Senate hearing proves food supply shrinkage is not a 'rural' crisis

by Marcia Merry Baker

On Jan. 5 in Washington, D.C., Democratic senators from the central farm states held a Democratic Policy Committee hearing on Capitol Hill, titled "Crisis in the American Livestock Sector." Chaired by Senate Minority Leader Tom Daschle (D-S.D.) and Tom Harkin (D-Iowa), the event was scheduled a day before the 106th Congress convened for the purpose of "putting it on everyone's mind," as Daschle said. Before the hearing began, the out-of-state witnesses met with President Clinton and Agriculture Secretary Dan Glickman. Clinton announced the formation of a new task force to come up with solutions alongside the U.S. Department of Agriculture task force that was formed in December 1998.

The hearing involved three panels of 12 witnesses, beginning wih the "experts"—who knew least about the nature of the crisis—and proceeding to the farmers, who gave firsthand reports from Montana, the Dakotas, Iowa, Nebraska, Illinois, and Minnesota.

These states, and other farm regions, are right now undergoing chain-reaction economic shutdowns, resulting from the combined effects of disastrously low commodity prices for farmers—hogs, cattle, grains—and from the rigging of the "free" markets by cartels of commodity companies operating outside the interests and control of nations, and finally, by the denial and lack of emergency measures to aid the U.S. and other economies worldwide.

South Dakota expects to lose 25% of its farmers in the coming months; in North Dakota, the situation is worse.

For their part, the Republican majority in Congress has given little or no recognition of the disaster. Meantime, emergency meetings are being held throughout the farm belt, ranging from prayer sessions to political rallies. On Jan. 30, a farm meeting in Sioux City, Iowa is expected to draw thousands of citizens, convened by state legislators from South Dakota, Iowa, Nebraska, and Minnesota.

What impels this activation, and the Jan. 5 hearing, is that family farm operations are scaling back, or facing ruin at such a rapid rate that whole towns, counties, and regions of the Midwestern farm states are closing down. The suicide rate is climbing.

What this shutdown process means, is that the food supply chain is itself breaking down, and future food production is imperiled. In the shadows, mega-commodities companies, such as Archer Daniels Midland, Iowa Beef Processors, and others, are making buy-out moves, and positioning themselves for almost total domination of food availability. Reportedly, ADM is on the move to acquire 20% ownership of IBP.

Many farmers who testified on Jan. 5 pleaded for understanding of the farm plight as a "rural" question, posing it as one of "fairness" for the farmer. But the impediment in Washington, as for the rest of the nation, is that most lawmakers and the public alike are still unwilling to face the emergency condition of the international financial and economic breakdown, and therefore, refuse to recognize the famine danger.

Hog prices at record low

The central focus of the Jan. 5 Senate hearing was record low prices for hog farmers. A 12-page report was released on Jan. 5 by the Democratic Policy Committee, "The Crisis in Rural American Continues: From Bad to Worse in the Livestock Sector," which documented many aspects of the disaster. "Since July 1998," it said, "hog prices to the farmer have fallen 72%. At current prices, pork producers are losing about $75 for each animal they market. That translates into $140 to $150 million in average lost revenue to U.S. pork producers each week, as compared to losses in the past five years."

What was conspicuously absent from the DPC report, were the names and specifics of the meat cartel, which is raking in record profits off pork and other commodities. IBP's profit rate for the second and third quarters of 1998 was four times higher than the year before!

The DPC report continued: "Between 1977 and 1997, the hog farmer's share of the retail dollar fell from 49% to 30%, while the cattle farmer's share fell from 60% to 50%. As of November, the hog farmer's share has plummeted to just 12% of the retail dollar."

Various initiatives were raised from all sides at the hearing, including by Tim Johnson (S.D.), Byron Dorgan (N.D.), Kent Conrad (N.D.), Richard Durbin (Ill.), and Bob Kerrey (Neb.) from the ranks of Senate Democrats. In general, these involve: preventing livestock and meat imports; requiring country-of-origin labelling; requiring packers to report their pricing and other data; expanding foreign markets, and others.

