

Thirty-year decline of U.S. farm parity ratio

by Marcia Merry Baker and Robert Baker

Three things stand out about the “parity ratio” for 1910 to 1993 (see **Figure 1**). On the “high” side, farmers were at or above 100% of parity prices during both world wars—1918-22 (reaching 120%), and 1940-46 (reaching 115%). On the “low” side, farm prices plunged sharply in the early 1930s, with the onset of the Great Depression. At that time, farm prices dropped below 60% of parity.

However, the most striking trend is the 40-year decline in the parity price ratio, beginning in the mid-1950s, from about 90% of parity, down to the current level of 50% or less. The 1973-74 spike in the ratio (during the “Great Grain Robbery” sale of U.S. grain to Russia, orchestrated by the grain cartel companies) was just a momentary event.

Up until the mid- to late-1960s, farmers of many commodities still received 75-80% of parity for their output. But during the three decades since, the parity ratio has fallen to unprecedented lows.

Table 1 gives a breakdown of the parity price ratio for individual commodities as of January 1996. This is shown on the far-right-hand column. In meat, calf prices are at 32% of parity. Beef cattle prices are at 40% of parity. Citrus parity prices are low—lemons (8%), oranges (30%), grapefruits (23%). Rice is at 38% of parity. (The left-hand column gives the price for the commodity in 1910-14, adjusted downward to take into account any government-to-farmer price support today.)

There are more commodities for which parity prices are calculated (vegetables, nuts, etc.), which are not listed in **Table 1**; overall, the prices received by the grower for these commodities are likewise at less than half of parity levels.

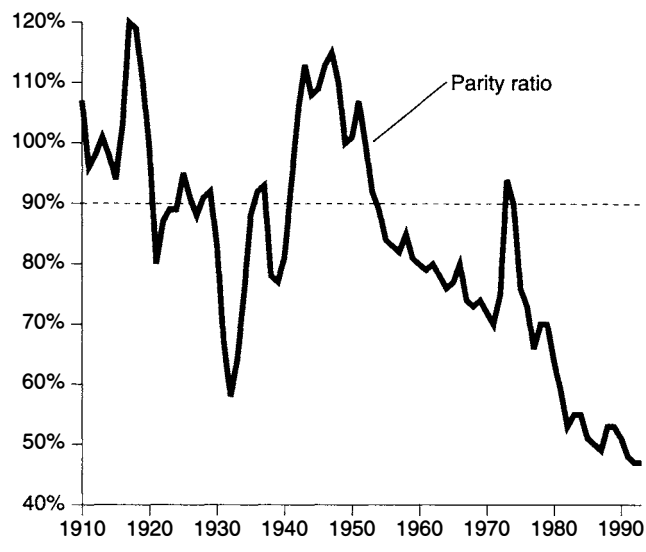
Even though market prices for such commodities as corn and wheat have almost doubled in the last year, nevertheless, in purchasing power, these grain prices give the farmer only half the purchasing power that grain prices did in the parity base-period. How has the farm sector survived low prices? It hasn't.

U.S. farm sector disintegrating, 1970s-90s

Figure 2 shows the trends, over the mid-1970s to the mid-1990s, of prices received by farmers for their commodities, as compared with trends of prices they had to pay out for family living expenses, production costs, and production costs inclusive of taxes, wages for hired help, and interest

FIGURE 1
Farmers' income does not cover costs of production, 1970s-90s

(percentage of 1910-14 parity)



payments on debts. An index line is shown for each of these, pegged to the 1910-14 parity period.

Begin with the prices received by farmers. It is dramatic that while the level of prices farmers received for “all farm products” rose during the late 1970s, from an index level of about 450 in 1977, up to 600 in 1979, thereafter, the price level has remained nearly constant, hovering around 600. In contrast, the other indices are all rising.

For example, production costs rose steeply in the late 1970s, reflecting the increased fuel costs from the 1970s “Great Oil Shortage” hoax, and then remained at a level substantially higher than prices received. Family living costs rose even higher. And, higher still, were production costs, including interest payments on debt, taxes, and wages (for hired farm work).

