

U.S. farm crisis shatters 'market' myths; emergency measures required

by Marcia Merry Baker

The scope and depth of the farm crisis in the United States today have shattered the many myths of "free trade" and "market forces" promoted during last 20 years of "globalization," run by and for the international commodities cartels. Right now, world commodities markets are blowing out, along with the global financial system. If the backfire effect of this continues, causing farm shutdowns, rural impoverishment, and falling production, then the food shortages that will result will mean mass hunger here as well as international famines. Illustrative is the report from a four-man bipartisan delegation of staffers from the House International Relations Committee, who visited famine-wracked North Korea. At an Aug. 19 press conference in Beijing, China, they voiced their fears that nearly 10% of the population of 24 million may have died in the last three years, of famine and related diseases—pneumonia, tuberculosis, and diarrhea.

One dramatic, empirical proof of the markets' collapse, is the gigantic pile-up of wheat on the ground in Washington State this August, while in the meantime, countries and peoples in need of food, cannot buy it, even at the 40-year low price of \$2 a bushel to the farmer. With the big carryover of last year's crop, and the newly harvested wheat, the grain has piled up at points all along the Columbia and Snake rivers, the inland transport system to the Pacific. There are 4.5 million bushels on the ground at Walla Walla, Washington.

The marginalized infrastructure, and overstuffed storage and handling facilities, cannot cope with the grain volume, which has backed up at many elevators in Washington and the Dakotas, at least. Farmers bringing grain to market are being turned away. They cannot sell their grain *at any price*. There is *no market*.

The manager of the Saint John Grain elevator, Tom Jeffries, told the the *Seattle Times* of Aug. 12, "People are starving to death, and we are out here throwing wheat on a slab and covering it with a tarp. It makes you wonder why."

Exports, farm income dropping

The \$2 per bushel price that U.S. farmers are getting is way below the bare minimum of \$3.50 per bushel to cover costs of production. The combination of the world financial system collapse (devaluations of currencies, unpayable debt burdens of all kinds, hedge fund attacks), and continued re-

spect for the International Monetary Fund approach (e.g., ordering nations to cut their food imports and consumption), means that the U.S. export markets are blown out: Countries in need aren't buying.

Over the last 12 months, U.S. agriculture exports are down about 30% from the average level of recent years. All commodities are hit, not just the staples of grains, meats, dairy, and oils, but also everything else, from cotton, apples and cherries, to wood pulp.

But this current whammy against U.S. agriculture is not the whole story. Even before the 1997 crack-up of the financial system started pulling trade, production, and consumption levels into a downward spiral, U.S. farm income was declining, as commodities cartel companies underpaid farmers, and shunted commodities back and forth between nations in a rigged swindle, called "global outsourcing." In the United States, this was aided and abetted by the infamous 1996 "Freedom to Farm" Act, which was premised on a radical "free market" approach.

Soybeans from Brazil are coming into the United States; hogs and wheat from Canada are entering the United States, even while pork and grain are being shipped out. Imports include mushrooms from India and fruit from South Africa, not to mention the flows of fresh and processed produce, courtesy of the North American Free Trade Agreement.

While the prices paid to those who produce these products are at slave-plantation levels, the profits raked off from processing and export/imports have been maintained by the cartel companies (Cargill, ConAgra, IBP, Unilever, Kraft/Philip Morris, Chiquita, Grand Metropolitan-Pillsbury, Green Giant, etc.). As things further deteriorate, these same circles, financially interlocked through London, expect to make a killing off scarcity and hunger.

From 1996 to 1997, farm income in 32 out of the 50 states, declined, in many places, drastically. In North Dakota, farm income declined by 98% in that year; and in others, by more than 40%! The latest figures show that in the first quarter of 1998, national farm income declined at least 20-30% from the same time in 1997.

The results are farm shutdowns on a mass scale, to the point that whole counties in the Plains States are suffering rapid *depopulation*.

The urgency of taking action has been addressed at many

places, at the August National Governors Conference, at special hearings in Washington, D.C. in July, and on the local and state level. As yet, no concerted national effort has been made, but the gestures of national initiatives should be noted.

- In July, a sense-of-the-Senate non-binding resolution was passed 99-0, recognizing the crisis of the rural states, and calling on Congress and the President to take immediate action.

- On July 23, President Clinton announced that the Federal government would buy 80 million bushels of wheat, for donation to nations in need, in hopes of driving up the per bushel price to the farmer by 10%; and also undertake other assistance.

