Farm debt blowout looms, farmers threatened with serfdom

by Marcia Merry and George Elder

The U.S. national agriculture debt of $215 billion is about to tumble down. After soaring up on Paul Volcker's interest rates from less than $70 billion in the 1970s to the current $215 billion by 1983, the debt bubble is about to burst. This farm debt crisis, in tandem with the international oil and commodity price collapses and mad flows of flight capital, threatens the entire economy of the West with a financial blow-out by spring.

Obviously, the national agriculture debt is concentrated in the top farm states, and the picture of the emergency financial maneuvering going on in these states and in Washington, D.C. shows that unless there is an overriding contrary policy intervention, virtual serfdom lies ahead for this nation. At present, there are no legislative or executive actions in progress at the state or national level capable of reversing the catastophe. All are, at best, piecemeal and stopgap.

The media, farm-state congressional delegations, and others are playing up the farm debt collapse in terms of the need for credit for spring planting. This is in fact needed. But the function of the publicity is to create a panic context in which farmers perceive no other choice but to sign away their land and their birthright to one of the several last-resort "choices" now put before them by the food-cartel companies and their front operations. The farmers will end up as slaves, and the food will start disappearing from America's tables.

Farm state debt pattern

Over 65% of the national farm debt is concentrated in 15 states (see map and table). These states comprise the most productive farm region the world has ever known—the 14 states from the Canadian border down to Texas. Here is grown more corn, more wheat, more beef and hogs than anywhere else in the world. Add California, with its specialty fruits and vegetables, and its incomparable productivities for rice and any other crop desired, and the consequences of the debt blow-out for the world food supply become obvious. The 15 farm states shown have as much debt as Argentina and Brazil combined.

Farm bankruptcies, foreclosures, and bank failures have reached crisis levels in these states over the winter, particularly in the states with the highest debt per capita—Iowa, Nebraska, and Minnesota. On Feb. 7, two more banks in this region, First National of Woodbine, Iowa and Farmers National of Erick, Oklahoma, were declared insolvent—the eighth and ninth bank failures in the first six weeks of the year, half of them in the farm belt.

The debt-collapse process gathered speed over 1984, when there was a net credit withdrawal from the agriculture sector. In the first six months of 1984, thirty-nine banks failed, of which 4 were farm banks; but in the second half of the year, 22 farm banks failed out of a total of 40. According to a survey by *The Farm Journal,* an estimated 40% of the farmers of Nebraska and Iowa may go out of operation in 1985.

The consequences of this scale of collapse can only be compared to the 14th-century agriculture collapse in Europe due to the imposition of impossible-to-pay medieval taxes and tithes, until the Black Plague swept the continent, culminating a process which led to the depopulation of Europe by two-thirds.

In the 1970s, farmers borrowed against rising land values and crops grown for an expanding world export market. This tremendous expansion was encouraged by Secretary of Agriculture Earl Butz, who told farmers to grow for the world market and that prices would be good. As a result, farmers doubled grain production from 1972 to 1974—a miracle in agriculture. But as the Volcker depression set in after 1979, farm land values declined, world trade diminished, and prices fell. The price of wheat today in actual dollars received by farmers is approximately 30% of the 1970s price. In just the last three years, farm land values have fallen as much as 75% in some areas. At the same time, as of year end, the official farm parity level was 51% of costs of production.

Now the farm debt is unpayable, and the value of the land collateral has dropped drastically. What is required is an emergency package of federal executive orders for 1) debt moratoria, and freezing and rescheduling of debt payments; 2) emergency production credits at interest rates of 2-4%; and 3) expanded production goals as in wartime, determined on the basis of a national food-supply audit—best done through the Defense Department—and after a set of international treaty agreements for food aid and trade volumes were negotiated.