Subsequently, on Jan. 8, the Clinton administration announced an assistance program of $130 million for hog farmers. There is to be $50 million in direct cash payments. The government will also transfer $80 million to the Agriculture Department's voluntary pseudorabies eradication program to

The first panel of witnesses at the Jan. 5 Democratic Policy Committee hearing on the livestock crisis. On the right is Nikki Heier of Lemmon, South Dakota, who testified about how the agriculture crisis is not cyclical. On the far left is Michael Dunn, the USDA Under Secretary for Marketing and Regulatory Programs, who heads the USDA's Pork Crisis Task Force, who claimed that there is a market glut of hogs. Sen. Tom Harkin (D-Iowa) (inset), shows pork chops bought in a District of Columbia supermarket for $4.29 a pound, while the hog farmer is getting 10¢ a pound.

indemnify farmers for slaughtering hogs, on the principle that this will act to reduce "oversupply." (An estimated 1.7 million hogs are infected with the pseudorabies virus.)

Real solutions required

What these gestures of concern fail to address, is that markets themselves are blowing out, along with the global monetary system. Supply lines of production, trade, and consumption of vital commodities are breaking down the world over, and a fast-track return to tried-and-true national-interest measures needs to be implemented fast.

Among the traditional U.S. agriculture policy measures required are: 1) mandating a floor-price, or percent-of-parity price, for designated farm commodities; 2) mandating a moratorium on dispossession or foreclosure of family farms, pending improvement in the economy and debt rescheduling or forgiveness; 3) provision of low-interest production credits to guarantee continued farm output; 4) taking anti-trust action against the commodity cartels; 5) scrapping the free trade laws of the North American Free Trade Agreement (NAFTA), U.S.-Canada Free Trade Accord, and World Trade Organization (WTO), and making new mutual-interest trade arrangements. This also means scrapping the 1996 Freedom to Farm Act, which was premised on "free" (rigged) markets, which now are in a state of collapse.

In particular, the original thrust of the 1940s and 1950s "Food for Peace" approach to foreign policy—using food and technology to both "help ourselves" and "help our neighbors" around the globe—is strategically vital now, for sending food to Russia, North Korea, and other areas in need.

A few of the witnesses at the hearing spoke up in this spirit. Several proposed a "gilt lift" of shipping young sows to points of need in Central and South America; and in the meantime, shipping processed pork to Russia. The last witness, Herman Schumacher from Herriod, S.D., called for a moratorium on farm foreclosures.

Worship of 'cycles'

The principal block to facing the reality of the crisis, and formulating solutions, is the fanatical adherence to the idea that economic "cycles" are at work, and what goes down will come up. Michael Dunn, Agriculture Department official and the head of the Federal Pork Crisis Task Force, created by President Clinton on Dec. 11, released an eight-point program based on plans to drive down the 62 million hog inventory, which would supposedly benefit farmers.

Dr. John Lawrence, economics professor from Iowa State University, insisted that the "hog cycle" is still operative; there are just "too many hogs" right now. "There is a kink" in the curves, he said. When hog numbers drop by, maybe,

February, things will look up; Lawrence projected that by next summer, prices will rebound for farmers. He did lament, of course, that after 18 months of ultra-low prices, some hog farmers would be out of operation!

In contrast to this, several witnesses attested to the fact that the problem is specifically *not cyclical,* and if not reversed, will result in vast depopulation and misery. The following excerpts of testimony from South Dakota and Montana, describe the crisis under way.

Nikki Heier, Lemmon, S.D., business manager of the Ben Franklin store:

"My purpose for coming here today is simply stated: 'Rural America is going broke!' I am here to represent the retail industry. . . .

"Farmers and ranchers have virtually no disposable income to spend for goods and services local retailers and businesses provide. When the agricultural sector is in trouble, it has a domino effect throughout the retail sector. For example, when customer numbers, sales, and profits are down for businesses, customers in turn cannot afford to purchase merchandise, advertise, pay salaries, donate to community events, etc. This also has a detrimental effect on the tax base that funds schools, street and road improvements, and many other necessary programs.