- In July, Rep. David Minge (D-Minn.) called for the government to purchase grain to resume a national grain reserve (outlawed by the Freedom to Farm Act), “to be released in times of food shortages, not to manage markets.”

- In July, Sen. Tom Harkin (D-Ia.) and Sen. Tom Daschle (D-S.D.) led a move to reopen the Freedom to Farm law, in order to introduce “safety-net measures” for farmers. This particular initiative was defeated on July 14, but the effort to negate the markets-based 1996 act is the right approach.

Free trade ideologues may not choose to see, nor admit, that markets themselves are vaporizing, such as those who sired the Freedom to Farm travesty—former Sen. Rudy Boschwitz (R-Minn.) and then-Rep. Pat Roberts, who is now a Senator (R-Kans.)—but no one sane looks to them. They, and others unable to think, continue to babble about “level playing fields . . . foreign market share . . . cycles . . . planting flexibility,” and so on, while in fact: “Look Ma, no markets.”

On July 24, Boschwitz, now chairman of Home Valu, Inc., remarked that the efforts to save farmers must not “distort markets.” Interviewed by the *Minneapolis Star-Tribune*, he shrugged, “I don’t know how to protect people from the ups and downs of the marketplace. My own business goes down like a yo-yo, too. It’s part of economic life.”

Great Plains being depopulated

In fact, there will be very little life after this economic crash, if action is not taken. The impact of the impoverishment of the farming sector of the United States is apparent in the rate of farm shutdown and outright depopulation. Of the top 50 counties (out of some 3,000 total) in the United States, where population is dropping most rapidly in the 1990s, *all* are in the farming regions of Great Plains—the Dakotas, Nebraska, Iowa, Kansas, Oklahoma, Texas. Eight of the top ten population losers in the nation are in North Dakota alone.

According to the U.S. Census of Agriculture, there was a dramatic drop in the number of farms in all segments of agriculture production, during the decade from 1982 to 1992, and then later in the 1990s, the process accelerated. By commodity, here is the percent of national loss of farms in active production, from 1982-92:

Commodity	Decline in farms
Corn	29.5%
Wheat	34%
Soybeans	25.4%
Dairy	44%
Poultry	68%
Hogs	39%

As farms shut down, or restrict the diversity of their production, the effects hit hard in surrounding towns and communities. From 1990 to 1997, rural counties in Minnesota, Iowa, North Dakota, South Dakota, Nebraska, and Kansas lost more than 110,600 of their inhabitants, with population declines in 265 counties. This is the historic food-producing region of the nation, now marked by abandoned homes and towns.

Burke County, North Dakota, alone, lost 25% of its population from 1990 to 1997. During the past two years, North Dakota lost 2,511 of its 30,500 farms; and this year, another 1,800 will go out of operation, if the harvest is anything less than average. In the Red River Valley straddling North Dakota and Minnesota, 20% of the farmers quit last year.

Warren, Minnesota Mayor Dick Nelson said, “If something isn’t done quickly, we’re going to lose an entire culture. We’re so dependent on agriculture that when the farming community struggles, it starts to hit home. We could lose downtown, the schools, the hospital—everything.”

Documentation

Hearings detail agriculture crisis

On July 29, Senate Democratic leaders held a hearing in Washington, called the “Democratic Hearing on the Crisis in American Agriculture.” Tom Daschle (S.D.) and Tom Harkin (Iowa) presided, as eight witnesses presented testimony. We excerpt the testimony provided by farmers from five states.

North Dakota is ‘a desperate situation’

Testimony of Deb Lundgren, farm wife, Kulm, North Dakota.

. . . We have a 1,500-acre farm that has been in my husband’s family for three generations. This farm originally belonged to my husband’s grandfather. Farming in Grandpa’s day was quite different than farming today—except for one very important and sad area—income. I have with me today a copy of Grandpa’s income tax return from 1957. It shows an adjusted gross income of \$11,017.51. I also have our income tax return from 40 years later. It shows a 1997 farm

return of \$10,288.00. Same farm—same income—40 years later. Grandpa's income translated into today's dollars is \$62,925.42. Our income in today's dollars is \$10,288.00. The picture is grim.

My family is currently in a desperate situation—we have fed and subsidized the feeding of this country for 20 years, and now we don't know how we will feed our own family. Every spring, we borrow \$60,000 to plant our crops. That money is put into the ground, figuratively speaking, and with the grace of God, we will have a crop in the fall. Many things can and do happen in between. Since 1993, we've had hundreds of acres under water. In 1993, 1995, and 1996, we had hundreds of acres infested with disease. Friday, June 26 of this year was a tragic day that my family will never forget. A hailstorm began on that day and by the time it was over, we had hail on 80% of our land—some acres were completely destroyed and have been plowed under. Others will be harvested at a greatly reduced yield. That one hailstorm caused approximately \$62,000 in damages. \$62,000. So now, our family must find a way to repay the monies we borrowed, or we will be unable to borrow and farm again next year.