This pro-production perspective stands against the genocidal outlook of the International Monetary Fund, which right now influences domestic U.S. industrial and agriculture conditions through the Federal Reserve, private banks, and

Figure 1

States with highest agricultural debt

State	Agricultural debt (in billions)
California	$17.585
Iowa	16.791
Texas	13.662
Minnesota	11.680
Illinois	11.269
Nebraska	10.723
Kansas	8.732
Wisconsin	7.502
Indiana	7.421
Missouri	7.082
Oklahoma	5.995
North Dakota	5.753
South Dakota	5.384
Ohio	5.202
Colorado	4.796
TOTAL	$139.577

Figure 2

Farm debt in top hog-producing states

State	State debt (in billions)
Iowa	$16.791
Minnesota	11.686
Illinois	11.269
Nebraska	10.723
Indiana	7.421
Missouri	7.082
TOTAL	$64.972

Figure 3

Farm debt in top grain-producing states

State	State debt (in billions)
Iowa	$16.791
Texas	13.662
Minnesota	11.680
Illinois	11.269
Nebraska	10.723
Kansas	8.732
Wisconsin	7.502
Indiana	7.421
Missouri	7.082
Oklahoma	5.995
Washington	3.996
TOTAL	$104.853

Figure 4

Farm debt in top cattle-producing states

State	State debt (in billions)
California	$17.585
Iowa	16.791
Texas	13.662
Nebraska	10.723
Kansas	8.732
Oklahoma	5.995
Colorado	4.796
TOTAL	$78.284

direct channels into the government. The IMF policy is that starvation should intensify abroad, killing more than one-quarter of the world's population, and the independent family farmer of North America and Europe should be shut down through bankruptcy. In his place will be a neo-feudalistic system of contract or "custom" farming. The farmer is to be a mere laborer on others' land, or if he has title to his own plot, a mere tender of others' livestock and crops.

The land grab

The collapsing structure of the farm banks, which hold about 32% of all agriculture debt, is paralleled by the unprecedented collapse of the Federal Credit Administration (the Production Credit Association and the Federal Land Bank), which holds $80 billion in farm debt and is bankrupt. Another $12.5 billion is held by insurance companies, which are foreclosing.

As farmers are dispossessed, massive amounts of land are coming under the control of the banks, the Federal Deposit Insurance Corporation, the Federal Credit Administratiom, and the insurance companies—principally Prudential, Travellers, and John Hancock.

Politically, the "environmentalist" front-operations such as the Conservation Foundation, directly controlled by the old European oligarchy, have been activated to have huge tracts of this land declared a "scarce resource" and reclassified from farmland to "wilderness areas" for the "public trust."

The cover story for this land-grab operation is the expression of concern over erosion rates and falling land prices hurting farmers. Spokesmen for the insurance companies, cartels, and "conservancy-minded" fellows say that land should be kept off the market to "protect it" and prevent values from falling even further, hurting the remaining farmers.

The favored publicist for this outlook is Prof. Neil Harl of Iowa State University, who is getting national media promotion for variations on a proposal to create a federally chartered corporation to take title to dispossessed farmers' land and hold it off the market. He wants it leased back to the farmer where possible, collecting rent and interest payments indefinitely.

Cartelization of food production

Farmers who have so far retained title to their land, but have literally no money or credit to plant crops or even buy groceries, are being herded into "custom" or "contract" farming. Already, 90% of U.S. poultry is being produced under this system, called "vertical integration." A small number of cartel companies—like Continental Grain (which owns Wayne Poultry)—supplies the farmer with the chicks, the feed, the vitamins, and buys the finished birds. The farmer provides the (highly mortgaged) land, grow-out buildings (to the cartel's specifications), and labor. The farmer has all the debt and takes all the risks of livestock disease and natural disaster.

