

# Iowa: a world farm center now plunged into decline

by Sue Atkinson

The state of Iowa was once synonymous with farming. Iowa once ranked first in output of corn, cattle, and hogs, and first in the value of exported farm products. But today, its farm production, while still significant, is maintained only by deeper and deeper degradation of its people, its physical infrastructure, and its natural resources.

Iowa is one of only four states that over the 1980s experienced a net population loss. People are migrating out of the state. Iowa's current population of 2.777 million people (1990) is lower than it was 20 years ago (2.825 million in 1970), and compares with 2.758 million people in 1960.

The number of farms in Iowa has been declining at a rate of about 2,000 per year. According to a recently released Iowa State University study, from 1964 to 1990 the number of farms declined by 58,000 or 31.8%. Accompanying the decrease in the number of farms was a 529% increase in the number of operating farms of 1,000 acres or more, and a significant increase in average farm size (see Figure 1). Be-

cause Iowa is about 86% rural, the social results of this have been devastating.

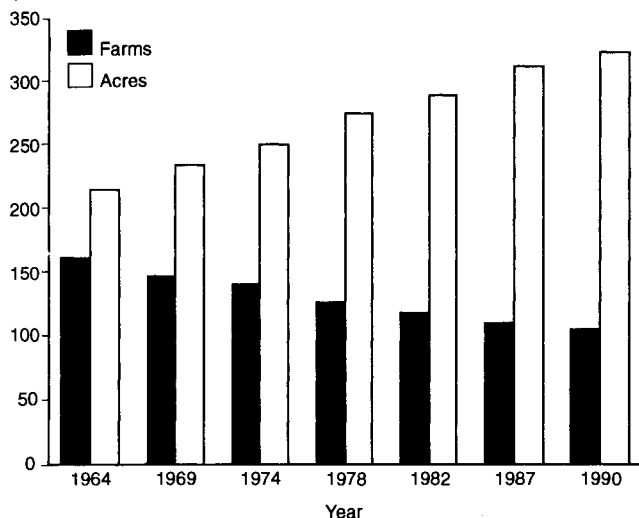
The rationalization advanced by policymakers tolerating this was that fewer farms would mean more income for those remaining. However, as the recent study by Iowa State University shows, this theory does not hold water. Those remaining in farming have been forced to seek off-farm income to cover their declining farm receipts. In 1987, fully 47% of Iowa farm operators reported off-farm income, and 35% of operators considered farming to be a secondary occupation.

The amount of Iowa farmland worked by part-owners increased 34.3% from 1969 to 1987, while the percentage of land owned by operators fell from 51.8% in 1978 to 47.6% in 1987 (see Figure 2). Along with decline in land worked by owner-operator farmers, the average age of farmers increased. The cost of young farmers getting started has become almost prohibitive and, between 1978 and 1987, the number of farmers over 65 years of age increased by 31.4%.

The stage for these radical changes was set by the ending

FIGURE 1  
**Iowa farms: Numbers decline, and acreage per farm increased, 1964-90**

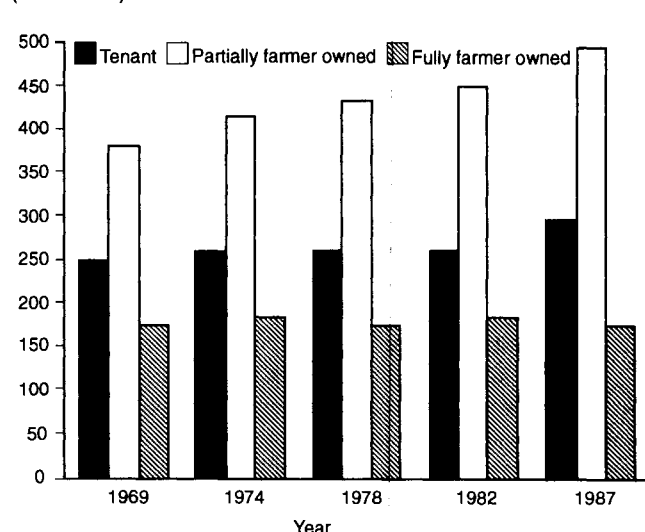
(acres or thousands of farms)



Source: Iowa State University.

