

The assault on U.S. farming

Agriculture Editor Susan Brady Cohen surveys what Volcker has done to this vital sector, and how Global 2000 sponsors intend to escalate.

The enemies of American agriculture exposed themselves with a vitriolic attack on farm producers and the USDA at the annual convention of the American Association for the Advancement of Science in Washington, D.C.

The attack was conducted by Russell Peterson and Donald Lesh, founders and leaders of the "Global Tomorrow Coalition." Global Tomorrow was formed a year ago to promote the conclusions of the *Global 2000 Report* issued by the Carter administration, namely that the world's population should be reduced by 2 billion by the year 2000. Lesh is the Coalition's director. Peterson, chief of the Audubon Society, is among the elite of zero-growth environmentalists lodged within the Republican Party.

At a special session of the week-long AAAS conference devoted to presentation of the Global Tomorrow Coalition's program, Peterson charged that Agriculture Secretary John Block was "worse than Watt," and the USDA more dangerous than Interior. He put top priority on stopping USDA policies that "subsidize agricultural technology," a reference to the basic farm commodity programs. Of course, we're against James Watt, Peterson said, but he's not the "real problem."

Making it clear that agriculture itself was the "real problem," Peterson introduced Dr. Wes Jackson, from something called The Land Institute, to speak on "the problem of agriculture" (not "the problem *in* agriculture," Peterson emphasized) for the Coalition.

'As serious as nuclear war'

"We regard the problem of agriculture as as serious as nuclear war," Dr. Jackson stated, and proceeded to denounce the very existence of agriculture. Modern agriculture undercuts the basis of human existence, Jackson argued, because it encourages an increase in population, and because it uses land, water and other "scarce" resources, causes soil erosion, and so forth. In extending and modernizing agriculture, he concluded, the human race is "preparing its own extinction"!

Agriculture continued to be a target throughout the

conference. Former agronomist turned genocidalist Garrett Hardin, one of the architects and promoters of zero growth and population "triage" in the U.S., in a featured panel debate, called for the elimination of cattle breeding and shutdown of the livestock industry.

It was not, moreover, the first time this association of "scientists" have taken out their knives against American agriculture, and livestock production in particular. At last year's conference in Canada a full panel, directed by vegetarian and "animal rights" activist Alex Herschaft of the Mitre Corporation, was devoted to an attack on the livestock industry for polluting the environment and wasting scarce land and water resources.

The economic danger

These calls for the destruction of modern agriculture are being issued with the full knowledge that the financial crisis now unfolding threatens to plunge America's farm sector into bankruptcy and ruin, jeopardizing future food supplies for U.S. citizens as well as the millions overseas who depend on the American farm producer.

Today American farm producers are in the worst economic straits since 1933. As of October they were operating on average at 57 percent of parity, or one-half the breakeven level for continued production. Low farm prices and soaring production costs, led by usurious interest charges, have thrown producers into a dangerous cash-flow crisis.

Official USDA estimates project 1981 net farm income at \$19 billion, down 20 percent from 1979, but former USDA economists such as Jim Webster confirm producers' "on the ground" judgment that this critical parameter of the farm economy's viability will be closer to \$13-15 billion this year.

An estimated 300,000 farmers have already been forced out of business during 1981. The survival of the rest will depend on the ability to get more credit, a job made more difficult by the stagnation in land values—currently the principal, if speculative, basis for new

credit extension. This, on top of the income collapse and usurious Volcker interest charges, will rule out commercial refinancing for many producers.

In fact, American Agriculture Movement chairman Marvin Meek anticipates that fully one third of the remaining producers will be driven to the Farmers Home Administration (FmHA), the farm sector's "lender of last resort"—at the same time that the combined Volcker-Stockman monetary and budget austerity program is turning that vital agency into a weapon *against* farmers. In January, the Reagan administration started jacking up interest rates on FmHA loans to "market" levels. In October the Economic Emergency Loan program, which more than any other single thing kept our farm sector intact and our food supplies secure over the past four years, was allowed to expire. The administration parroted the Carter administration's charges that the FmHA programs, especially that one, were too generous, and made it clear they would reject an extension. Finally, the FmHA's budget has been slashed by 70 percent.

Now few new loans will be made and current borrowers will be foreclosed if they fall behind in loan repayments, according to new guidelines described by producers as a "declaration of war on farmers." Reports from across the country indicate that in some states such as Kansas as many as 13 percent of FmHA borrowers may be forced into foreclosing as the FmHA's 2000 county offices are pressed into enforcement of the austerity guidelines. As spokesmen for the head office of FmHA in Washington put it, many county offices had "inadvertently" allowed some farmers to fall behind in their payments. It is this "laxity," among other things, which is to be corrected.

The FmHA question

FmHA borrowers are being clubbed over the head with the Volcker dictum that American living standards must be cut down, exemplified in a letter sent to Colorado FmHA borrowers recently. "We in America enjoy a standard of living envied by the rest of the world," the FmHA intoned. "A lot of this is because of our ability to buy many things that are not essential to our basic needs and are bought because of our wants.

"If you are to survive these economic times, you will have to limit your spending to cover basic needs for family living, operating expenses and capital purchases. Borrowing money will have to be limited to what you *know* you can repay. . . ."

This to producers who have cut their family budgets to the bone, and who have been unable to make urgently needed capital investments in machinery and equipment for two years! This to producers who have managed to continue operating at below cost of production, supporting massive debt loads and bleeding away

their equity for more than 30 years!

Many producers are fighting FmHA foreclosure and railroading in the courts. Tom Nichols of Wolf Point, Montana is one. Nichols, who reports that he knows at least 75 farmers who are being foreclosed in eastern Montana and an area of North Dakota alone, testifies that when he visited an FmHA office in North Dakota, passing himself off as a farmer who wanted to move into the area, he was told by the FmHA official that "land prices are coming down, more farms will come up for sale, and that FmHA is pressing many into voluntary liquidation."

FmHA officials in Washington maintain that foreclosures will not be much higher than 1 percent and insist that they will do everything possible to keep viable producers in business. This, however, remains to be seen. Considerable pressure has been exerted on Congress, and a group of Congressmen and Senators in which Senator Bentsen (D-Tex.) and Rep. Stenholm (D-Tex.) are prominent have demanded that FmHA chief Schuman explain the discrepancies between the facts of what is occurring in their districts and FmHA's official pronouncements. They are at the same time making an effort to, in their words, educate Mr. Schuman and the rest of the administration to the "scope of the nation's farm problems."

Decapitalization effects

The battle over the FmHA lending policy is critical. Since 1977 FmHA has been the last line of defense—not for so-called marginal farmers, but for young producers who aggressively expanded their operations on the promise of 1971-73 for sustained economic growth. They were promptly hit with the recession of 1974-75, and again in 1976. Since 1977, FmHA's proportion of non-real-estate debt outstanding has jumped from 4 to 15 percent.

There is no question that the Volcker policy is the key to this crisis. Today interest payments make up 13 percent of total production costs—a \$20 billion charge on agriculture this year—compared to about 7 percent just 10 years ago. The cumulative effect of the lack of profitability in agriculture has forced producers to increasingly rely on borrowed money. This year farmers needed borrowed money for 23 percent of their operating (not capital) expenses, compared to 5 percent in 1971.

The mounting debt and cumulative cash-flow squeeze has forced producers to forego needed capital investments in land and equipment. The much-talked-about problems of soil erosion, as well as the near bankruptcy of several of the major farm equipment producers are directly a result of this. In 1980, for the first time since 1968 farmers *reduced* capital expenditures absolutely by 8 percent from the year earlier.