USDA admits the farmers are gone—but denies there is a food crisis

by Marcia Merry

Although written in vicious double-speak, the latest U.S. Department of Agriculture report on the financial condition of U.S. farms shows that the mainstay of the U.S. food supply, the independent family farm sector, is going out of existence. The conclusion—which the USDA not only refuses to make, but obfuscates—is that we are headed for food shortages, and disease and famine on an unprecedented scale.

The bar diagram chart shown here is directly from the USDA report, issued last month, called "Financial Characteristics of U.S. Farms, January 1985" (*Agriculture Information Bulletin* No. 495). You see immediately that the middle-sized farms—those that gross annually between $40,000 and $250,000—are the ones in most trouble, a condition that the USDA delicately refers to as "financial distress." These farms, concentrated in the food belt states of the Midwest, are going under in record numbers, and collapsing the entire regional food infrastructure along with them—the farm credit systems, the local machinery, hardware, seed and fertilizer outlets, retail stores, hospitals, schools and every kind of establishment essential for high-technology agriculture that made this region a vital world asset.

What the USDA report documents is simply the current status of deliberate policy orders of the International Monetary Fund, and the private family trusts, cartels and financial centers connected to the IMF: Shut down the big food capacity centers in the world, and depopulate. In February, a high official of the IMF said, "Farm debt does not involve big money-center banks. Let the smaller banks go under. We can handle one or two more cases like Continental Illinois." The policy of these IMF circles is food shortages and genocidal famine.

Within only a few weeks after the issuance of the USDA Financial Characteristics report, the USDA Statistical Service released its monthly crop forecasts, showing that, as if by miracle, this year's harvests, despite the "financial distress" of the farmbelt states, will have record or near record yields. Believe that one and you will enjoy eating air next year.

The USDA crop report said that the corn harvest will be the largest in U.S. history. And other grains, though down from last year, will still be in the record range. The reaction among the nation's dwindling number of farmers to the USDA's rosy crop projections is an almost uniform: "lies, lies, lies." The northern tier grain states have been hit by drought, grasshoppers have devastated millions of crop and range acres, and thousands of acres lie idle because of the farm finance crisis. There was an especially large wheat acreage set aside this year because of the farm income collapse.

The purpose served by the lying USDA crop forecasts is to "justify" the continuing below-cost prices paid to farmers for their crops by the world food cartel companies (Cargill, Bunge, André, Louis Dreyfus and others) that now exercise an almost complete monopoly on the shrinking world food trade. The rationalization is based on the supply and demand myth. Supposedly, despite the farm income and debt crisis, farmers have managed to produce huge crops, which will keep prices down.

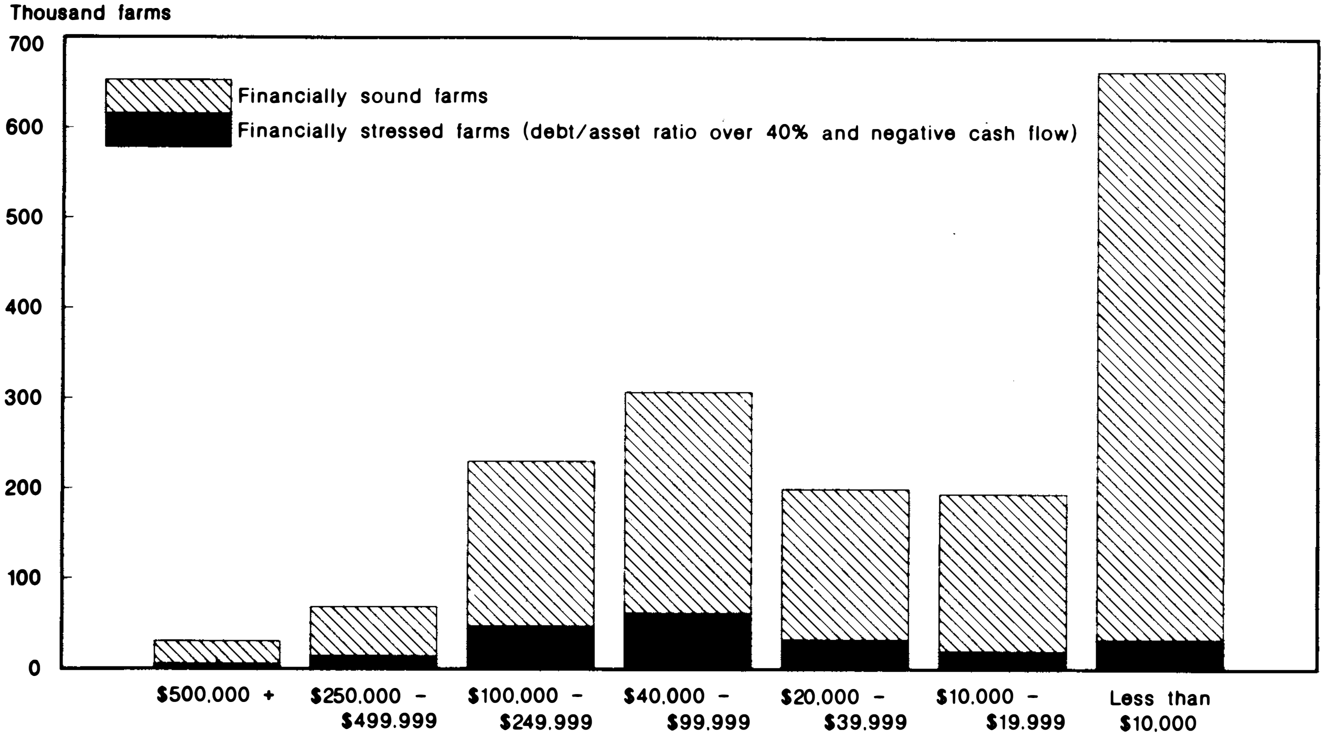
The Eastern Establishment media all pitched in to do their part to promote this myth. The *Washington Post* headlined its article on the forecasts "Good Crops a Bad Sign" for farmers, because of the "Expected Surpluses." They lied, "In addition to the record corn crop, based on field surveys taken several weeks ago, the department projected bumper crops of soybeans, sorghum, wheat and cotton. With continuing good weather in the major growing areas, the USDA is expected to make even higher projections in its September forecast."

The main political center of cartel operations in this hemisphere, Minneapolis, is the most recent source of the wildest proposals, carried in the Aug. 11 *Minneapolis-Tribune:* "Farmers should quit farming. They are no longer needed anyway."

Disappearing farmers

According to the 1982 USDA census, there are about 2.2 million farms and ranches in the United States, counting everything from small acre, part-time operations that produce less than $10,000 annually, on up to huge corporate "factory farms." However, the backbone of the nation's food supply comes from the group in the middle—the family-operated, several-hundred-acre high technology farm, which produces between $40,000 and $250,000 annually. Over the past sev-

Financial condition of farms by sales class



Reprinted from the U.S. Department of Agriculture Information Bulletin, No. 495, July, 1985 "Financial Characteristics of U.S. Farms, January, 1985."

eral years, this category has included only about 600,000 farms and ranches in total—only about 27% of all farm sizes.

What the USDA report documents (and the USDA is not known for accuracy) is that at least 214,000 of these most productive farms are in trouble, and going out of existence. That represents at least a 15-20% drop in annual, national food output capacity alone.

A closer look at the figures shows where the disaster is concentrated. The USDA reports that, of the 370,000 farms that have a debt load exceeding 40% of the value of their assets, 123,000 have a debt-to-asset ratio of over 70%, and are considered technically insolvent. If we deduct the super-big corporate farns and the small size operations, we see that almost 60%, or 214,000 farms, already insolvent, or about to be, are in the key category of productive family farms.

The first criterion used by the USDA is this debt-to-asset ratio. In addition, the USDA surveyed the negative cash flow position of a sample of farms, and determined that farmers and ranchers with sales between $40,000 and $100,000, on average, could not cover their minimal essential costs. They had an average negative cash flow of about $3,000.

The worst-hit sectors are dairy farms and general live-stock operations, with over 50% showing a negative cash flow. The geographic region most hit by the combined debt and cash crisis are the breadbasket states—the Midwestern states, including the Corn Belt—Iowa, Missouri, Illinois, Indiana, Nebraska, and Ohio.

The financial conditions of farms in these states has been pulled down in only a few years time by the plunge of land values—on a farm real estate market that is characterized by "experts" that there is too much food and too many farms in the world. In the Corn Belt, farm land values per acre dropped about 25% in one year alone, from 1984 to 1985. For Iowa, land values have fallen about 50% since 1981. In the grainbelt of the northern plains, including the Dakotas down through Nebraska and Kansas, the world wheat center, land values have dropped 23%.

Farm cash flow is now worse than ever. The USDA report covers the condition of farms at the turn of this year, and was based on surveys taken this spring. The September, third-quarter financial deadline is set to mark the final collapse point for thousands of farms barely holding on in January this year. Nothing improved; everything got worse. A graphic example was shown on July 17 when the government run Commodity Credit Corporation (CCC) has to stop operations because it had simply run out of money. There were so many farmers opting to take what crop they had—especially wheat farmers, and exercise their government contract option to get crop-collateral loans instead of selling their grain way below cost on the market, that the CCC funds were exhausted. Only emergency action by Congress allowed them to reopen the next week.

The way the USDA described the situation this year, "The number of farms experiencing financial stress continued ab-normally large into 1985. . . ." The truth is we will see food shortages by the beginning of 1986.