FIGURE 2  
**Iowa tenant farming increased, 1969-87**

(farm acres)

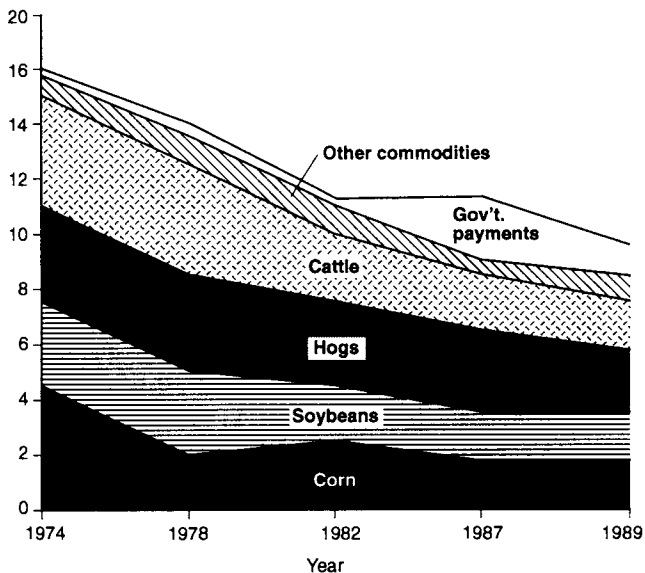


Source: Census of Agriculture.

FIGURE 3

**Iowa farm cash income declines, shown by source, 1974-89**

(billions of 1989 dollars, inflation adjusted)



Source: Iowa State University.

of nationally mandated parity farm prices in 1953. (Parity price is the price which would cover the input or cost of production expenses for the farm family, and a decent profit for reinvestment in the infrastructure in order to maintain the efficiency of the operation.) The recent period has seen a sharp decline in real cash farm income from corn, soybeans, hogs, and cattle. Total cash farm income from all sources fell 38% between 1974 and 1989 after adjustments for inflation (see Figure 3).

However, over part of the same time period, federal transfer payments to farmers temporarily increased—for the purpose of covering the transition period while farmers were being forced out of farming. Between 1974 and 1989, the inflation-adjusted government payments to farmers increased by 2,600%. This increase in government payments was one of the cynical recommendations of the “Young Executive Report,” which was issued in 1972 by a group including Richard Lyng (later to become secretary of agriculture), to provide a cushion for those forced to leave farming.

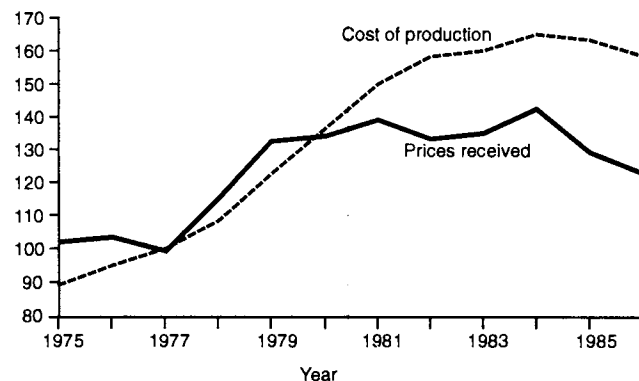
**Tax base erodes**

With the Iowa economy heavily dependent on agriculture, the reduced income and lower farm population have caused an erosion of the economic base. The population of small towns has declined to the point that many will disappear by the year 2000, as businesses close and the tax base becomes insufficient to provide services. During the 1980s, rural areas lost 20% of their grocery stores, 22% of their

FIGURE 4

**Iowa farm costs of production rose, prices received fell, 1975-86**

(Index: 1977 = 100)



Source: Iowa Agricultural Statistics Iowa Department of Agriculture.

movie theaters, 29% of their variety stores, 35% of their gas stations and apparel stores, and 49% of their student enrollment. As the economy continues to erode, the number of schools is now going to be reduced from 425 to about 125.

The loss of farm income directly translates into a local government crisis. How much difference does a nickel a bushel or 30¢ a bushel make? It is estimated that Iowa harvested about 11.8 million acres of corn, averaging 117 bushels per acre in 1991, and 8.7 million acres of soybeans, averaging 39 bushels per acre. For corn, the harvest amounted to 1.38 billion bushels, and in the case of soybeans, the total comes to 339.3 million bushels.

If the price of corn goes down a nickel a bushel, this means a loss of income of \$69.03 million just for the 1991 harvest. At a 5% income tax rate, that would be a loss to state tax revenues of \$3.46 million, and a loss of potential sales tax revenues of \$2.6 million. If the price of soybeans goes down 30¢ a bushel, this means a loss of \$101.8 million just for the current harvest. The loss of potential state income tax would be \$5.09 million, and the loss of potential sales tax revenues would be \$3.9 million. The rest of the potential lost income would be money which would be deposited into banks (which would provide capital for more lending), and money spent to stimulate the economy. In rural areas there is a multiplier factor of seven. This means that every dollar changes hands seven times, thus providing that much benefit. This is what maintains the economic base and supports the businesses, communities, schools, and government.

