and land prices decline, the equity positions of livestock operators also are reduced. The reduction in net worth is reflected by the declining asset values, and livestock prices move lower.

This particular school of thought would hold that if grain prices are to remain depressed over the next few years then livestock prices cannot escape this general deflationary trend in the agricultural complex. This fact, coupled with continued large meat supplies at or near record levels, leads these analysts to predict significantly lower livestock prices during 1986.

On the other hand, there are those that feel there is no direct price relations between corn and cattle, but rather a very general relationship between farm commodities. When examining the price of feeder cattle in relation to fed cattle prices and corn prices, feeder cattle prices are inversely related to corn prices. That is, as corn prices

move higher feeder cattle prices move lower and, conversely as corn prices lower feeder cattle prices tend to increase. However, over the longer term, the *WLR* report says, feeder cattle prices are influenced more by fed cattle prices. Thus, if the relationship is positive between fed cattle prices and corn over the long run this also means that the price relationship between corn and feeder cattle prices is also positive.

There have been times in the past ten years when low cattle prices were associated with high corn prices and high cattle prices were associated with low corn prices. The most recent time period this occurred, was in 1981 and 1982 as corn prices were moving sharply lower while cattle prices were in a sideways to higher price pattern.

As lawmakers huddle over the nation's farm policy, the adage of cheap corn and cheap cattle cannot be ignored. From strictly fundamental supply and demand relationship it would appear likely that cattle prices could be significantly higher in 1986 than in 1985. Beef supplies will de-

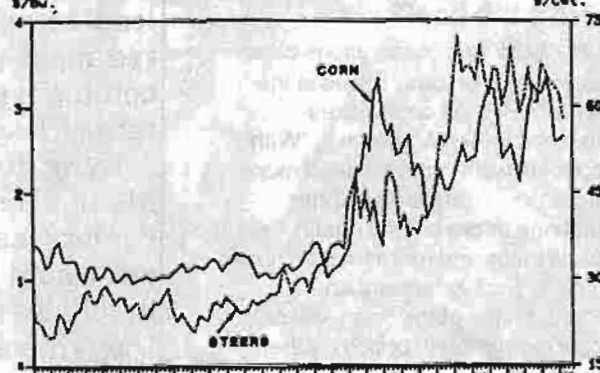
cline next year, probably by as much as 5% or more, according to the *WLR*. Total meat supplies, although still historically large, could decline around 2 lb. per person from the record 1985 per capita supplies.

However, if cheap corn prices do result in larger than anticipated expansions in pork and poultry production, total meat supplies may not decline. Instead, a fourth consecutive year of record total per capita meat supplies may be established again in 1986. This would not bode well for cattle prices next year.

Also, if there is truth in the school of thought that cattle prices cannot escape a general deflationary trend in grain prices, then chances of any type of significant rally in cattle prices during 1986 are reduced. Prudent cattle producers will not let profitable opportunities for forward pricing, either through contracts or futures markets, escape them in the midst of expectations for higher 1986 prices, predicts Bob Price, project leader of the Western Livestock Marketing Information Project.

## CORN & CATTLE PRICES

U.S. Average Corn Price & Omaha Slaughter Steers



Western Livestock Marketing Information Project





North Dakota Farm Crisis Rally, March 1985 (Terry Pugh)

old adage, "Cheap corn makes cheap livestock." In other words, livestock prices tend to follow feed prices. This is backed up by Dr. Gene Futrell, Extension Economist at Iowa State University, who states that the statistical correlation coefficient of corn prices and Choice steer prices, a measure of how closely one price follows the other, is +0.72, "indicating a fairly strong correlation between the two prices." He found the correlation coefficient between corn prices and barrow and gilt prices to be +0.74.<sup>3</sup> More discussion of this issue is featured in a reprint of the article, "Corn Price, cattle price: Is there a relationship?" on page 27.

### Where's the beef?

Agribusiness corporations clearly see the logic of lower prices in the 1985 Farm Bill. As one spokesperson said in *Agri Marketing*, "With cheap feed, we're going to feed more livestock . . . That means higher populations, more animal health products sales and more feed volume moved."<sup>4</sup> Family farmers and ranchers, on the other hand, will only see one result: lower prices for their livestock.