It has been principally because of this “squeeze” put on the U.S. farm sector, that the food cartel companies have been posting super-high profits during this time period, along with the looting of foreign farm sectors, especially in poor countries. The mergers and acquisitions craze has featured food-related companies as “sure bets,” because “people have to eat.” And, in the course of it all, the London-centered financial control has intensified in the U.S. and world food cartel system (see **Table 2**, p. 20). As of 1995, Britain is now the largest foreign investor in the United States, and much of this is in strategic commodities, especially food.

The consequences to the productive potential of the U.S. farm sector have been extreme. The 1970s-90s period has seen a decline in all essential economic ratios of productive potential in rural, agricultural areas—power in use, transport

TABLE 1

Many U.S. farm commodity prices are only half of parity, or less

Farm commodity and unit ¹	Base price (1910-14) adjusted	Parity price based on data for January		Average price received by farmer, as a percentage of parity for January	
		1995	1996	1995	1996
		Dollars		Percent	
Basic commodities					
All wheat, bu.	0.618	8.54	8.98	43	54
Corn, bu.	0.411	5.78	5.97	38	54
Rice, cwt	1.70	23.90	24.70	29	38
Cotton, lb.					
American Upland	0.114	1.58	1.66	50	46
Extra Long Staple	0.152	2.05	2.21	50	46
Peanuts, lb.	0.0444	0.613	0.645	42	45
Tobacco, ² burley	0.260	3.6	3.78	51	49
Designated nonbasic commodities					
All milk, sold to plants, cwt	1.92	27.10	27.90	46	50
Honey, extracted, lb.	0.0812	1.17	1.18	N.A.	N.A.
Other nonbasic commodities					
Barley, bu.	0.373	5.17	5.42	40	60
Cottonseed, ton	14.90	203.00	216.00	47	45
Dry edible beans, cwt	3.26	45.30	47.40	49	43
Flaxseed, bu.	0.740	10.60	10.80	45	48
Oats, bu.	0.229	3.21	3.33	38	58
Potatoes, cwt	0.565	11.60	12.60	42	50
Rye, bu.	0.281	3.83	4.08	N.A.	N.A.
Sorghum grain, cwt	0.642	8.93	9.33	41	63
Soybeans, bu.	0.886	12.40	12.90	44	54
Sweetpotatoes, cwt	1.35	19.00	19.60	N.A.	N.A.
Apples, fresh, lb.	0.0286	0.387	0.416	52	62
Citrus, ³ box					
Grapefruit	0.671	9.96	9.75	22	23
Lemons	1.23	16.30	17.90	30	8
Limes (Fla.)	1.41	20.40	20.50	39	138
Oranges	0.824	12.40	12.00	25	30
Tangerines	1.94	27.40	28.20	63	47
Temples (Fla.)	0.674	10.30	9.79	43	63
Beef cattle, cwt	10.10	141.00	147.00	48	40
Calves, cwt	13.00	180.00	189.00	47	32
Hogs, cwt	6.89	97.40	100.00	38	42
Lambs, cwt	10.20	142.00	148.00	48	N.A.
Sheep, cwt	4.09	56.60	59.40	58	16
Eggs, doz.	0.0931	1.30	1.35	44	56
Turkeys, live, lb.	0.0586	0.838	0.851	47	n48

¹ Listed here is a selection from among 78 different farm commodities for which the USDA keeps statistics for parity price calculations. Other commodities include wool and mohair, hops, olives, stone fruits (peaches, apricots, cherries, nectarines), avocados, nuts, and many vegetables.

² Prices are monitored for 11 different types of tobacco, the bulk of which is burley.