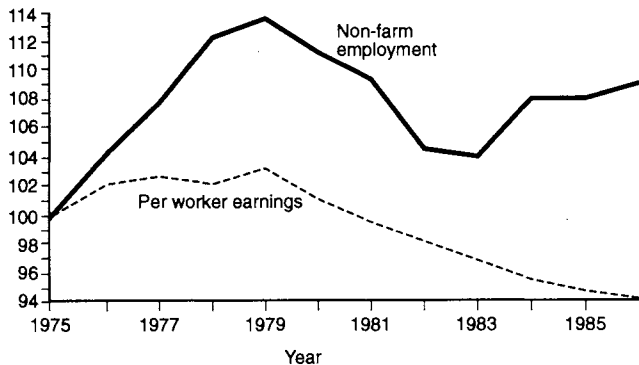
**Parity prices make a difference**

The current price per bushel for corn and soybeans is about 50% of a parity price (see Figure 4). What would be the difference to the state if a parity price were to be paid for

FIGURE 5

**Earnings per worker fell in Iowa, as non-farm employment increased, 1975-86**

(index: 1975 = 100)

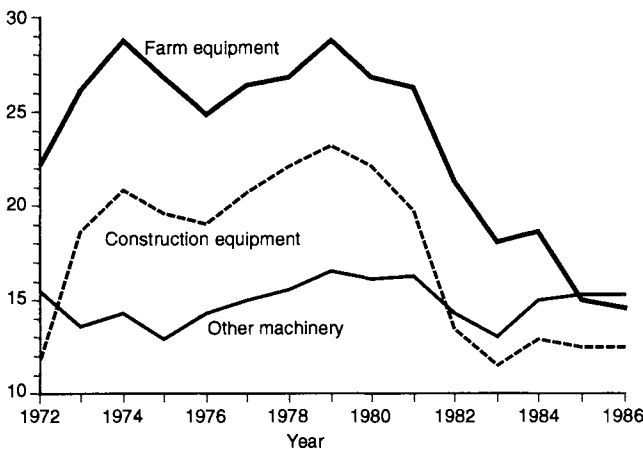


Source: Institute of Public Affairs, the University of Iowa.

FIGURE 6

**Decline in Iowa employment in machinery manufacturing, 1972-86**

(thousands)



Source: Iowa Department of Economic Development.

corn and soybeans? Using this year's harvest figures, the additional income for corn would come to \$3.45 billion, of which about \$172.5 million would be income tax revenue and \$131.1 million would be sales tax revenue. For soybeans the additional income would be around \$1.86 billion, of which about \$93.3 million would be income tax revenue and \$70.9 million would be sales tax revenue.

The farm income decline is reflected in the erosion of non-farm jobs. During the agriculture crisis of the 1980s, the state lost 84,000 production-type jobs averaging an annual income of \$20,000 (see Figures 5 and 6). These were replaced by 39,000 service-type jobs averaging \$11,500 per

year, which represents lost personal income of \$1.23 billion per year. The loss in tax revenues for both income and sales taxes amount to \$108.2 million per year. Along with this there was the loss in purchasing power and the ability to pay property taxes and other fees charged by the state in order to generate revenue. And, because of reduced income, there is the added burden to the state of those families who are in need of and qualify for public assistance.

Iowa currently has a state debt of \$330 million. It has laid off almost 1,300 state employees and expects to lay off another 3,500, and the ripple effects have fueled numerous other layoffs. And the foolish idea that free trade will be the salvation because it "may" provide more exports, is a delusion. How can receiving less of a price, which reduces the incomes of the producer and the businesses supplying the producer, be a benefit when it erodes the tax and economic base?

**Abandoning food production**

There is a plethora of proposals being suggested to farm communities by powerful food cartel companies, to induce them to "adjust" to the farm sector collapse instead of fighting it.

There is one plan now afoot to try to pass legislation during the upcoming legislative session to authorize zoning for livestock production that would control where and how much livestock can be raised. The decisions will be made by county committees (or regional ones as counties disappear due to budget constraints).

Farmers are also being encouraged to lock themselves into contractual production deals with large companies, to get around the problem of finding capital for investment in the ownership of a farming operation. This will create the illusion that family farms exist, when the reality will be that families will be living on a farm but working it for someone else.

Adding to such patterns of control of production by the food cartel, are moves to take farmland out of food production altogether. Iowa has been a target of the Conservation Reserve Program, enacted in 1985, which seeks to remove cropland from food production for a minimum of 10 years. If all of Iowa's qualifying land were to be enrolled in the CRP, 8 million acres of farmland would be out of production. Classification of land as wetlands could potentially remove millions more acres from production. (That definition is now being debated, so the final total is not yet known.) The acreage reductions are in addition to other set-aside programs run by the government in which farmers are forced to enroll if they wish to qualify for minimal government payments.

Finally, there is "The Iowa Futures Project," a wild, visionary plan prepared by Stanford Research Institute which recommends that the Iowa economy be restructured into 13 urban areas surrounded by clusters of satellite towns. This presumes that Iowa's 953 communities can be expected to eventually shrink to about 200.