Dr. Mark Edelman noted, "Based on recent USDA data, a Chicago

Mercantile Exchange publication shows that feed costs account for 73 percent of the production costs of poultry whereas feed costs represent only 31 percent of the production cost of cattle. Therefore, if future farm policy is designed to lower domestic grain prices, poultry might become even more competitive to beef."<sup>5</sup>

That's just what the 1985 Farm Bill does. In other words, more and

cheaper chickens raised by corporate chicken factories will be flooding the market while family farmers and ranchers will experience even more severe financial losses resulting in more herds being liquidated. (Cheap feed is also responsible for much of the over production of milk. To keep milk production down, the 1985 Farm Bill provides a "Whole Herd Buy-out" which eliminates entire dairy farms.)

### The Deadly Vicious Circle

What will happen to the no longer needed pasture and hayland that often occupies the more fragile land on family farms? Will it be plowed up, opened to erosion, and fertilized and sprayed to raise more corn and soybeans? According to the USDA, about 60-85 percent of the land converted to crop production during 1975-82 was in pasture or range use, and corn and soybean production accounted for 35-40 percent of newly converted crop-land.<sup>6</sup> Does this process make sense when the USDA tells us we already have overproduction of corn and soybeans?

This is a deadly, vicious circle that affects every citizen and every future citizen, for everyone is dependent on productive soil, healthy food, and clean water and air.

## Cheap grain may boost meat output

Lower loan rates will reduce grain prices this year about 25% compared with last year, which is likely to lead to an increase in U.S. red meat production in the coming years, USDA Secretary Richard Lyng said.

Lyng told the American Meat Institute's annual conference the 1985 farm act would make feed grains much less expensive than they have been in recent

years. He said historically that would increase production of red meat, but recent statistics show decreased beef and swine populations and lower cattle on feed levels, according to KRF.

However, he said "that will not prevail," because the trend in past years has been that producers would increase production to use the lower cost grain.

*Consequences of cheap grain is understood by policy makers.*

*(Reprinted with permission, Western Livestock Journal, June 2, 1986)*

Everyone has a stake in encouraging diversified family farms. Everyone has a stake in farm policy that would price commodities fairly.

### U.S. citizens must stand together

Agriculture is truly a national industry and should be the concern of all U.S. citizens who all deserve an abundant supply of safe, nutritious food. Also, every state has some farmers, and agricultural policies affect the environmental quality of their city neighbors. Abuse of soil and water today may mean hunger for future generations.

The agricultural industry, including farming, transporting, processing, manufacturing, and retailing of food and fiber is the nation's number one industry. It employs more than 22 million people, 20 percent of the nation's work force. The combined agricultural industry accounts for \$610 billion annually, 20



*Black farmers in the South have struggled to survive by forming farm co-operatives.*

**The farm crisis poses a grave threat to basic goals and values of all Americans - a secure food supply, a sustainable environment, a prosperous economy, a just and peaceful society, and a democratic government.**

percent of the Gross National Product.<sup>7</sup>

The USDA reports that farm operators spend \$45 billion annually on goods, services, and personal taxes. In addition, they spend about \$140 billion annually for production goods and services.<sup>8</sup> As farmers cut back on spending and change their pattern of spending, the jobs and income of many U.S. citizens from rural communities to cities are affected.

The farm crisis poses a grave threat to basic goals and values of all Americans - a secure food supply, a sustainable environment, a



*Missouri farmers show support for striking Hormel meatpackers*

prosperous economy, a just and peaceful society and a democratic government. We must all join hands to understand the links between these issues and to increase our political clout. We're all in this together!

