Farm bankruptcies, production cuts will mean food shortages in 1985

by Marcia Merry

The food "surplus" headlines you read about—Europe's "green mountain" of grain, the U.S. dairy "surplus," and the rest—represent outright lies. Seeing them this year, right next to the pictures of mass starvation in Africa, makes clear enough what a deadly hoax the "surplus" stories are. More food is needed.

However, in the name of "reducing surpluses" and cutting the budget, the farm policies pursued by the U.S. government over the past year will result in drastic food output reductions in 1985. The entire U.S. agriculture system of independent family farms is in the process of being dismantled, under a crushing burden of debt and the collapse of prices and incomes.

A similar process is under way in Western Europe, and in the once productive regions of Mexico and elsewhere. In the New Year, food prices will climb and selected scarcities will set in, even in the so-called advanced economies. Without emergency food production in many parts of the world—for which orders need to be given in the next three months—starvation will proceed in Africa and spread elsewhere.

In terms of the U.S. national food supply, what has happened over 1984 is the draw down of national grain stocks, livestock inventory, and dairy supply, according to the deliberate food-reduction policies of the federal government under the influence of Cargill, Inc., and the other food-cartel companies. At the same time, a record amount of U.S. grain was shipped to the Soviet Union—25 million tons in little over one trade year. The Soviets are set to import a record 50 million tons this year, about 25% of all grain traded annually worldwide.

Given this picture, the loss of the American-system family farm on the scale now under way spells disaster. In the course of this collapse, control of farm inputs (fertilizer, seeds, feeds) and food processing and distribution has become so concentrated in the hands of food cartels coordinating with the Soviet Union (Cargill, Armand Hammer, Nestles, André/Garnac, and the rest), that there is a clear and present threat to the national security of all nations in the West.

Grain draw down

According to the December reports of the U.S. Department of Agriculture, total world grain production in 1984 was 1.6 billion metric tons. This represents a decline in output from a peak of about 18 bushels a year per capita in 1982 to under 15 at present. For a decent diet, a person needs the equivalent of 24 bushels of grain annually, indirectly as animal feed for meat and milk as well as cereals and crops for direct consumption. For example, the corn harvest in the United States, which has accounted for about 50% of world feed-corn output over recent years, is estimated this year at 7.527 billion bushels—a level lower than three of the past five crop years. Recent levels of annual corn utilization have been about 7.2 billion bushels a year. After the disastrous 1983 grain harvest, in which U.S. corn output fell by half because of the Payment-In-Kind (PIK) acreage-reduction program and the 50-year record drought, by June, 1984 corn stocks were at a 17-year low relative to usage.

The spring 1985 planting is not a guaranteed event. Farmers do not have the money to buy seed, fuel, and fertilizer and to maintain their equipment. The winter wheat planting, now completed, has gone into the ground without fertilizer in many regions, for example, Ohio. Even in the wheat center of the world, Sumner County, Kansas, less wheat has been planted because of the number of farmers who have gone bankrupt. Some farmers who put seed into the ground have already been forced out of business. The banks will arrange the harvesting.

Corn prices are now \$2.50 a bushel—delivery Milwaukee. A farmer absolutely needs \$3.50 if he is to have the money to plant in 1985.

Driving through Indiana, Illinois, and Wisconsin at this time of year, one would normally see bins overflowing, and corn in temporary storage. Instead, they are half full. An extreme example is the Farmers Union Coop (CENEX) in Cottage Grove, Wisconsin, where there should be 3 million bushels of corn. There are 300,000 bushels there now. Farmers just did not raise the crops. They had to buy second-rate seed. They couldn't afford to fertilize. That was last year. Now, for many, there is no money to plant at all.

Livestock inventory shrinks

For U.S. cattlemen and dairymen, the short grain supplies and high prices have spelled disaster. The number of cow-calf operators in the four major production regions fell by 20% from 1975 to 1980, and now they are going under across the country. In certain secondary but important beef producing regions, for example, the Nevada-California border rangeland, whole herds are being sold off; families are liquidating ranches that took generations to develop. The hog and pig inventory in the 10 top states was down by 7% as of Sept. 1. The breeding inventory was down by 5%. The national beef cattle herd is decreasing. There are half-hearted predictions that "the cycle will turn up," but the potential is being destroyed. Breeding animals are going to slaughter, and ranchers are going out of business.

