

Senate agriculture hearings show policy crisis as well as farm crisis

by Marcia Merry Baker and Suzanne Rose

During the last week of the Congressional session, the Senate Agriculture, Nutrition and Forestry Committee held hearings on Aug. 3-5, on the "U.S. Farm Income Crisis," taking testimony from Agriculture Secretary Dan Glickman, who had asked for the hearing, and others on how bad the U.S. farm economy is, and what should be done. The hearings accompanied floor votes on what kind of emergency farm aid should be authorized, which was being worked out as of the recess deadline. Vice President Al Gore also got into the act on Aug. 3, holding a press conference simultaneous with the Senate hearing, to "talk farm talk," which served as a stunt to affront Committee Chairman Richard Lugar (R-Ind.), who has been opposing immediate farm aid (see box on Gore).

An observer noted after the first Senate hearing on Aug. 3, that the Democrats are in denial, and the Republicans are in virtual reality.

The denial is not about the extent of the farm crisis. Almost all the Democratic Senators from the leading farm states, and also some of their Republican state and local lawmakers as well, are very clear on that point, and have been presenting stark facts, figures, and stories, including at press conferences the previous week. But they still do not acknowledge, at least publicly, that there is an *overall economic breakdown crisis* in the United States outside the farm sector, and also a global physical economic crash.

Moreover, those insisting on emergency farm aid have so far not stressed even the fact that the public food supply is at stake. Instead, appeals and references are made to saving a "rural lifestyle," or "being fair" and contributing to farm state "quality of life."

In reality, the breakdown process in agriculture, and also manufacturing, infrastructure (look at the water and power crises), health care, and other basic necessities, is accelerating so fast in the United States and abroad, that nothing should be taken for granted about a future functioning economy.

EIR prepared testimony to this effect, entitled "It's a Crash! Take 'Chapter 11 Reorganization Approach' for Nations for Post-Crash Economic Survival." Submitted Aug. 3, it will appear in the written record of the hearing (see excerpts below).

Don't blame 'overproduction'

One of the key points *EIR's* testimony stressed, is that "overproduction" of farm commodities (grains, livestock, etc.) is *not* the cause of the current collapse in price to farmers. Secretary Glickman repeated this myth, attributing low prices "to the fourth year of record worldwide crop production." **Tables 1 and 2** show, for total grains output, that overall, per-capita grain production is declining in the world.

Thus, mythical supply-and-demand "market forces" are not at work. What's causing the record low farm product prices is, in part, the global financial crisis reaching the point where former customer-nations are unable to buy. Millions of people are going hungry, as their nations are also producing less.

And also, there is the domination of the domestic and international food chain by cartels of commodity companies that imperiously pay farmers as little as they choose, and charge consumers as much as they like.

The traditional U.S. policy of *parity* has been being laid aside over time since the 1950s, and as of the 1996 "Freedom to Farm Law," was eliminated altogether. (If that law itself is nullified, however, the 1949 standing parity policy will resume.)

On July 31, a radio broadcast for farm states was made by President Clinton on the need not only for immediate farm aid, but also to look again at the 1996 Freedom to Farm Act. On Aug. 3, Secretary Glickman described the administration's view of emergency measures, as *not parity*, but a patchwork including increasing direct payments to farmers, restoring the farmer-owned grain reserve, conservation incentives, and additional food aid initiatives.

On July 27, the Senate held a hearing on the implications of consolidation of control in the food markets by a select few commodities companies. Instead of reviewing the need to restore parity pricing, a defense of the prerogatives of the cartel companies was provided in testimony by Department of Justice Anti-Trust Division head Joel Klein, who approved the mega-merger of Cargill and Continental Grain in July. Klein said that "concentration" of private power (over the public good) is no longer an issue; rather, "efficiency" is the issue (see box on anti-trust hearing).

The virtual reality view at the Aug. 3 hearing was represented by Sen. Peter G. Fitzgerald (R-Ill.). He noted that the more emergency funds Congress has given farmers, the more their income has gone down. He concluded that government assistance could be keeping people in business who shouldn't be in business.

Senator Lugar concurred, and brought in an expert, Dr. J.B. Penn from the Sparks Companies, Inc. consulting group, to defend the return to big corporate farming, i.e., neo-plantation agriculture, and to oppose farm aid. Penn praised the 374,000 farm operations that produce almost all U.S. agricultural output, and wrote off traditional family farmers.

Penn's study was done for a cartel-serving outfit called the Coalition for a Competitive Food and Agriculture System. Using graphs, Penn asserted that U.S. farm income is strong, the balance sheet is solid, land prices are holding, and there is little evidence of the excesses of the 1980s. The core of the farm sector is 374,000 farms which produce most of the food, he said. They continue to increase their output, despite the oversupply in world markets, which are depressing prices, because they are more efficient, and can produce below cost. This sector will continue to make money, and produce more, whereas the other farmers, many of whose livelihood is not dependent on farming—the polite way to say that they and their families are working night and day away from the farm, in order to subsidize their loss of income from farming—are

not surviving, and shouldn't be "saved." Penn said that U.S. agriculture policy should be directed toward the first group, and as for the others, the Darwinian survival of the fittest should prevail. He said, if we just want to keep population in rural America, that is not a farm policy question. Lawmakers have no obligation to "make these people whole," he said.