### **Rural communities: life or death**

The economic health of rural communities is tied directly to the economic health of farm families. The value of what farmers do ripples well beyond the farmstead; three to five dollars of economic activity in each state are generated with each dollar of farm income. Yet the direct effect of the crisis is most clearly seen in rural cities and towns. Many small businesses have suffered financial difficulties in recent years. From 1981-1985, farm equipment expenditures dropped 35 percent and 1,712 U.S. farm equipment dealers closed their doors, for example.<sup>9</sup>

University of Nebraska economist Larry Swanson found that the present trend in agriculture towards

### **Fewer but larger farms means the eventual extinction of most Nebraska towns with fewer than 900 residents. One of every ten retail stores will go out of business in small towns by 1990.**

fewer but larger farms means the eventual extinction of most Nebraska towns with fewer than 900 residents. Swanson says that by the year 1990 those towns will be struggling to survive because there won't be enough farms to support their businesses, schools, and other important institutions. In fact, one of every ten retail stores will go out of business in small towns by 1990.<sup>10</sup> These trends led University of Missouri sociologists to ask whether there will be an adequate infrastructure in rural America to service those farms that survive the present farm crisis.<sup>11</sup>



*Unsold tractor inventories mean idle plants and workers. (Carol Hodne)*

### **Land values plummet leaving rural services in shambles**

Drastic farm income losses, as well as huge declines in land values since 1981, mean a reduced capacity to support rural public services and an increased burden on non-farm property. A greatly diminished property tax base is directly effecting schools, roads, health care, social services and other government services traditionally supported through property taxes. As the land shifts from farmer-owned to government-owned in foreclosure proceedings, the tax base is redistributed. The government is not required to pay property tax on land it holds. Also, depressed farm income means a tremendous loss of revenue to the state from income taxes. The support base for non-governmental institutions, such as churches, clubs, and schools, as well as governmental institutions, are threatened. All of these losses diminish the quality of life in rural communities.

### **The ripple effect: a Minnesota case study**

The ripple effect of the farm crisis on rural communities was shown by Doug Wirtish of the Faribault Area Vocational-Technical Institute in Minnesota.<sup>12</sup> Even with figures considered conservative by some based on records kept for thirty years, the total loss to the local area would be \$6,576,000 and 30 non-farm jobs lost.

Wirtish predicted a loss of fifty farms in a year, ten percent of the total five hundred farms in the local area, with forty families being forced to leave the area to find jobs. The result would be \$580,000 less paid to other farmers and businesses for custom work and replacement heifers, feeder pigs and feeder cattle. Sales of fertilizer, feed, other supplies and repairs would be cut by \$2,300,000. If labor costs are assumed to be twelve per cent of gross sales, then fourteen related jobs would be lost.

Farm suppliers would have to write off \$326,000 in bad debts, while farm equipment sales would be down \$590,000.

With the fifty farms out of business, \$184,000 less would be paid out to farm workers. Then with forty of these families leaving the area, \$421,000 less would be spent on food, clothing and other expendable items. With eighty children lost from the school district, state aid would be cut \$118,000 and there would be seven fewer teachers. Banks and other lenders would face loan defaults amounting to \$1,856,000.

### **Rural banks threatened**

Rural banks have been hard hit by the farm crisis. Since 1981, there have been 329 bank failures in the U.S. In 1985 alone, 120 banks failed, which is more than any year since 1933.<sup>13</sup>

Many rural bankers, more than city bankers or interstate bankers, feel a direct responsibility for maintaining the viability of their local



community and economy. They also understand their welfare and survival is closely tied to the survival of the family farm. The Independent Bankers Association of America, an organization of mostly rural bankers, has urged production controls and minimum prices for basic agricultural commodities.<sup>14</sup> And Bankers for Agriculture, an organization of 500 rural bankers in 20 states, backed the Farm Policy Reform Act.<sup>15</sup> They know we are all in this together!

### Labor shares our goals

Most families in the U.S., especially labor families, can look back a generation or two to find farming in their heritage. Throughout our history, people often moved from farm to city and sometimes back to farm. Many immigrants often worked in mines and on railroads, struggling to save enough money to buy a small farm. Today, many farm families must hold off-farm jobs to hold on to their farm.

Organized farmers and workers have often worked for common goals. In the mid-1800's, farmers and workers came together to oppose the establishment of slavery in the western territories. The railroads, oil companies, and packing companies always provided a focus for common concern. Corporate interests who hire workers and buy farm products have worked to divide farm and labor movements for their own benefit.