The impact of this process in 1984 was cushioned for the consumer by the apparent plenitude of meat from the liquidation, beef imports from Mexico and Canada, and by the massive slaughtering of dairy cows. Pork imports hit a record level of 549 million pounds during January-July 1984—up 31% from 1983, with huge shipments from Canada and Denmark, where foreign exchange is required to meet enormous debt payments. Pork imports this year may total 900 million pounds. The cushion of imports and domestic herd liquidation will not last indefinitely, and some time in the New Year or early 1986 the American public will begin to see sudden shortages and price rises.

Dairy supply to fall

World dairy output also fell in 1984. Milk production in the United States, which together with the European Community accounts for 40% of world output, fell by an estimated 5%. The EC quota reduction plan has cut milk output in 1984 by about 2.3% overall.

The European milk reduction resulted from the implementation of the Common Agriculture Policy (CAP) "quota" system last April which mandated 2% supply reductions from each farm to their processor. Penalties exist for non-compliance. Farmers have reduced yields by feeding less concentrate and sending up to 1 million dairy cows to slaughter during April 1984 to March 1985.

The U.S. milk reduction program is twofold. In the fall of 1983, a production tax of 50¢ per hundred pounds of milk monthly was imposed on all dairy farmers. Then, in January 1984, a 15-month program was initiated in which dairy farmers were solicited to contract with the government to receive $10 for every hundred pounds of milk a month they did not produce, ranging from a set 10% to 30% of their recent average output. Under this program, a dairy farmer could not sell his herd or individual cows to another farmer or company who would then milk them. The animals had to be slaughtered. In the first six months of 1984, an additional 370,000 dairy cows were culled over normal herd-management rates.

When the program ends March 31, farmers will put whole herds on the market in hopes of making something by selling out. A large Missouri auction company is so booked in advance by dairy farmers that the company is taking no bookings of any kind for after April 1. In addition, April 1 is the date for the government to continue or lift the 50¢ production tax, at the discretion of the USDA.

In the United States, raw milk output fell 25% in one year in Georgia, and 20% or more in many other southern states—Florida, Tennessee, Kentucky, and others. Milk is going from Wisconsin to the southeastern states over 1,000-mile hauls, adding to the cost. Dairy processors in Atlanta have repeatedly warned that rationing will be necessary.

Dairy farmers are receiving at least $5 a hundred pounds less than their production costs, and have taken on loans to continue. For example, in Pennsylvania—one of the top five dairy states, many farmers get no monthly milk payment at all. It goes directly to the bank. The farmer receives nothing for food, clothes, or fuel. The lender permits the electricity to remain on only because it powers the bulk coolers required to ship the milk. Families are subsisting for weeks on last summer's home canned beans and fruit, and hand outs from farm neighbors. Farm families shun food stamps because the state can come in and sell off their home and belongings in dollar for dollar compensation for whatever food stamps the family used. No matter what some dairy families do, the Production Credit Association and other lenders are foreclosing on herds.

Farm bankruptcies

Farm bankruptcies are at crisis rates. In Ohio, for example, one bankruptcy judge reports that seven years ago there was one bankruptcy filing a month; in 1983, there were seven filings a week; and at the end of 1984, there were five a day.

Nationally, the Farmers Home Mortgage Administration, the federal lender-of-last-resort, is extending "relief" loans only to those who don't need them. The policy of the Federal Reserve and Office of Management and Budget in 1984 was to withdraw credit from the farm sector. Up through the 1983 period of PIK transfer money, there was some credit extension to prop up the $217 billion in national farm debt. However, now the debt is collapsing, taking whole sections of farm infrastructure with it.

There were 69 bank failures in the United States this year, more than at any time since the Depression, and the largest number of them were in farm states. Banking observers estimate that 20% to 25% of the 800 banks in serious trouble are agriculture banks suffering heavy losses on farm loans. As many as 7% of the banks' farm customers are in danger of defaulting and losing their land in foreclosure. In Iowa, John Deere, the nation's largest farm implements manufacturer, has laid off 5,800 workers. The conglomerate Tenneco has bought International Harvestor, and plans to reduce farm-implement operations drastically.

In Canada, where the same collapse process is bearing down, the legislature of Saskatchewan is expected to pass a 13-month measure to prevent any foreclosures on farmland or buildings. The bill is a rear-guard emergency measure—without follow-up plans for low-interest production credits or longer-term solutions to stave off the disaster of the century.