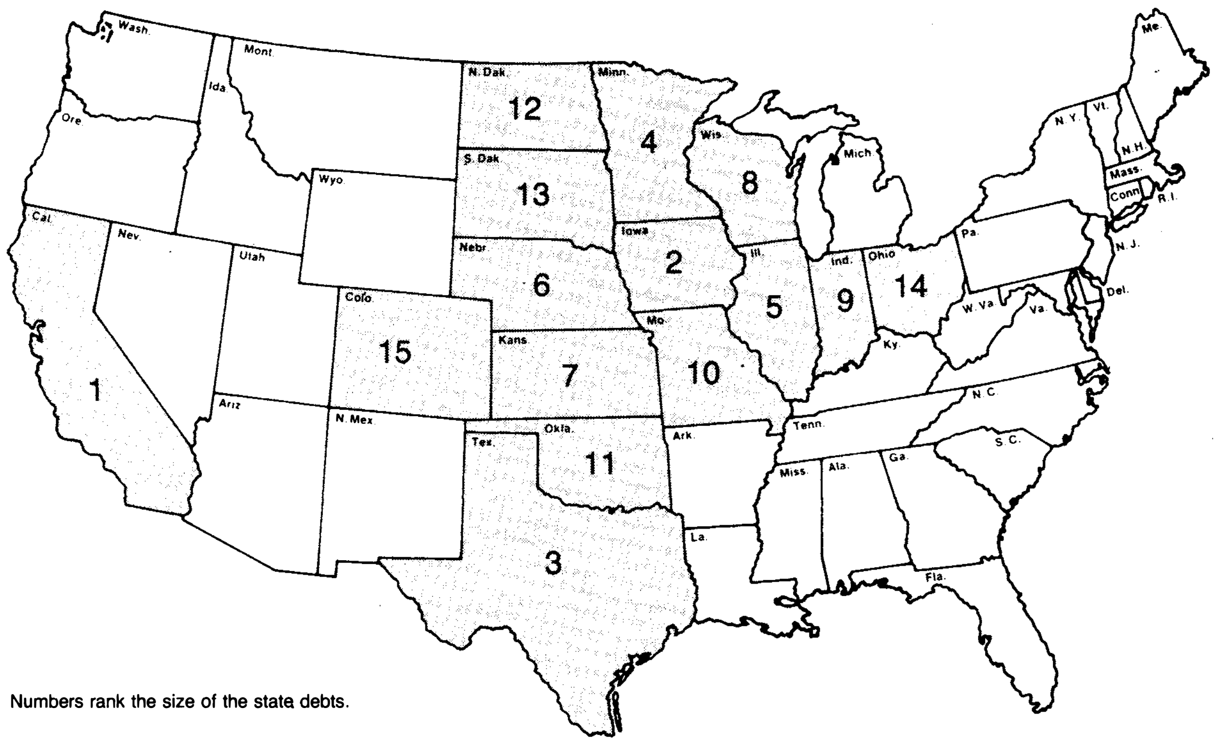
This vertical integration is now proceeding breakneck into meat production. A few companies, like Cargill, Inc., already have contract hog farming in North Carolina and a few other restricted locations. However, now, because of the debt crisis, there is a wholesale transformation taking place in the heart of the corn and hog belt from Indiana to Nebraska.

At the same time, the cartels are organizing huge temporary imports of hogs from Canada and pork from Denmark. In the first six months of 1984, pork imports hit a record level of $549 million pounds, up 31% from 1983.

The Eastern Establishment media is promoting the lie that the "disappearance" of the independent family farmer will make no difference to the food supply, but is solely an evolution to a different "lifestyle" of farming. In January, the *Washington Post* carried a feature article on this under the headline, "Cut Costly Myths: The Family Farm Is Doomed." Meantime, the food and society pages of daily newspapers are saying that it is trendy to be dependent on foreign food imports. However, food shortages are already here, and will be seen in the supermarkets before the year is out. The national hog inventory in the top 10 states is down almost 10%. The breeding stock inventory is down over 6%. The national beef cattle herd is decreasing, and the breeding herd itself is going to slaughter in dangerous numbers. Regional milk shortages are so severe, that dairy processors are surreptitiously blending milk powder into fresh fluid milk to stretch the supplies to customers.

No federal or state emergency measures adequate to deal

World's top farm region collapsing under $140 billion agriculture debt



Over 65% of the total $215 billion U.S. national farm debt is concentrated in the 15 top farm states that account for the bulk of the U.S. staple food supplies, plus half of the world's annual grain exports. The combined agricultural debt of these states equals the entire combined national debt of Brazil ($100 billion) and Argentina ($42 billion)—two of the other leading food production regions of the world.

with this food catastrophe have yet been proposed. Under strong pressure from farm states, the administration announced a farm debt relief package Feb. 6 that simply called for a farm-loan interest write-down option to accompany the principal write-down option of the federal debt assistance plan announced last fall. There is supposed to be a new practice of "forebearance" by the FDIC in allowing farm banks to be lenient on farmers whose land collateral has dropped in value. There will be credit "hot lines" and extra staff assigned to process loan paperwork by farmers applying for special cedit.