*Increasing numbers of rural bankers are supporting higher prices as the primary solution to the credit crisis. (Carol Hodne)*

When the corporate attack against the farm program swung into gear after World War II, labor also came under attack. In the midst of a war-torn globe, U.S. corporations saw an opportunity to dominate world markets. They again argued that in order for U.S. agricultural and manufactured products to be competitive in world markets, commodity prices and wage rates would have to be competitive. Corporate lobbies began chipping away at both price supports and union legislation gained during the Roosevelt Administration. The same arguments about remaining competitive that were used to lower farm price supports were applied to U.S. labor costs as multinational corporations laid off workers at home and moved many of their operations abroad to take advantage of cheaper labor. Between 1970 and 1985, the purchasing power of labor's wages actually dropped<sup>16</sup>

### The rural exodus

Lowering price supports fueled the rural to urban migration providing millions of fresh workers. Today's lack of farm purchasing power has translated into many ag-related layoffs. Fewer than 50 percent of farm implement jobs exist today as compared to 1979.<sup>17</sup> The ripple effect has hurt other industries such as steel, rubber, glass, and paint.

Today, labor faces hostility from government and corporate blackmail

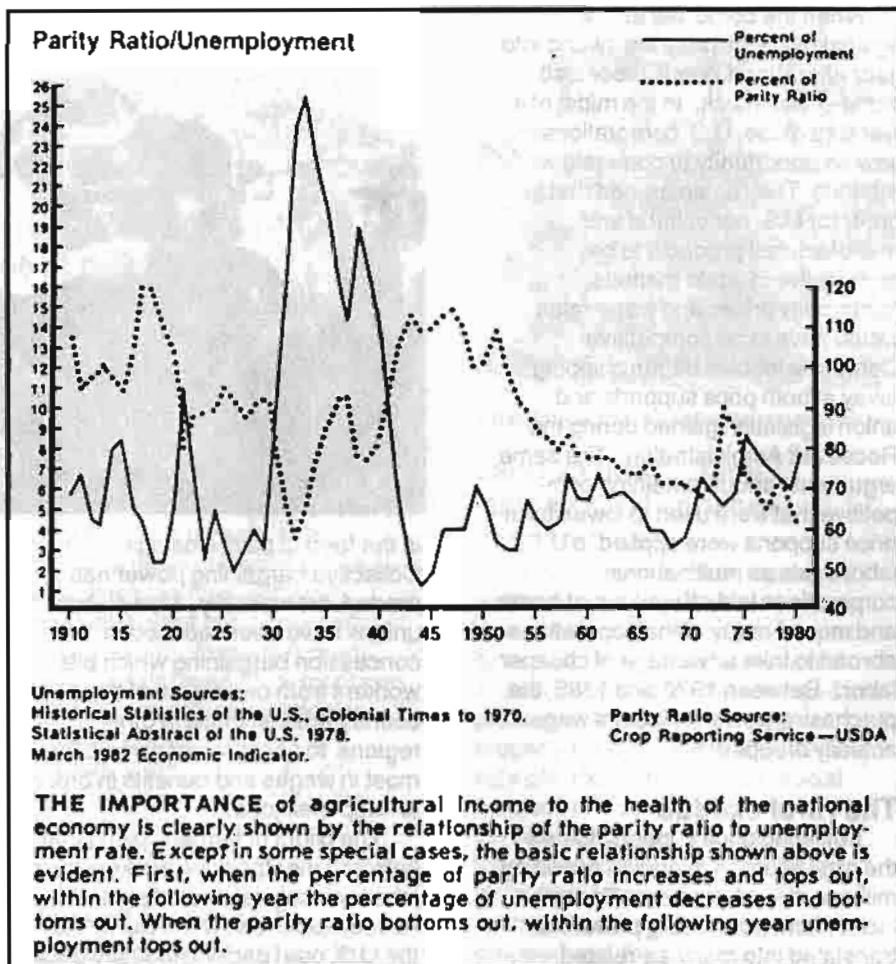


in the form of plant closings. Collective bargaining power has eroded dramatically. Many labor unions have been reduced to concession bargaining which pits workers from one region of the country against those in other regions to see who will give up the most in wages and benefits in order to keep their jobs.

