

The farm crisis: 'It's the system, stupid'

by Carl Osgood and Marcia Merry Baker

As of mid-September, Congressional debate on the U.S. farm crisis and relief proposals, is occurring on almost a daily basis, although there has been no definitive action taken so far. On Sept. 19, in Worthington, Minnesota, a tri-state emergency conference on the farm crisis, attended by 500 people, was addressed by U.S. Senators from Iowa, North Dakota, and Minnesota.

What is prompting all the commotion, is that the disintegration of the world financial system is crashing down on trade, production, and consumption of real commodities, including food and fiber. The U.S. farm sector is facing mass shutdown in many states. Sen. Tom Harkin (D-Iowa) said that the message he got from a trip back home is, "I was told if we don't do something now, next spring might be too late."

What has happened has been a blow-out of the "markets" themselves — which, in the ideology of the 1996 "Freedom to Farm" Act, were supposed to be the all-powerful mechanisms which set the price for commodities produced by farmers. But with the global financial system in breakdown, markets, too, are shutting down. Food need is there, but no one can buy. Commodities prices have dropped through the floor. At the same time, hunger and suffering are spreading in Russia and other parts of the world. What is required are national interventions to back output and trade in essentials, and to quickly muster humanitarian relief.

Some of the farm state Senate Democrats have drawn out the relevant points and connections. Byron Dorgan (D-N.D.) said in a mid-September Senate floor speech that it is wrong to see farmers arriving with loads of wheat, to sell to grain elevators in his state, and then being told that their crop is worthless, when people are starving in Sudan. Dorgan asked, "Is there a disconnection here? I think so. . . . Those who need [food] can't get it and those who produce it are told it has no value."

Earlier in September, Max Baucus (D-Mont.) castigated fellow Congressmen who are blocking farm relief measures. He said that they must stop "worshipping at the altar of the free market."

Wheat exports out of the Port of Seattle to Pacific destinations is *down 50%* this summer, compared to last year. Wheat is sitting on the ground at the elevator collection points along the Columbia and Snake rivers, because it is not being shipped, and there is nowhere to put it. Yet, there is a desperate need for food in Russia, East Asia, Africa, Mexico, and elsewhere.

Wheat: In mid-September, the price of Kansas wheat was \$2.15 per bushel; last year it was \$3.20. A parity price (a fair return price) would be at least \$8.98.

Corn: Recently, the price of Kansas corn was \$1.56 per bushel; last year it was \$2.28. A parity price would be at least \$5.97 per bushel.

Soybeans: Recently, the price of Kansas soybeans was \$4.80 per bushel; last year it was \$5.85. A parity price would be at least \$12.90 per bushel.

Tri-state farm crisis meeting

On Sept. 19, Dorgan and fellow Senators from Dakotas, Minnesota, and Iowa, spoke of these impossible low prices at the emergency farm-crisis meeting in Worthington. But, the answer for what is to be done, was provided by another speaker, Minnesota farmer and Schiller Institute leader Andy Olson, who said, "Lyndon LaRouche's New Bretton Woods is the only solution on the table today." This point was seconded during the question period by Ron Wieczorek, a South Dakota political leader (he polled 22% in his primary race for Congress in June) who is now a candidate for Governor. He said that the Senators' first mistake was to call the meeting "Farm Crisis"; it should have been "Global Financial Crisis." "There is a three-word solution. It is called the New Bretton Woods," he said.

The opposite way of thinking, namely, cult-like faith in the nonexistent "markets," was provided in testimony to Senate Democrats on Sept. 14 by Prof. Neil Harl, of Iowa State University, who said that the only solution is to "let the market adjust supply," by squeezing large amounts of farmland out of intensive production. Almost chanting, he said that low prices are the result of "oversupply."

So far, farm aid measures from Congress are still pending. On Sept. 14, Senate Democrats introduced an amendment to the Interior Department appropriations bill, to provide additional assistance to farmers; the next day, Republicans succeeded in tabling the Democratic amendment by a vote of 53-41.

The Democratic amendment had four main elements: to remove the cap on farm loan rates (set by the 1996 farm law); to provide indemnity compensation to farmers hit by heavy losses from weather and pest disasters (in July, Republicans agreed to \$500 million, much less than needed given the scope of the crisis, and this has now been approved by the House); to authorize the Agriculture Department to make storage payments on wheat and feedgrains; and, to require livestock price reporting (by processing companies) and labelling of imported beef.

Sticking to ideology, Richard Lugar (R-Ind.), Senate Agriculture Committee chairman, is ignoring the world financial crisis, and defending the (nonexistent) markets. He opposes raising farm loan rates, as advocated by Democrats, saying that it "inevitably stimulates more production than the market can absorb."