Agriculture by Marcia Merry

U.S. farm bill cuts $13.6 billion

The new five-year bill claims to give "flexibility" to the farmer. In general parlance, that means, "Bend way over."

The new farm bill, which was passed amid the final frenzy of the federal budget crisis, ended up being trimmed down to only $41 billion, way down from the $54 billion range called for earlier by the separate House and Senate versions.

However, farmers, not dollars, may get the biggest trimming from the new law. It slashes farm subsidies by about 25%, which, coupled with the low prices forced on farmers by the food cartel—a concentration of commodities companies that dominate international and domestic trade—will result in ruination for thousands more farmers, and a vast loss of food output capacity.

Under the farm laws of the last two decades, farmers could opt for federal cash flow assistance by contracting to participate in the federal programs for price deficiency payments (a safety net under the market price) and crop loans.

In exchange, farmers were told by the Department of Agriculture how much of their base crop acreage (a calculation based on an average of five years) they had to "set aside" in any given crop year.

The new law mandates a "triple base" plan, which reduces the number of acres for which the farmer can get price deficiency payments. For example, if a corn farmer gets, under certain conditions, payments on 90 of his 100 base corn acres, now he will get payments on only 76.5 acres.

The 15% reduction in the acres considered when payments are calculated, can be planted with other crops (except fruits and vegetables), which is the rationale for calling the package "flexible."

But calculations by Sen. Robert Kerrey (D-Neb.) show that a corn farmer who has averaged about 100 bushels per acre, might expect to lose $15 an acre in his income under the new law.

Kerrey also calculates that once oil price rises and other increased costs of farming are added into the income equation, the farmer will experience a $35 to $40 per acre cash flow reduction.

As it is, farmers have been unable to net enough income to operate and still meet debt payments, and farm foreclosures or voluntary departures have become a mass phenomenon. The new law will only speed this up.

State agriculture commissioners are closer to the problem, but so far they have been little better in terms of advocating emergency policies to turn around the economic crisis.

There was an eerie atmosphere this year at the annual conference of the National Association of State Departments of Agriculture on Oct. 7-10 in Richmond, Virginia, because state officials tried to enjoy socializing-as-usual, while, not far away, the House and Senate conference committee sat tinkering with the disastrous farm bill.

The Southern States Agriculture Commissioners passed an emergency resolution, calling on President Bush to prevent cuts to federal inspection functions that would interrupt the food flow from the farm to the public.

But otherwise, the agenda was heavily influenced by the administration, and featured a New Zealand representative calling for the U.S. to bash Europe over its resistance to ending farm subsidies.

The true nature of the federal loan and price deficiency payments to date—whether before or after the budget cuts—is, in fact, a subsidy to the grain, milk-processing, and other international cartel companies that are able to underpay farmers while acquiring a commodity on which they profit greatly.

Wheat prices are now at record lows, relative to farmers' costs. At below $2.40 a bushel, they are less than half of what a parity, or fair price to cover costs and investment, ought to be. In Australia, where the spring wheat harvest begins in November, many farmers fear that they cannot afford to harvest their crop at all.

The cartel companies offering the low prices argue that there is a world glut. However, this is a ruse, because one good season (in this case, good harvests this year in Kansas and the U.S.S.R.) does not make up for the recent years of poor crops and empty elevators.

On Oct. 5, the Idaho state government sent a letter of appeal for relief to Agriculture Secretary Clayton Yeutter. It reported, "Today's low prices jeopardize not only Idaho farmers, but entire rural communities. At $2.48 per bushel, Idaho's wheat price is, after adjusting for inflation, lower than at almost any time since the Great Depression. . . .

"It is far too easy to blame falling wheat prices on record world wheat production. However, the 1990 stocks-to-use ratio has risen only slightly above the near record low 1988 and 1989 levels. It is unrealistic to suggest that a slight rise in the stocks-to-use ratio is responsible for the sharp decline in price. Obviously, additional factors have contributed to the record low prices."