The plight of farmers losing markets and meatpacking workers losing jobs is closely related. As an Associated Press writer put it, "As the U.S. beef packing industry began decentralizing, it looked for areas with slaughter-ready cattle and a non-union workforce that would accept lower wages than were paid in urban centers."<sup>18</sup> Instead of blaming each other for their declining economic status, farmers and labor must confront the corporate system which is driving them into poverty and powerlessness. We are all in this together!

### Consumers need us; we need them

It would be hard to find a person living today who is not a food consumer. A healthy nation requires an abundant, nourishing, safe food supply. As family farms have disappeared and our society become more urban, most U.S. citizens have come to rely on a massive food system to process and transport food from hundreds or thousands of miles away. Since large corporations dominate this system, some



largest farm management company. Farmers National Company operates 3,700 farms in nine Midwestern states. The value of the real estate controlled by the management firm is \$1 billion. Metropolitan Life and Mutual of New York also bought large farm management firms.<sup>22</sup>

Large transfers of land from family farmers to farm management firms will have tremendous implications for our environment and quality of life. Consider the view of Sam Clark, a major agricultural consultant who manages land for absentee owners, "I won't permit myself or anyone working for me to become emotionally involved with the livestock, land or the people on the operations I manage. Such involvement has been the downfall for more than one otherwise good farmer or rancher."<sup>23</sup>

### The problem is cheap raw materials, not cheap food

Another important change in the food marketing system in recent decades has been the emergence of large conglomerate corporations, mostly through mergers. The most notable feature of these mergers has been the acquisition of very large companies. In 1981 Oscar Mayer Company (\$1.8 billion), Standard

consumers have raised questions of whether food shouldn't be more than highly processed, chemicalized, vitaminized, and advertised brand name items produced for corporate profit. If so, then consumers would benefit from a healthy, decentralized family farm system. Preventing the take-over of U.S. farms by investors and corporate agribusiness and the resulting concentration is in the best interest of consumers.<sup>19</sup>

An important change in the food and fiber production system is the increased concentration and control of the farm sector. The structure of agriculture has undergone significant change during the past thirty years. To illustrate how profound the trends are, two USDA economists project that by the year 2000, the largest one percent (about 18,000 farms) could account for about half of U.S. food production. The smallest 50 percent of the farms would account for only

about one percent of U.S. food production.<sup>20</sup>

But these trends are not occurring because of economies of scale or cost advantages, according to Iowa State University economist Earl Heady, because these economies are largely exhausted by the time Corn Belt farms reach 480 acres in size or produce 2000 swine annually.<sup>21</sup> So the concentration of the farm production sector is due to other causes such as low farm prices.

### Corporate agriculture — picking the bones

There should be no doubt that big corporations will be ready to pick up the pieces from the 1980's farm crisis. In early 1986, Metropolitan Life Insurance Company, one of the nation's largest insurance and financial service organizations, purchased the Farmer's National Company in Omaha, the country's



Brands (\$3.0 billion), Iowa Beef Packing (\$4.6 billion), and Norton Simon (\$2.2 billion) were acquired through mergers. This one-year total value of mergers (adjusted for inflation) was more than occurred during the preceding three decades, according to economist Willard F. Mueller.<sup>24</sup> So by 1981, not only are all large food companies conglomerated to some degree and heavily involved in further merger activities, Mueller says, but 100 corporations control about 75 percent of the assets of all corporations engaged mainly in food manufacturing.

Already, consumer overcharges because of diminished competition in the food industry have approached \$14 billion annually, or \$200 per family, according to former Federal Trade Commission economist Russell Parker.<sup>25</sup> The source of these overcharges has not been the farmer, but the highly concentrated processing and food manufacturing sectors. For example, corn flakes cost consumers over \$250 per bushel, although the farmer gets less than \$2.50.

The farmer's share of the retail food dollar has been declining right along with the parity ratio. In 1951, when farmers still got 100 percent of parity, the farmer's share was 49 cents. Today with the parity ratio at 50 percent, the farmer's share is 31 cents (if food eaten away from home is included, the farmer's share is only 25 cents).<sup>26</sup> The accompanying graph shows that has risen during those brief moments when the parity ratio increased.