That same day that the hailstorm hit, we felt the pains of this crisis in another way. That day my family buried our brother-in-law. He had a massive heart attack at the young age of 42, following the auction of his farm less than a year ago. He was forced out of farming and had to move away and provide for his family in another way. Can you see the toll this takes? Financially, emotionally, physically, socially, and personally—what more can we give?

According to the North Dakota Farm Business Management Education Program, the breakeven point for wheat in North Dakota is 30.59 bushels per acre—and that's just to break even! How long could you live in your house if the payments were \$500 and your income was \$400? How would you eat? How would you pay the electric bill? Those are the questions we face and will continue to face. We have already started to prioritize payment of bills and as we get closer to the beginning of the school year, expenses will mount for our four children. As the bills continue to mount, we will be in a position that so many others are in. The truth is, farmers borrow from a bank, from their savings, against their equity, and some are even using credit cards to subsidize food for this country. American farmers *fund* the food supply we all enjoy. The government doesn't, nor has it in the past, subsidized farmers—it has paid them back. It's not the government's money that goes into the ground, it's ours.

In North Dakota, there's a standing joke that we don't encourage our children to pursue agriculture as a career because it could be considered child abuse. Actually, it's too close to reality to be a joke. Why should we encourage our children to enter a career that doesn't pay them? As the number of trained, professional food producers declines, how do you intend to replace them?

For our family and farm, the next couple of months are

critical, as the question of how to pay back our investment without a crop looms over our heads. I have been looking for another job because my full-time job off the farm isn't enough anymore. I now may take an evening and weekend job at a local pizza place. . . . The sad reality is, I can make more money rolling the dough than I can investing to grow the ingredients! I shouldn't have two jobs that could belong to someone else—I should be on the farm. I want to be on the farm!

In 1959, Grandpa Lundgren bought a new tractor for \$6,400. I have the customer order here with me. A tractor with the same horsepower today would cost about \$45,000. A four-wheel drive tractor current with technology is over \$100,000. This spring, we put over \$7,000 into repairs alone on a tractor that is 17 years old. How can anyone think farmers can survive on a 1957 income at 1997 costs? I challenge anyone who wants to answer that question to first show me how you would live on the salary received by your colleagues 40 years ago. That's exactly what my family is trying to do.

Thank you for this opportunity to give you a farmer's perspective.

South Dakota: 'We just have farm auctions'

Testimony of Nicholas Nemec, livestock farmer, Holabird, South Dakota.

. . . I am 39 years old [with a wife and four daughters], the fifth generation of my family to farm and ranch in South Dakota. We raise wheat, corn, and sunflowers on one half, and the other half is pasture and hay ground for the cow herd which we've expanded to 100 head. . . . The price I receive has dropped steadily over the last four years to the point where I barely break even.

In other years, I may have been lucky because sometimes cattle and grain prices offset each other. When one is down the other will be up and your income will average out. That hasn't been the case the last few years. As bad as cattle prices have been, grain prices have also been in a long slow decline. The price of wheat has lost half of its value from a few years ago before the "Freedom to Farm" bill was passed. It is not unusual to get over \$4 per bushel of wheat, but just yesterday, the local price was under \$2 per bushel. . . .

This past May, I literally had to find things of value to sell off my farm so that I could have enough money to plant crops. I ended selling off an old bull I was keeping as a spare, in case one of my other bulls got injured. I did this just to put my crops in the ground. An unexpected machinery repair a month later required me to sell some feed that would have been used next winter.

Every month it seems there is a similar story. I dread sitting down and trying to figure out how to get by for another month. My oldest daughter had chronic asthma. Her inhalers and allergy shots cost around \$200 a month. Our health insurance has a \$5,000 deductible that we rarely meet and it still costs over \$3,000 a year. Yet we are afraid to go without

health insurance in case someone got really sick or injured. I always pay the pharmacy bill because a kid having an asthma attack is enough to scare any parent. . . . On June 15, the annual premium was due, but we didn't have enough money to pay the bill on time. This time, we were lucky, because we got the wheat crop harvested before the grace period expired, and I had enough money to pay the premium. But next time, they will likely drop our coverage.

