# Drought bill won't save the food supply

by Robert Baker and Marcia Merry

The federal drought relief legislation passed by Congress and signed by President Reagan the week of Aug. 8, is a sorry excuse for assistance to the nation's farmers, when the stakes are nothing less than preserving and expanding the food supply in the face of known, massive shortages worldwide, and the expectation of worse to come. The legislation was passed in a record time of six weeks, marked by much bipartisan, self-congratulatory rhetoric about helping farmers. Sen. Patrick Leahy (D-Vt.), chairman of the Senate Agriculture Committee, said, "This bill will keep our farmers on the land, in business, and ready to go next year. It will get assistance quickly to those who need it most. It is a clean, effective, fair, and equitable bill that won't break the bank."

In reality, thousands of farmers are facing forced shutdown, herds are being liquidated, and land and farm infrastructure are being destroyed needlessly. The new law is ill-conceived and will not do what is required.

In the analysis below, we quote from the "Summary of Senate/House Conference Agreement on Drought Assistance Legislation," released by Senator Leahy's office Aug. 5, which describes the bill as later enacted into law; following each quotation is *EIR*'s critique, point by point.

1) **"Extent of Disaster Coverage.** Provides disaster benefits for those producers who suffered losses in 1988 due to drought, hail, excessive moisture, or related conditions."

Congress took no notice of the scope of the pre-drought food stocks shortages, relative to domestic and international needs, and failed to proceed on drought relief from the viewpoint of how best to assist farmers in order to guarantee national and international food supplies. Congress actually suppressed the levels of financial assistance authorized for drought-stricken farms, in order to prevent the triggering of the Gramm-Rudman automatic cuts in the federal budget—a mechanism which itself should be cut, in the face of the current food and economic crises. The total cost of the drought relief law is set at $3.9 billion, which is less than the losses to farm income that will be suffered in Iowa and Illinois alone.

2) **"Assistance to Livestock Producers.** . . . authorizes special forms of livestock assistance (e.g., feed donations, transportation assistance). . . . Directs [the U.S. Department of Agriculture] to implement a limited emergency forage program for established pasture damaged by drought with USDA paying half the cost of seeding and fertilizing of certain forage crops on the land to facilitate late fall 1988 or early spring 1989 grazing and haying. This particular program would be strictly limited to maximum expenditures of no more than $50 million with no individual producer receiving more than $3,500. . . . For livestock producers, federal feed assistance could not exceed $50,000 in benefits. Prohibits benefits to those livestock producers with gross revenues of over $2.5 million annually."

This approach taken by Congress is oriented toward trying to keep livestock producers from going broke, but, provided they can hang on even one more year, thousands of farms will not be as functionally sound next year. The emergency measures do not attempt to enhance the meat supply capacity of the country. On Jan. 1, 1988, before the drought set in, the national cattle inventory had dropped to 99 million head—a 27-year low and the first time that the winter head count had been below 100 million since 1961. Viewed against the need for expanding meat supplies, the $50 million figure for pasture restoration—about 50¢ per animal—is nowhere near adequate.

3) **"Assistance to Crop Producers.** Provides disaster payments to producers of annual commercial crops who lose 35% of 1988 crop due to the drought. . . . Provides reduced yield and prevented planting disaster payments to wheat, feed grains, cotton, and rice program participants at a rate of 65% of the 1988 target price or 65% of the county loan rate in the case of non-participants who raise program crops. . . . [Payments will be made for peanuts, sugar beets, sugarcane, and tobacco producers at a rate of 65% of the 1988 price support level.] Provides payments for soybeans and other nonprogram crops payments at a rate of 65% of the average producer market price of the last five years. Limits combined crop insurance benefits and disaster payments up to an amount that does not exceed income that would result from normal crop yields. . . . [Requires farmers to get federal crop insurance for 1989, under certain terms.] Provides basic income protection for crop producers with total or near total losses by making additional assistance available to those who suffer losses in excess of 75%. This would be provided in the form of an additional direct payment equal to 25% of the applicable target price, price support level, or five-year average market price."

On the farmer's first 35% of loss, no compensation is provided. Plus, the formula in the legislation guarantees that full compensation will not be made for the losses over 35%; only partial compensation will be provided. What this means, can be seen from the following hypothetical case of a corn-grower with a 100% loss. Assume that the average yield per acre is 100 bushels. Assume a 100% loss. The government compensates you for 65% of your normal yield, at a price per bushel of your average yield that is 65% of a target price (approximately $2.95), which is $1.92. This latter price, times 65 bushels per acre, is approximately $125 per acre, which is 42% of what the corngrower would have expected to realize without a drought.