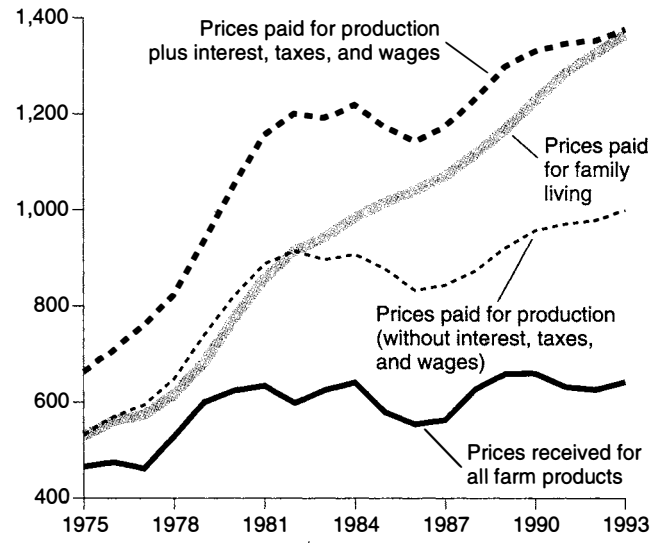
³ On-tree equivalent.

Source: U.S. Department of Agriculture, National Agriculture Statistics Service, January 1996, *Agricultural Prices*.

FIGURE 2

Prices farmers pay exceed prices farmers receive, 1975-93

(index 100 = 1910-14)

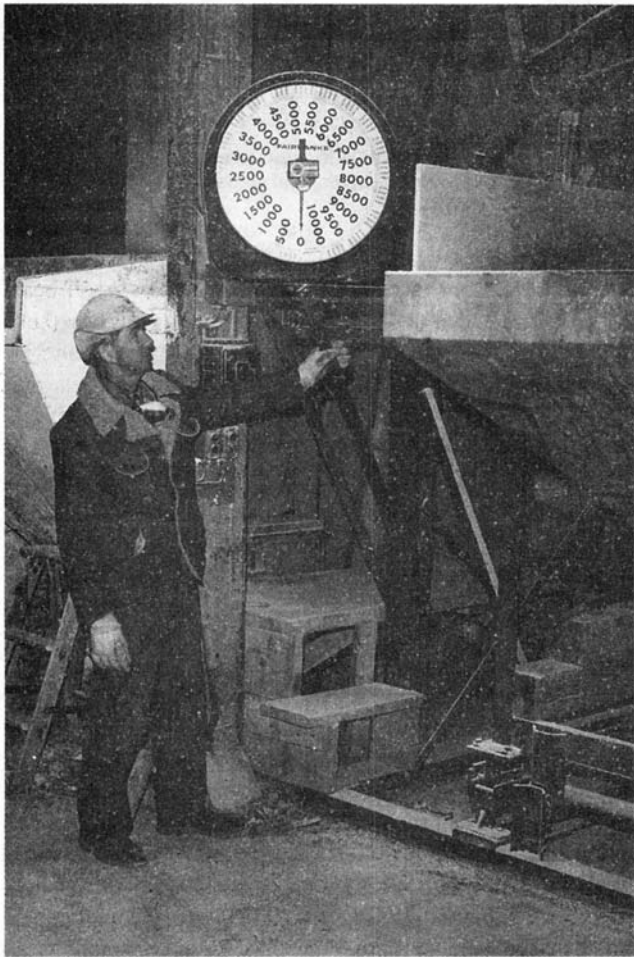


density, soil fertility improvements, and water supplies per square kilometer.

Vital services ratios are all declining in rural areas, such as the availability of hospital beds per 1,000 people (the stated goal of postwar legislation such as the 1949 Hill-Burton hospital-building law), doctors per 100,000 people, and educational and cultural facilities. For example, the current standard for physician-to-population ratio should be somewhere around 250 doctors per 100,000 people, or 1 doctor per 400 people. There are rural areas in Alabama now, where there is only 1 doctor per 6,500 people. These ratios have all been in decline since the 1970s, the period when certain productive potentials peaked, because of the economic buildup decades earlier.

In the 1970s-90s period, the low commodity prices, plus the debt service and other costs, ruined U.S. family farms. The official statistics note that the number of U.S. farms dropped from about 2.7 million in 1969, down today to fewer than 1.8 million—a loss of over 1 million farms. The farm “population” (families, farm district residents) in 1970 was about 9.7 million people, which was 5% of the total U.S. population. Now, the farm population is down below 4.5 million people, less than 2% of the total U.S. population. Farming involves less than 3% of the total U.S. labor force.