When the price per bushel goes down, my family's everyday expenses go up proportionately. You could say that the cost of our health insurance went up over 40% this year. School clothes cost 40% more, gasoline costs 40% more, groceries cost 40% more. Think about this: If the Consumer Price Index goes up 40% in one year, there would be riots in the streets of cities in America. Out in the farm country, we just have farm auctions. . . .

Montana: 'Cheap food may be a thing of the past'

Testimony of Ellis Murdock, cattle farmer, Lodge Grass, Montana.

. . . There is a crisis in American farming. My future and that of many other farmers and ranchers is in your hands. . . . This problem is not only on my doorstep, it is throughout the farming community in Montana.

My family has raised cattle and grain in Big Horn County for over 70 years. We have survived countless weather and economic challenges, but I hear the one we face today will get the best of us. . . .

As of July 22, according to the USDA cost estimates, we are losing \$3.58 per bushel on wheat and \$200 per calf. There is no possible way I can make this pay. It is ridiculous to assume that I somehow can recover in the near future. I am 35 years old, and I was hoping to make a career in cattle and grain production. When I can't borrow the money to operate next year, my production will cease, and I will be looking for work to support my family. Right now, I have two piles of bills—60 days and 30 days. We long ago got rid of so-called luxuries, but I am now prioritizing between groceries, clothing for my young kids, and health insurance, so that for the time being our basic needs are met. These will have to be sacrificed if something doesn't change soon.

There have been numerous farm equipment auctions throughout this area of Montana. Much of the equipment is only bringing 10% of the original value. Anyone looking to sell off some of their production tools to help make some extra money, will not be able to get anywhere near a worthwhile price. With prices this bad, what farmer has money to buy it?

There are several farms for sale, but few buyers. My wife's family owns a farm not too far from where our family lives and they were forced to put it on the market, but no one wants to buy it. Because of the financing arrangement, the next month is critical to whether or not they can keep the farm.

Many young farmers like myself have already voluntarily quit and leased out their farms. My younger brother is 25 and has just started farming, but is looking for other work to support his family and his "farm habit." Many more will be forced out this fall because of lack of cash flow and equity. My 1998 production is nearly complete. Unless prices rebound significantly in the next few weeks, my future in farming is over. At current price levels, I would have made more money shooting the cows and leaving the seed in the bin. As a cattle producer, we looked at 1998 as a year to catch up from our previous low profits.

Everything I do seems to be for nothing. Over 2 million farmers and ranchers with their competitive and independent spirit guarantee an abundant and safe food supply for all Americans at a very low price. Unless the situation for those farmers and ranchers improves, the effect will not only be felt by my family and others in my business—it will soon crush agribusiness across the country and food production. When the number of American farmers can fit in this room, cheap food will be a thing of the past. Again, this is not something we can put off. The crisis is here and farming communities need help now.

Iowa: 'Exports are not the answer now'

Testimony of Gary Hoskey, hog farmer from Montour, Iowa.

. . . I grow corn, soybeans, hogs and cattle in Montour, Iowa. In Iowa, many farmers are now feeling hopeless. . . . I flew here to Washington, D.C. to say that, yes, Iowa farmers are suffering due to the farm crisis. I want to set the record straight: This crisis is not regional, it is national. Before I left home, there was a radio announcement about my trip here to Washington, D.C., and from that point on (6:45 a.m., in fact) I was flooded with phone calls from farmers wanting to tell their stories so I could bring their message to you here today. . . .

I would like to show you a copy of my local newspaper which states farm prices from 50 years ago. Fifty years ago the price for corn was \$1.92 per bushel, the price for corn today is \$1.77-2.00 per bushel. Fifty years ago the price for hogs was \$28.25 per hundredweight, and the price for hogs are \$33.34 per hundredweight today. No other segment of our economy is receiving the same price received 50 years ago. Why should farmers?

I would like to show you a copy of an advertisement that was distributed at my local grocery store a couple weeks ago. The ad is for a "complete meal deal" which includes 6 lbs. of pork, 6 lbs. of potato salad, 6 lbs. of beans, and some vegetables selling for \$89.99. Just last week I sold a 250 lb. hog for \$84.37. This difference in what the farmer receives and what the consumer pays is astounding. The complete meal deal shows that farmers are getting a bad deal. Iowa State University has confirmed that the farmer's share of the food dollar was 38¢ in 1980 and now is just 23¢ in 1998.

Farmers are repeatedly told that agricultural exports will

bring prosperity to the agricultural economy. U.S. agricultural exports are strong, as you, Senator Harkin, have stated on the Senate floor. Despite strong U.S. exports, prices are low, which suggests that exports are not the answer now. Perhaps long term, there may be some benefit, but today, we would focus on price because price is what is causing Iowa farmers to struggle.

