Low prices dry up farming, too

Drought or no drought, farm prices lower than half parity will doom our food supply.

The current "drought of '88" is part of a several-year drought cycle, that puts to the test the character of the leadership of the country to take the proper emergency measures to produce needed food, and preserve food output capacity for the future. So far, state and federal leaders are failing this test, despite the know-how of farmers that could be mobilized.

During the week of July 20, U.S. Agriculture Secretary Richard Lyng toured 10 drought-stricken states, and mumbled only about how, "the drought is weakening."

Even if the drought were to break completely, the farm sector is in such demobilization because of the years of "Recovery," and two recent decades of detrimental federal food and farm policies, that the food supply is at risk. One of the clearest representations of this is the persistence of below-parity prices paid to farmers for their output.

A "parity" price can be thought of most simply as a fair price. This would be the price received for a commodity that covers the immediate costs of production—farm inputs of all types; covers a relevant amount of the capital improvements made on the farm to keep up productivity; and gives a decent return on investment.

Under conditions where parity prices were made to prevail—during the two world wars—the growth in food output during the war mobilization was phenomenal. However, after a time, parity prices were phased out following each war. This was done through a combination of policy interventions by the federal government, done at the behest of the powerful international food cartel companies, who offer prices at "take it or leave it" levels to the farmer, way below even the bare costs of farm production.

These companies, which include Cargill, Continental Grain, Nestlé, Bunge, Garnac/André, Louis Dreyfus, Archer Daniels Midland, and Unilever, have dictated policies to Washington and the European Community. In the developing sector, press reports spread the false belief that U.S. and European farmers are being subsidized to monopolize world grain markets. Meanwhile, the credit to develop domestic production in Third World countries is simply not there.

On average, during the 1980s, farm prices have been running below 50% of parity. This means that the farm sector has been undermined by the cartel-serving low prices, to a degree that has dispossessed millions of farmers, and threatens the food supply—even before the famous Drought of '88 set in.

The National Farmers Organization (NFO, headquartered in Corning, Iowa) periodically publishes its own calculations for market prices and parity prices. Here are the NFO calculations for the parity level of prices for the major farm commodities, released earlier this year (pre-drought). The percent parity price is given, and over the price the NFO calculates to be proper parity level (for example, $11.40 per 100 pounds of milk is what the average dairyman is receiving, when $24.20 per 100 pounds is the true parity level price he needs to stay in operation).

Wheat: 40% of parity ($2.83/$7.07, per bushel). Corn: 38% of parity ($1.89/$5.00, per bushel). Barley: 39% of parity ($1.76/$4.49, per bushel). Soybeans: 60% of parity ($6.98/$11.70, per bushel). Edible beans: 38% of parity ($18.20/$38.10, per 100 lbs). Milk: 49% of parity ($11.40/$24.20, per bushel). Beef: 72% of parity ($91.90/$127.00, per 100 lbs). Hogs: 54% of parity ($46.90/$87.00, per 100 lbs). Lamb: 63% of parity ($77/$123, per 100 lbs).

According to calculations by Iowa State University (Iowa Crop and Livestock Reporting Service), the overall price level for all farm commodities had sunk to 52% of parity in 1985—the lowest annual average on record since Iowa State began its parity calculations in 1930. Even in the Great Depression, the lowest level of prices relative to parity was 58% in 1932.

During the war years and after—from 1942 to 1952—the parity ratio varied from 105% (1942) to 100% (1952), with highs of 113% in 1943, and 115% in 1947. (The Iowa State index bases its calculations on the relationship between farm prices, and costs of farm production that obtained in the United States in 1910.)

Given this picture, it is a mockery for news media and government officials to talk of the "benefits" to farmers of the higher prices now prevailing (except for milk and beef) because of the drought. As of mid-July, corn is over $3.00 a bushel; soybeans up to $10.00. But you can't sell what you don't have; and thousands of farmers are facing shutdown. The emergency measures going through Congress in July are a mockery, compared to the wartime-scale of mobilization required to save farms and produce food.