However, no funds above the $650 million announced last fall have been allocated. Farm-state bankers and legislators have been asking for $3 billion. Furthermore, it is reported that not much more than $25 million of the fund has been used because farm bankers do not want to comply with the requirement to write down the debt principal by 10% and accept a federal loan guarantees on only 90% of the remainder. No one thinks the administration's latest plan will do enough to make any difference in the disaster.

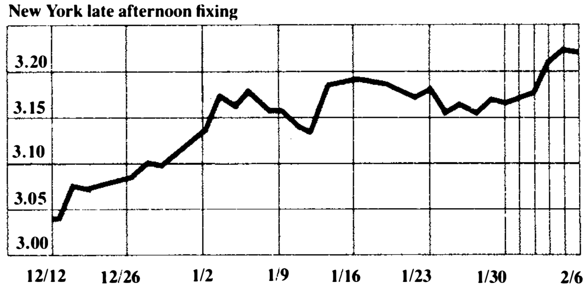
On the state level, there are dozens of crisis-management bills being pushed to handle the situation. There are 36 bills alone in the six core midwestern farm states—Iowa, Minnesota, Nebraska, Wisconsin, and the Dakotas. The cartels and insurance companies, working in part through a Minnesota-based front called Communicating for Agriculture and through governors' offices directly, are ramming into the legislatures packages of "debt restructuring" bills to eliminate the barriers to foreign investments in farmland, feedlots, and so forth; and bills to require the state treasuries or the federal government to provide economic disaster assistance and interest payment relief to farmers.

These same networks are absolutely opposed to the establishment of any type of adequate farm debt moratoria and provision for production credits to expand production. Certain farm and commodity groups have brainwashed themselves into campaigning for mandatory production controls—for example, the Nebraska Wheatgrowers. The National Farmers Organization just announced a "supply management initiative" to solicit and market freshening dairy heifers, to drive down production later this spring. Their rationalization is the fantasy that tighter supplies will drive up the price—a marketing strategy that overlooks cartel controls, and never works.

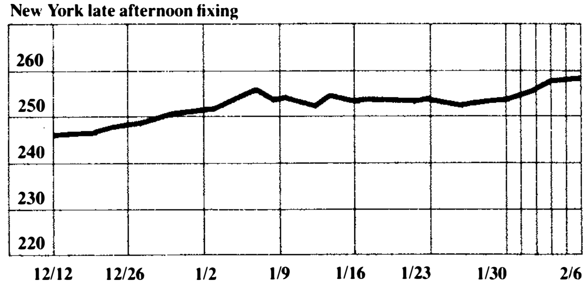
Farmers and others connected with the Schiller Institute, the foundation mobilizing for expanded defense and economic production, have been testifying in state legislatures and conducting mass lobbying on Capitol Hill to stop these cartel maneuvers before it is too late. Testifying in the state legislature in North Dakota the first week of February, dairy farmer Anna Belle Bourgois denounced the emergency legislation of Governor Sinner to solicit foreign investment into a Bank of North Dakota state fund to "assist" farmers by lining up their land for takeover. She said this is a bill to "establish serfdom in North Dakota."

Currency Rates

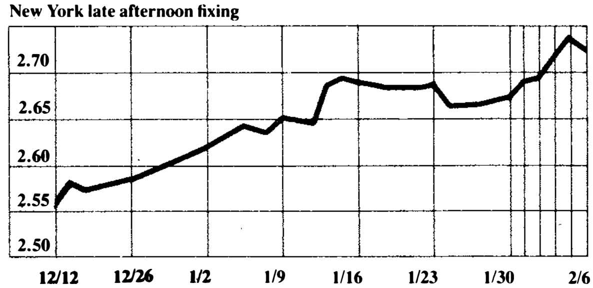
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing