Agriculture by Cynthia Parsons

U.S. agriculture: the new Third World?

Proposals to treat independent American producers as the IMF treats developing-sector debtors.

As the administration announces budget cuts in every important economic program for U.S. agriculture, Congress is proposing legislation with the sole purpose of reorganizing the farm sector's massive debt. Rather than coming up with a program that would provide even some portion of the $25 to $30 billion in new credit needed to maintain food production (see *EIR*, Feb. 1), members of both the House and Senate have introduced legislation that will provide, at best, merely for a two-year moratorium on foreclosures on FmHA loans, to be negotiated on a case-by-case basis. The FmHA is the farmers' "lender of last resort."

This moratorium proposal, in a bill introduced Jan. 26 by Sens. James Sasser (D-Tenn.) and Daniel Inouye (D-Hawaii), is little more than official recognition of the fact that farmers simply cannot repay their debt. Just as the International Monetary Fund is renegotiating, again on a case-by- case basis, the billions of dollars of unpayable developing-sector debt, the FmHA will be able to do little more than wangle for repayment of the $25 billion farmers owe the federal government.

The administration has made quite clear that it is opposed to a debt moratorium policy. At hearings held Feb. 14 on H.R. 1190—an emergency credit bill before the House agriculture subcommittee on conservation, credit, and rural development—Undersecretary of Agriculture Frank Naylor stated that the administration is "particularly concerned" with portions of the bill calling for "indiscriminate" moratoria on farm loans, and that the administration would oppose the bill on this basis. The bill, cosponsored by Reps. Ed Jones (D-Tenn.) and Tom Coleman (R-Mo.), proposes additional FmHA operating loans, and a piddling additional $200 million in credit for new borrowers in addition to the proposal for deferrals under prescribed conditions. Such provisions, even with administration support, would of course do little to allieviate what Jones called "the worst agricultural crisis in the last half-century."

But, given the certain effects of the new USDA budget released early in February, the administration may not be able to resist a debt-deferral policy for long.

The FmHA is budgeted for some $350 million in operating loans to farmers, which could do little more than enable farmers to pay only the interest on the total agriculture sector debt of some $200 billion. But the overall FmHA budget cut has suffered a $3.6 billion cut, with slashes in rural development, water development, and other infrastructure programs, and disaster loans—essentially everything that would keep American agriculture producing over the next years. *EIR* will publish a full analysis of the budget in an upcoming issue.

Senator Bob Dole (R-Kan.) gave some idea of where all this is heading, when he introduced two bills into the 98th Congress in January. His proposed legislation is designed to "find ways to make more efficient use of scarce financial resources. The era of ever-expanding entitlement programs is ending for every sector of the economy." Dole's Agriculture Export Expansion Act will dovetail with the administration's Payment in Kind program (PIK), by making surplus commodities available at no cost to foreign purchasers of U.S. grain and other agricultural products.

What this amounts to is lowering the price below which the commodity cannot be sold, cutting further into farm income, and forcing farmers to increasingly operate on a straight commodity-barter basis. The Payment in Kind program, which the administration is pushing as "the only game in town" for American agriculture, is aimed at forcing whatever number of farmers who want to stay in the business to strictly limit their production—just as cartelization plans have been forced on European and American industry. PIK will award farmers who agree to cut production by certain amounts with certificates for some 75 to 80 percent of the crop they could have grown in stored surplus grain or other commodities—which they then have to market.

The next step, in imposing top-down control and limits on American agricultural production, is already being mooted. At a conference of agricultural journalists held on Feb. 12, Assistant Secretary of Agriculture William Lesher revealed that the next policy may well be a "supply management approach." Supply management will not mean just cutting overall production and turning farmers into commodity-salesmen. The next step, outlined by Lesher, will be to "restrict the amount of grain and cotton that can be marketed," i.e., cartelize the entire American—and much of the rest of the world's—food supply.