The USDA is supposed to provide additional assistance to any farmer with losses over 75%, but basically the bill decrees that across the board, farmers will only be compensated for 42% of their losses. Some farmers will additionally receive compensation from their Federal Crop Insurance, but according to the national official estimates, only 44% of farmers have crop insurance—not all in the drought areas. In Maryland, for example, in 1987 only 3% of the state's approximately 1.5 million acres of cropland were insured.

In view of the fact that the drought will not lift overnight, farmers receiving drought assistance of the restricted type offered in the drought relief law, will still be financially incapacitated to continue production. Another layer of farms will slide into extreme financial difficulty, in an agricultural banking environment that is already disintegrating.

4) "**Advanced Deficiency Payments.** Producers will not be required to repay advance deficiency payments on any unit of production that failed or was prevented from planting due to disaster, unless that unit of production received a disaster payment. Producers who would have been required to repay a portion of their advanced deficiency payment will not have to make repayment before July 31, 1989, for that portion of the crop for which they received a disaster payment."

This "Catch-22" provision requires that the disaster compensation money the farmer may get, may possibly be paid right back, at least in part, to meet obligations of repaying advanced deficiency payments received from the government because crop prices rose under drought conditions.

5) "**Farmers Home Administration Loans.** USDA is directed to take steps to assist businesses affected by the drought by making operating loans available for 1989 operations. USDA is encouraged to aid producers affected by disaster by exercising forbearance on the collection of loan proceeds, restructuring credit, and encouraging commercial lenders and FmHA to exercise forbearance before declaring loans in default. USDA is authorized to provide emergency loans for producers whose crops were affected by disaster in 1988, whether or not the producer had previously purchased federal crop insurance. Extends FmHA loan guarantees to help those producers who have borrowed from the Farm Credit System or other commercial lenders and cannot repay all or part of 1988 operating loans or regularly scheduled 1988 or 1989 installments on farm ownership, farm equipment or farm structures loans."

Low-interest credit is required to provide the continuity of farm operations until new production is generated, however, this provision offers the drought-hit farmer the option of going deeper in debt, under the prevailing practices of the FmHA, Farm Credit System, and commercial banking community that have been so onerous to date. Credit should be made available by the national Treasury, through the local banking system, to provide low interest production and capital improvements, and to shore up the capital base of local farm banks. Many of these banks are at the point of insolvency, and whole sections of the U.S. farm sector are disintegrating.

6) "**Dairy Price Support.** Directs USDA to increase the price support for milk 50¢ per hundredweight effective April 1, 1989 through June 30, 1989. Deletes the anticipated January 1, 1989 price support cut."

This is merely a token of support to dairy farmers, thousands of whom will not be able to maintain their herds. The current parity price for 100 pounds of milk would be $24, and farmers are getting only about $11. The costs that the drought now adds to the farmer's costs of production—feed, water, pasture—will be too much for thousands of dairymen to bear, and regional milk shortages will worsen. At present, there are under 9 million animals in the U.S. dairy herd, a record low. The inventory stood at 11 million animals just a few years ago. Even with the bovine growth hormone, a year from now there will be no way to keep up needed levels of milk production. As of this fall, the reserve milk powder CCC stocks will be entirely gone.

7) "**Commodity Stock Adjustment.**" Permission is given to farmers to plant certain amounts of soybeans, sunflowers and oats on their acreages allotted by the USDA "base acreage" to plant wheat, feed grain, upland cotton and rice.

This provision permits the planting of some oilseed crops, and oats on land that prior to the drought could only be used for grain production and cotton—if the USDA base acreage allotment was to be retained. However, what is actually required is "commissioning" large plantings of crops in the national and international interest, along the guidelines of the World War II Lend Lease program, and other war mobilization production.

8) "**Assistance to Ethanol Producers.** Permits USDA to sell corn held by the Commodity Credit Corporation as feedstock for ethanol producers at reduced prices. The maximum amount of corn available for sale for this purpose was limited to 12 million bushels per month and the sale was restricted to ethanol producers who utilize no more than 30 million bushels of corn per year."

In view of the acute shortages of corn for livestock and cereals use, this provision means that corn ethanol production should be suspended in order to permit scarce corn stocks to go into the food chain. Independent, family farm interests involved in ethanol production should instead be financially induced by the USDA to return to food and fiber production, because of the drought. Subsidies and tax breaks should be summarily terminated for the cartel companies that dominate ethanol production—Archer Daniels Midland, and Cargill.