Fed, DOA cover up the farm income collapse

by Cynthia Parsons

The Federal Reserve hoaxsters are not satisfied with their "industrial recovery"—a criminal attempt to cover up economic collapse in the advanced sector and induce Third World leaders to think expanded exports will enable them to pay unpayable debt. The hoax is being extended to U.S. agriculture, and what the hoaxsters are covering up is the destruction of the world's food supply.

While production of everything but wheat is collapsing, the U.S. Department of Agriculture is predicting that "farm income" will be 28 percent higher for 1983 than it had previously anticipated. But the reality is that what income farmers are getting has little to do with agriculture. The "high farm income" hoax is setting up the nation's remaining family farmers to be forced out of operation. World food production will come more and more under the control of a cartel.

Now that the government, with the Payment In Kind (PIK) program and what remains of the subsidy programs, has become the farmer's chief banker and is fast becoming the country's major grain holder, the big grain companies and their allies are demanding in the name of free-enterprise that the government stop "subsidizing rich farmers." The Federal Reserve's latest farm economy study attempts to prove that 58 percent of all farm operators are wealthy. Although the author admitted in an interview that nearly 20 percent of the nation's farmers are in big trouble, he complained, "Farmers are among the richest category of wage earners in the country . . . talk of poor farmers makes you feel sick."

The most dangerous aspect of the situation is the collapse of production. According to the latest national crop estimates, the 1983 corn harvest alone will be down by 4.3 billion bushels from the 8.8 billion bushels in 1982—an almost 50 percent drop. The corn crop reduction is the result of the summer's heat wave and drought, on top of the 30 percent reduction of corn acreage under PIK. Over 20 million acres of corn were not planted this year (more than 30 percent of total corn acreage), under government financial inducements offered through PIK.

USDA 'adjustments'

The USDA is now projecting a net farm income of $25-$29 billion, although the previous forecast was $18-$22 billion. To do this, the Agriculture Department had to more than alter recent figures: "adjustments" were applied all the way back to 1970. An entirely new set of farm income figures for more than a decade has been produced, and the largest upward revisions coincide with the years of lowest farm income: 1976, 1977, and 1980-82.

All the fraudulent increases came from "adjustments" claiming massive decreases in production costs. The 1983 increase was due to an additional statistical fraud: Projected earnings on the PIK commodities farmers receive in exchange for withholding acreage from production and hope to sell. If the $5 billion in funds and commodities the USDA claims to have distributed to farmers is subtracted from the income total on the August balance sheet, farm income drops to the $18-$22 billion range—a figure much closer to the estimates of independent agricultural economists, who put agriculture income into the $14-$18 billion range.

Last year, the USDA had projected a $22 billion income mainly by counting unsold crop inventories as income, but independent economists put it at $18-$19 billion. Even the USDA's manipulations could not hide the fact that net farm income fell 27 percent in 1982. Nearly all the 1982 decline was due to the change in value of inventory against which loans are made. While livestock numbers began declining slightly, the large stored crop inventory against which farmers borrow production loans began changing hands. As farmers could not repay Commodity Credit Corporation government loans, CCC took possession of the crop, depriving them of loan collateral. Farmers have been stripped of their assets, making their cash flow problem impossible to manage. Net cash flow fell 12 percent in 1982.

Farm receipts for 1983, money earned from the sale of crops and livestock, are predicted to be 5 to 7 percent below the inflated 1982 figure. In 1972 dollars, receipts for 1982 and 1983 actually fell 4.1 percent.

The USDA statement shows that off-farm income is almost *double* that of on-farm income—acknowledging that the only reason many farmers can continue to operate is because they subsidize farming with an outside job.

The USDA clinches its case by claiming that American farm expenses this year *decreased*. Expenses for 1983 have been calculated at $5 billion lower than originally expected, and the USDA flaunts its fakery by emphasizing that this decrease is only the third since 1940. The rationale for the reduction is a 4 to 6 percent decline in overall farm input use, attributed to a slower rise in prices of seeds, and decrease in prices for fertilizers, fuels, and non-real-estate interest.

The real situation: not only have increasing numbers of farmers sold out and left the farm, while outright farm bankruptcies are skyrocketing; many of the remaining farmers simply cannot afford to apply pesticides, fertilizer, or irrigation.