Numerous public opinion polls have demonstrated consumer understanding of their vested connection to a viable family farm system. The polls indicate consumers have a willingness to pay more for food if the increase goes to farmers.<sup>27</sup> Low income consumers may have trouble absorbing even a small increase in food prices. This fact is becoming more appreciated by farmers also. Under the grassroots-generated Farm Policy Reform Act, food assistance would have increased by 12 percent, and average benefits would be about 10 percent more than the increase in food costs

under the act. So farmers are seeing their connections with consumers, the poor, and with those who advocate for social justice in society. We are all in this together!

### Global citizens must stand together

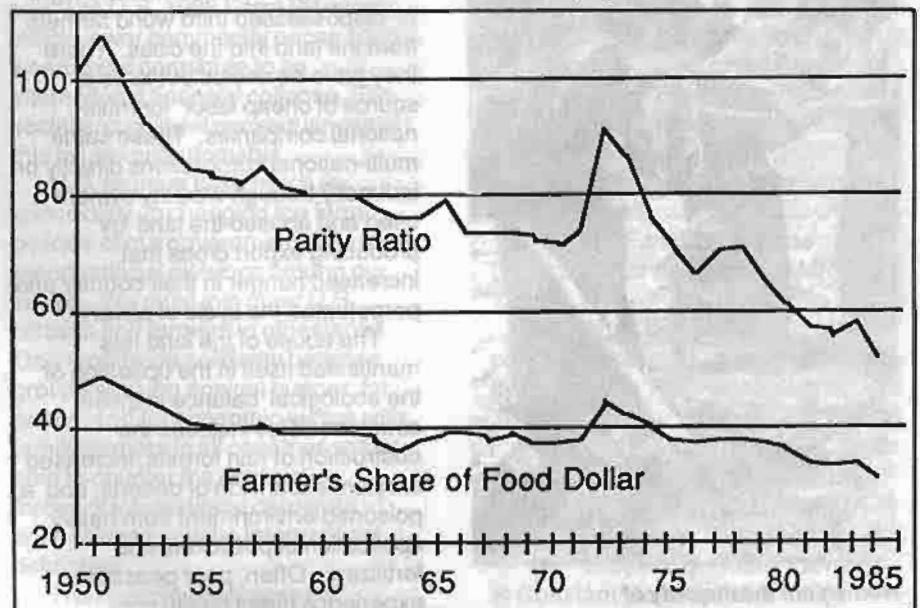
Agricultural and trade policies of the U.S. no longer affect just U.S. farmers, U.S. consumers, or U.S. soil. Huge ships fan out from a few exporting countries to many far-away lands that once were self sufficient. Satellites circle the earth monitoring crops and broadcasting the latest news of markets and the political decisions that effect those markets. Just as U.S. family farmers experience economic and political forces that disregard their welfare, so too, farmers and peasants in other lands work under the same impersonal but powerful forces. Policy decisions made in the U.S., the world's largest exporter of agricultural commodities, set forces in motion that radiate out and can eventually return with unforeseen and often dire effects.

A global free market has been the goal of U.S. trade and agricultural policy since World War II. U.S. corporations possessed an economic advantage over firms struggling to regain their footing in the war-torn countries of the world. Eliminating trade barriers for the ben-



*Soil stewards or land managers - the choice is ours. (Carol Hodne)*

efit of these corporations meant seeking the abolition of price support programs at home and abroad. The U.S. rejected international efforts to stabilize commodity prices, instead following the advice of commodity traders who wanted to "reduce government involvement" in agriculture.<sup>28</sup> On the other hand, the U.S. played an activist role in



*Farmers' share of food dollar drops with parity ratio.*



assuring that U.S. corporations would be able to establish strong footholds in foreign countries. Through economic and military assistance programs to Europe, to the Pacific rim and to developing nations, the U.S. intervened directly in the marketplace to establish the power of U.S. agribusiness corporations.

### U.S. power, global havoc

By weakening price support programs and by actively strengthening the market power of U.S. multinational corporations, the U.S. government embarked on a course that wreaked havoc with farmers around the globe. Since the U.S. dominates the international commodities trade, so-called "world" prices for grain are determined by U.S. selling prices, that is, by the price support level. By the 1970's, the U.S. had the lowest wheat and corn prices in the world, pulling down the market prices in other countries as well. The low prices drove grain producers out of business around the world.