While at key times earlier in the century, the decline in the percentage of Americans living and working on farms represented productivity gains and economic advance, the 1970s-90s decline shows economic decay. The only reason family farms still exist on the scale that national economic emergency policies could rescue and build up the farm sector,



A New Jersey dairy farm. Since 1969, the number of U.S. farms has dropped from 2.7 million to fewer than 1.8 million, as farmers are forced off the land. The average age of U.S. farmers is now 57 years: The younger generation is seeking work elsewhere.

is because of “off-farm income” that has come to support rural households and farmsteads. Husbands, wives, children, relatives, and friends are all working off the farm, in addition to farming their land.

Land in some of the farms lost was consolidated into larger operations; other land lies untilled and untended. In addition, commodities cartel-backed legislation in the 1980s resulted in the lock-up of close to 40 million acres in the Conservation Reserve Program. This, plus other types of set-aside land, is over 10% of the U.S. crop acreage base.

Less land in use, and fewer people farming means less need for rural towns and services. “Ghost towns,” with vacant main streets, now exist in place of once-active rural centers. There has been a mass shutdown of local stores, spare parts and repair shops, libraries, and local banks. Where there were once churches, choirs, and schools, with several clerics and administrators, there now may be three

churches per one pastor.

This shutdown process is reflected in the increased suicide rates in rural areas. The outflow from farm counties, of people going elsewhere in search of work, has resulted in a net loss of population for hundreds of rural counties, to the point they now meet the low-density criteria for being “wilderness areas.”

The average age of farmers remaining in operation has gone up to 57 years. The average age of farm machinery and other equipment on the farm has likewise risen. The density of rail network per unit farm area declined so sharply, as did the fleet of rolling stock, and number of operators, that, as of the 1995 corn harvest, millions of bushels of the crop could not be moved out of northern Iowa and southern Minnesota—the heart of the U.S. corn belt. The corn was piled on the ground and left to rot.

All these factors combined are now resulting in falling U.S. output, as well as falling output potential. The level of the average annual U.S. corn crop is now at the level of annual domestic use, which means there is little or nothing for reserves, exports, or food aid, unless there is a trade-off with domestic use. And there is no “margin” for bad weather, or economic shocks, in the various farm subsectors.

In the short run (the next several months), the tight supplies, and rising prices of corn, spell trouble for the few thousands of remaining family farmers in livestock production. Look, for example, at hogs and pigs.

In 1980, there were 666,550 farms producing hogs; in 1995, this number dropped by 73%, down to 182,700 hog-producing farms. As far as the national inventory of hogs, which stood at 60.190 million head in 1995, about 60% of these are produced on farms sending over 1,000 head to market per year. In contrast, just eight years ago, in 1988, farms of that size accounted for 36% of the hogs produced, and the rest came from smaller operators. Today’s rising corn prices will set in motion problems for those family farmers who have tried to remain in livestock production, forcing them to switch to grains output, or leave farming altogether. Hog prices today are running at about 42% of parity.

Food security from factory farms?

“Factory farms and biotechnology” are the answer to U.S. food security worries, is the response coming from the various food cartel-backed sources in Washington, D.C. and elsewhere. The reference is made to the multi-thousand-head milk cow factory farms, such as in California, run by a member of the Gallo wine family; or the gigantic multi-thousand-sow operations run directly by Cargill and other cartel firms. IBP, the world’s largest butchery company, has been under continuous federal investigations of all kinds, including for preferential dealings (payoffs) to IBP-selected, huge cattle feedlot operations, and other anti-trust practices. For hogs, IBP is currently planning a 5 million capacity hog abattoir on the

eastern seaboard. Maersk, the Danish shipping lines, is building the world's largest jumbo container ship, refrigerator-equipped for handling foods.

Similarly, Cargill and other cartel firms are dominating R&D work for the food chain, to serve cartel interests. "Leave food and nutrition biology to cartel scientists," is the message from Cargill and other commodity cartel spokesmen. This line will be put forth at a well-funded science and technology conference in Des Moines, Iowa on March 4-5. Called the "1996 National Forum for Agriculture: Friend or Foe—Technology and the Structure of Agriculture," the speakers include Steve McCurry, vice president, general manager for research of Cargill Inc.; G. Edward Schuh, dean, Hubert Humphrey Institute for Public Policy; Charles S. Johnson, president and CEO, Pioneer Hi-Bred International, Inc. (ranks with Sandoz, British Petroleum, and Cargill in the world crop seed cartel); and Dennis Avery, Hudson Institute.