"Many people have stated that the economy is in a cycle. A 'cycle' is defined as: 'A round of years of a recurring period of time, in which certain events repeat themselves.' The ag economy has been in a downward trend for 20 years. In past years, Lemmon was home to five implement dealerships and six auto dealerships. We are now home to a subsidiary parts dealership and one auto dealership. Lemmon and its surrounding area has seen a 39% decrease in county and city population. We have experienced a 50% decrease in loss of business in the past 20 years and are predicting those losses to rise.

"This is not a cycle! The loss of farm and ranch supply stores in Lemmon has been a disastrous situation for the Lemmon merchants. Ag producers used to come to town to buy ag-related products, then purchase their everyday supplies from other Lemmon merchants. The depletion of the farm and ranch population has resulted in an extreme customer base loss for the retailer. For example, in 1991, Ben Franklin had a customer base of 79,918. Just seven years later, that number has decreased 46%. In addition to losing our strong customer base, my Ben Franklin Store saw a 35% loss in sales over the same period of time.

"The oldest business of 86 years closed its doors Jan. 1, 1999. In addition, a liquidation of our lumber yard and closure of our steakhouse are curently under way. As chair of the Lemmon Business Boosters, I would like to state that every business in Lemmon is being hit extremely hard by this agricultural crisis. . . .

Bryan Jorgensen, Winner, S.D., hog producer:

"What is truly alarming, is the fact that all of production agriculture is in deep distress. In South Dakota, especially in the northern counties, financial distress from poor commodity prices and adverse weather has taken its toll on not only farms, but also small town businesses and lending institutions. I am on the Chamber of Commerce Board of Directors in my hometown of Winner, S.D. I can see and hear firsthand the effects that this crisis is having in smaller communities. Small towns like Winner, all over the state, are at risk of drying up and blowing away as long as agriculture is forced to endure low prices. The human toll is also high. Suicide and depression among citizens of these rural communities are climbing at alarming rates."

Leo McDonnell, Columbus, Montana, rancher and president of Ranchers-Cattlemen Action Legal Foundation (R-CALF):

"I've come here today to tell you that Rural America is in crisis, and the current trend doesn't look promising. In the mid '70s, we suffered depressed prices in 1975 and 1976. In the mid '80s, we suffered depressed prices in 1985 and 1986. Now in the '90s, the cattle industry has just finished its fifth straight year of declining cattle prices. This past year, 1998, was disastrous. . . .

"Getting out of the [cattle and farm commodity] price slump, is not only important for the health of my business, but it's also essential for the health of my community. With prolonged price depression that eats into our individual equity, it carries with it erosion of community infrastructures. Our rural communities are decaying at a rapid pace. It is no mystery why rural hospitals are struggling to survive, why our rural schools are often under-funded, and why rural churches can't collect enough to support a pastor. If we producers can't support ourselves, how can we possibly support our communities?

"Who else suffers? Our kids. The next generation is leaving the farm for better jobs because they can't afford to take over the family ranch. Just as we are losing our youth, we are losing our existing business base. Stores get boarded up, towns wither and die, and tumbleweeds take the place of foot traffic on our main streets. It is said that when the headstones in the cemetery outnumber the population of the town, the town dies.

"Agriculture is in jeopardy. We are fast becoming a nation of profit centers surrounded by subdivisions. The problem where we live is that those centers are 300 miles apart and most are unfamiliar with agriculture's plight. . . .

"Some folks like to attribute this price decline to 'oversupply' or 'the cattle cycle.' But there is a hard, cold reality out there that USDA statistics support. Real farm income has declined steadily. From 1910-1990 the share of the agricultural economy received by farmers dropped from 21% to 5%. In Montana, where I ranch, one in four farmers is at or below the poverty level. And many of those barely getting by and soon to lose what little they have to the bank."