The pressure is unrelenting. Due to lower price supports in the U.S.



*Women are the majority of world food producers.*

1985 Farm Bill, Canada recently announced a lowering of their "initial prices" of 19 to 27 percent. Farmers in Canada, Argentina, Australia, and Thailand have been protesting loudly over these U.S.-forced declines.<sup>29</sup>

The low commodity prices also kept the developing nations in a state of economic dependency. When the Cold War began after World War II, the U.S. offered agricultural technical assistance, food aid and military assistance programs to developing nations, intending to tie their economies more closely to the West in an anti-communist alliance. In practice, the U.S. propped up repressive dictators with military hardware and allowed them to use technical assistance and food aid for the purpose of cementing their personal control instead of improving the incomes and living standards of the poor majority.

After export proponents won the political battle to lower support prices in the 1950's, the lower price supports and food aid programs, such as Food for Peace (P.L. 480), provided cheap commodities for sale in third world countries. This policy to create new markets disrupted third world peoples' traditional agricultural patterns and practices with tragic consequences.<sup>30</sup>

### Environmental destruction

One consequence was the flight of dispossessed third world farmers from the land into the cities. There they have no choice but to be a source of cheap labor for multinational companies. These same multinational corporations directly or indirectly through wealthy owners used and abused the land by producing export crops that increased hunger in their country and perpetuated the cycle of poverty.

The abuse of the land has manifested itself in the upsetting of the ecological balance in these countries. This includes the destruction of rain forests, increased erosion, expansion of deserts, and a poisoned environment from heavy application of pesticides and fertilizers. Often, poor peasants experience direct health consequences without income to pay



Illustration by  
Bill Sanderson courtesy  
FOCU, Panama office.

### *Pesticides are world travelers.*

for health care. The depressed quality and productivity of the land from erosion, desertification, and chemicals has led to starvation, disease, and genetic damage.

As an earlier section of this booklet indicated, the pressures of the "international debt crisis" have intensified the economic processes and policies that produce such devastating effects.

### The debt crisis: an international time bomb

The U.S. farm crisis and the international debt crisis are closely related. Since most developing countries encouraged the production of commodities for export to earn foreign currency, their economic health, just like U.S. farmers, depends greatly on the price level of basic commodities. The ratio of these prices to the prices of industrial products these countries must buy from industrial countries has been declining much the same as the parity ratio for U.S. farmers. Just like U.S. farmers, many developing countries were encouraged to borrow large sums of money to increase production. According to Judith Hurley, an authority on third world issues, "It is important to know that it was the banks who went after the borrowers and not the borrowers who went after the loans."<sup>31</sup>

Now, in order to keep up with huge payments, many developing

countries have continued to increase production. At the same time the International Monetary Fund has required policies that make food more costly to their consumers so that more food will be available for export.

### The solution to the international debt crisis is not more debt but better prices.

This just adds to the world's "over production." Inside these countries, however, such policies have been "stretching the socio-political fabric to what many began to fear might be a breaking point."<sup>32</sup> Starvation in a world of plenty.

The lending is now totally out of hand to the extent that "for the fifteen largest U.S. banks, loans to non-oil developing countries amounted to . . . 150 percent of their capital." In the early 1980's, according to Joseph G. Kvasnicka, writing for the Federal Bank of Chicago, "The debt crisis threatened to engulf the world's financial system, and with it, the entire world economy."<sup>33</sup>

Since the banks cannot foreclose on countries like they can on U.S.



farmers, the only solution to date has been more loans for debt restructuring. Mr. Kvasnicka indicates "that the debtor countries currently in difficulties may need some \$160 billion in new financing over the next three years in order to carry on." This is much more than

the U.S. government plan proposes. The writer concludes: "And so, the search for solutions to what appears to be the most pressing problem confronting the world economy goes on . . ."