These individuals and firms are part of the network controlling agricultural bioscience through controlling research funding and holding patents and licenses. Their research ranges from bio-engineered long-shelf-life fruits and vegetables (for long-haul free trade), to veterinary chemicals (various growth hormones), and livestock breeds (mostly based in England), to new cotton and grain strains, for which the companies demand and hold sweeping patents. The conference is part of their continuous publicity drive, arrogating the name of science. Topics include, "How Is Technology Affecting the Globalization of Agriculture?" and "Who Controls the Research and Development of Technology?"

If you eat, you need farmers

Whoever needs food, needs farmers—not cartel companies, or mythical "access to world markets"—for their daily bread. Therefore, the historical agricultural parity pricing approach of the United States, at whatever percentage of parity level a government may choose to back, based on its circumstances, is applicable in any nation. In fact, restoring this approach, along with other emergency economic security measures, is the only workable policy to revive the U.S. economy and food supply potential.

Look at how the parity pricing policy worked during 1940-50 (Figure 1), when the parity price ratio was above 100%. This summary description is from a section of the 1984 "The LaRouche Campaign" study, "The World Food Crisis of 1985":

World War II: The population is fed

"... Unparalleled output per farm worker resulted in a 42% increase in gross farm production from 1939 to 1944 in the Plains states, producing enough food to feed an additional 50 million people (over the average year from 1935-39).

"The number of hogs raised reached 84 million in 1944,

a 34 million increase over 1939. Cattle herds peaked at 86 million in January 1945, up from 73 million in 1918. Poultry production increased 35% between 1935 and 1945. While the number of cows increased only 1.5 million, production per cow zoomed from 4.1 thousand pounds of milk per cow in 1935 to 4.8 thousand pounds in 1945 (an increase of 15%). There was food to meet civilian, military, and Lend Lease requisition all at the same time.

"The most spectacular acreage increase was in oil-bearing crops—peanuts, soybeans, and others. The oil from these crops mixed with alcohol became a usable fuel for aircraft and farm machinery. Acreage for peanuts picked and threshed was 171% in 1942 over 1941. Production of soybeans harvested in 1942-44 was 338% of the production in 1935-39.

"Acreage of food grains (wheat, rye, and buckwheat) increased only 2.9% in 1944-45 over ten years earlier; acreage for feedgrains went up 6.7%. (With the shift to mechanized farming, the use of mules and horses stopped, freeing 50 million acres for crops, not all of which were needed.) Grain used for alcohol went from 25 million bushels in the pre-war years to 150 million bushels in 1944. All distilleries producing alcoholic beverages were stopped in 1942 and shifted to industrial production. Over half the increased production of industrial alcohol was used for the new synthetic rubber industry.

"Over 1.5 million men were given draft deferments for farm agricultural work, but this was insufficient, and by 1943 over 65,000 farm workers were brought to the United States from other countries, 45,000 of them from Mexico. In addition, 115,369 prisoners of war were let out to work on farms.

"The demand for farm machinery far outstripped the available supply for non-military production. Rationing of farm machinery continued from September 1942 until November 1944. New farm machinery in 1942 was only 83% of what it had been in 1940.

"The phenomenal productivity of the U.S. farmer came from his ability to apply new technologies, new machinery, and new farming methods—the result of a higher culture, better education, and a better standard of living. There were important technological and infrastructural improvements—dams, power systems, transportation improvements, in the interwar years which laid the foundation for the accelerated progress. Consumption of fertilizer doubled from 1930 to 1945. Between 1930 and 1940, farms using electricity increased 300%. Between 1941 and 1945, there were more than 600,000 new electrification installations on farms.

"Additional new technologies included the widespread use of the tractor, rubber tire, and tractor implements. Tractor use increased by 57% between 1940 and 1945, grain combines by 97%, corn pickers by 53%, and milking machines 109%."