We read that there is a move here to fund the IMF [International Monetary Fund] with over \$18 billion in American money so that Asian countries can be stabilized and their economic crisis is eased. At the same time, we are being told we cannot spend anything over budget to address the crisis in our own country's agricultural economy. This doesn't make sense to me. I believe we should help Asia through its crisis, but we should solve our own farm crises here at home as well.

Make no mistake, the farm crisis affects much more than just farmers and small businesses; it extends to the schools, churches, and entire rural communities. The farm crisis will also determine whether we are able to bring another generation of farmers on the land.

. . . I have in my hand a copy of a column written by Alan Guebert on July 19. The column states, for every dollar of new debt farmers added in that period, farmers generated -81.5¢ in 1997 and 1998.

How or why would my son or any other young farmer, begin farming, given the grim outlook on the farm? What should I do to start my son farming? Should my wife continue to work off the farm? Should I get an off-the-farm job, so all three of us can work off the farm in order to keep the farm? How can we bring the next generation on the farm to produce the food and fiber for the American people and the world?

. . . Cattle feeders are losing approximately \$125 per head, dairy farmers are being paid at least \$2 below the cost of production. The cost of producing hogs is over \$40 per hundredweight, yet farmers receive just \$33 to \$34 per hundredweight. How do farmers manage cash flow with these low prices?

The fact is there is nothing that shows promise of long-term profitability in farming. Hogs have been our traditional mortgage lifter. An article quoting Missouri Prof. Glen Grimes in the most recent *National Hog Farmer*, shows the level of concentration in the hog industry.

Here are some of the facts:

Eighteen producer companies raise 23-24% of the nation's hogs. These 18 producers expand year in and year out, regardless of price. He projects the price for hogs per hundredweight for 1998-99-2000 is in the \$30s, and possibly it will dip down into the \$20s. Here is a college professor asking us farmers to pray for a miracle, because we are going to be losing money for a long time to come. Grimes predicts these low prices will cause a major exodus of some fairly large producers, but that their units will not close. They will simply be bought out, most likely by the 18 large

producers I mentioned earlier.

The "Freedom to Farm" Act removed supply management as a means to support farm income. Any production business must manage its supply to avoid overproduction and unprofitable prices. These low grain prices benefit these 18 large hog producers. Because they operate by using contract producers and aligning themselves with the packers through contracts. All of this is supply management. The packer is managing the supply on his kill floor with his contracts with the producers. He only goes to the open market [to farmers] for hogs when he needs to, making family farm producers residual suppliers. . . .

Louisiana: 'I have never seen these conditions'

Testimony from Kenneth Methvin, cotton and corn farmer, Natchitoches, Louisiana.

. . . I appreciate the opportunity to come here today and provide you with information of a very desperate nature about the conditions in our farming community.

I have been a farmer for 34 years, and let me tell you, I have never seen conditions like this or a crisis like the one I and many other farmers are facing. The entire state of Louisiana and especially its Red River Valley where I live, has experienced some of the worst drought and heat conditions in April, May, June, and July of this year. These last few months have been the driest and hottest on record in the last 100-plus years, and it seems that Mother Nature is going to continue to bear down on us through the early fall. . . . I will be lucky if my farm produces one-third of the amount of a regular crop, and I will certainly not break even in the production costs. Just this past Sunday, we harvested a corn crop that usually yields 140 or more bushels of corn. We were only able to cut 25 bushels, and because of that, expect a \$300 per acre loss. My cotton crop has been especially hard hit. Although cotton is six weeks to two months from harvest, it is likely that I will experience at least a 50% loss in the cotton crop this year.

Statewide, conditions are no different. Over 20% of the farmers in the parish [county] will go out of business this year, and have to try to fall into the workforce. A close friend of mine, who has been farming for his whole life, lost his farm last year. When I asked him what he was going to do, he gave a fairly common response: "I don't know."

The three crops that I farm, corn, cotton, and soybeans, are also Louisiana's major row crops and are the hardest hit across the state. Preliminary estimates are that over 50% of our corn will be lost which will mean over \$62 million to Louisiana farmers. Thousands of acres of cotton statewide will be plowed up without yielding one single bale of cotton by the time the effects of the drought are over. In general, no crop or livestock has escaped this drought. Cattle, soybeans, milk, poultry have also suffered. Overall, projections are that Louisiana's agricultural and forestry economy will lose over \$325 million this year. . . .