Just like multinational corporations don't seem to have real answers for U.S. farmers' problems, they likewise fall short on the international debt crisis. Once again they reject the answer of higher prices. Developing nations in the "Group of 77" in 1974 petitioned the United Nations to set up a New International Economic Order to stabilize commodity prices at a higher level indexed to industrial prices.<sup>34</sup> Sound familiar? This in effect would work like a parity farm program for many commodities on an international scale. Once again, this proposal is always rejected in the U.N. by industrial countries like the U.S. on the behalf of multinational corporations who still want to buy cheap raw materials. The solution to the international debt crisis is not more debt but better prices.

The inequity of low commodity prices clearly creates cycles of poverty, disease, and starvation which can lead to increased violence and disruption of entire societies. The pressures for people to migrate from such countries and the temptation for territorial conquest can bring countries to the brink of war. The U.S. 1985 Farm Bill which inflicts lower commodity prices on the world could contribute to an international financial collapse. The social and political consequences of this bill are unfathomable.

U.S. farmers have much responsibility in changing the farm policies of our government. We must mend artificial divisions among our selves. We must join other U.S. citizens and farmers in other lands. Only worldwide solidarity between groups working against hunger, for peace, and for economic justice with family farmers in all countries will be able to counter the destructive forces of international corporate agribusiness and the international debt crisis.

The common concerns between U.S. and other farmers of

the world reach far into the global concerns of hunger, peace, and economic justice. Perhaps our efforts to save the family farm will prevent our beautiful world from being destroyed by nuclear war. We are all in this together!

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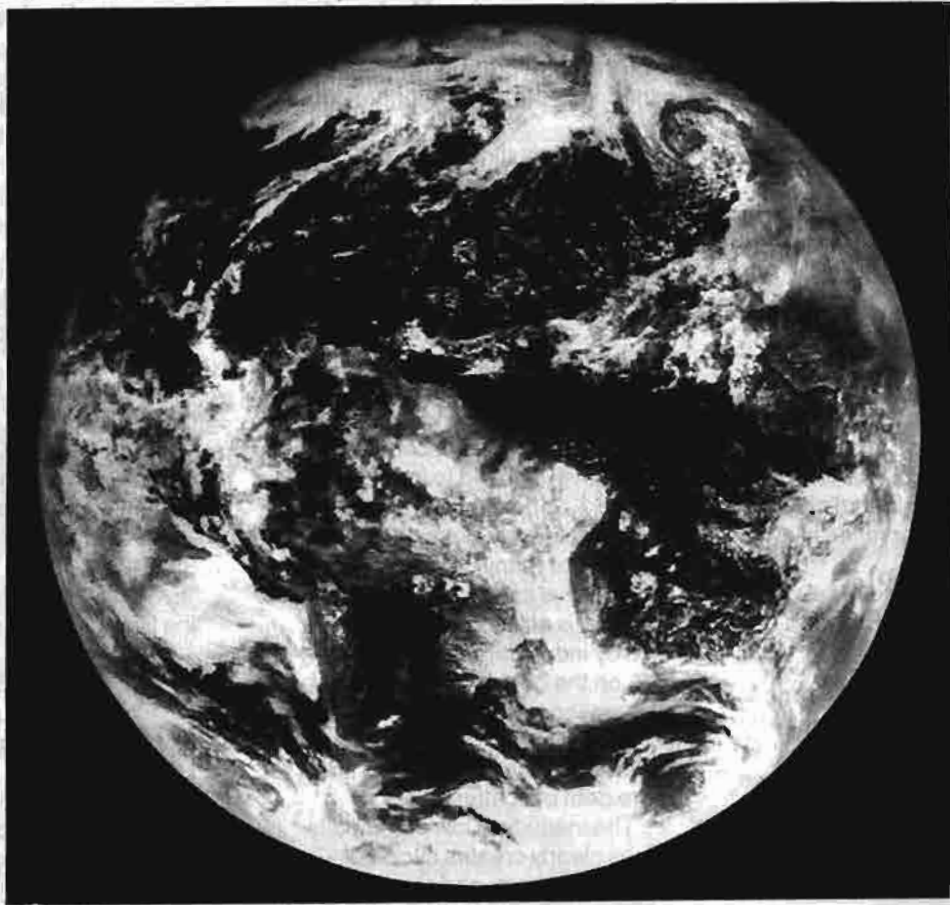
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