Reality of the farm crisis

On Aug. 3, Sen. Kent Conrad (D-N.D.) noted that if you eliminate from calculation the flow of government payments, farm income has been in a free fall since 1996, when the Freedom to Farm (i.e., Freedom to Fail) bill was enacted, from \$46 billion, to \$27 billion projected for 1999. He said that if we look at prices when adjusted for inflation, they are the lowest in 53 years. We will lose 20-30% of the North Dakota farms over the next 18 months, he said.

In Iowa, the state agriculture commissioner projects losing 6,000 farmers this year, or one-third of all family farms in the state.

Moreover, Secretary Glickman noted at the Aug. 3 hearing that farmers all around the world are in trouble—a significant change of view from his much-promoted U.S. "agenda" for the World Trade Organization November meeting, where he has singled out European farmers as being oversubsidized. In opposition to the outlook in Senator Conrad's draft legislation "FITE," which blames European farm-

Gore backs Cargill: 'Don't worry who owns the ships'

On Aug. 3, Al Gore spoke at a press conference on Capitol Hill, where he called on Congress to support emergency aid to farmers. "I have been out there meeting with farmers, spending the night with them, talking with them in coffee shops. I had a two-hour roundtable session with 15 farmers in Cedar Rapids a couple of weeks ago. I've talked with farmers in California, in Minnesota, all over the country," he said.

In fact, in Iowa, Gore *defended the cartels against farmers*. On July 14, facing a panel of 15 farmers in Cedar Rapids, he was confronted over the issue of cartel control of food, and ruinously low farm commodity prices. At the event, at Kirkwood Community College, Gore conspicuously wore black cowboy boots, and leaned back in his chair, assuming an intent listening pose.

Dick Baker, of Keokuk County, pointed his finger at Gore, saying, "When we out here see a company like Car-

gill buy out Continental, and no repercussions coming out of Washington, D.C., and this new company will control 50 to 60% of grain handling in the U.S. and the world," this is a threat. "The anti-trust laws are on the books."

Gore replied that it's more complex than that. "I agree anti-trust laws need to be enforced. You need to look out for the producers. But, if you get the merger issue to the point where you think that is the be-all and end-all to the problems, you're missing something there.

"When you've got countries like India that used to be major customers but are now competitors, it doesn't make any difference who owns the ships. When your markets are reduced because of the economic crisis in Asia," it has an impact.

Gore reminded the farmers that his was the vote that broke the Senate tie, and got Federal ethanol support through (whose major beneficiaries have been Archer Daniels Midland and Cargill).

Gore also said that fast-track free-trade policies must be pushed through. "We've got to put labor and human relations issues into the discussions to protect American values," he said. "But we have to expand our markets and eliminate foreign protectionism."

ers, Glickman said, “Every farmer in every country is doing terribly. Their prices are in the tank.” Senator Harkin agreed that U.S. farmers can’t export their way out of the problem. “Other countries want food self-sufficiency,” he said.

It’s a crash! EIR tells Senate panel

EIR News Service submitted testimony for the record for hearings held on Aug. 3-5, by the U.S. Senate Agriculture, Nutrition, and Forestry Committee, on the U.S. Farm Income Crisis. Edited excerpts appear here. The full testimony, entitled “Nations Must Take a ‘Chapter 11 Bankruptcy Reorganization’ Approach for Post-Crash Economic Survival,” prepared by EIR Economics Editor Marcia Merry Baker, is available at eirns@larouchepub.com.

At present, whole communities, counties, and states in the U.S. farm belt are in crisis. The same situation exists in other leading agriculture regions of the world.

But, look again. Not just agriculture, but across the board, trade, production, and consumption are contracting at accelerating rates, here and around the world.

What we face is a world-scale *crash*. This is not a single-sector, nor single-state, nor lone-nation crisis, but a global financial-economic breakdown. Understanding this is the basis for taking the right action.

Look at the basic question of food. As of the late 1990s, world food output is inadequate to the point of malnutrition for 840 million people (the conservative estimate of the United Nations Food and Agriculture Organization, October 1998). Take grains as a marker. The annual world output of grains has declined, per capita, over the 1990s, from 748 pounds a year, to 682 pounds expected in 1999. Total annual world grain output has never gone above 2 billion tons, and is falling year to year (Tables 1 and 2).

(The commonly heard line that somehow “overproduction” of grains and food is behind today’s low farm commod-

TABLE 2

Decline in world grain output per capita, 1990s

Year	Total grain (millions metric tons)		Population (billions)	Per capita (metric tons)
	Produced	Stocks		
1990	1,780	352	5.279	0.34
1991	1,711	339	5.423	0.32
1992	1,794	383	5.480	0.33
1993	1,729	346	5.555	0.31
1994	1,781	318	5.610	0.32
1995	1,730	260	5.688	0.31
1996	1,893	303	5.772	0.33
1997	1,906	333	5.847	0.33
1998	1,877	330	5.927	0.32
1999	1,858*	315	6.003**	0.31

* UN FAO estimate, June 1999

** Estimated

Sources: UN Food and Agriculture Organization, U.S. Bureau of the Census.

ity prices is just an untruth—either from stupidity, or deliberate lying.)

We start with a few indicative headline developments to make the point of the “crash.” Then we address the collapse process behind this, from the vantage point of the “Big Picture,” and what to do about it.

It should also be noted from the outset, that the menace of such mega-mergers as Cargill-Continental, is not merely that they are big and bad, but rather that they are blatant power-grabs for commodities and hard assets, for the cartels’ *post-crash* control.

We urgently require not just farm “safety-net” action in the United States, but history-making intervention to save nations and peoples.

Current indicators of global economic contraction

United States: During the 18 months since January 1998, the U.S. manufacturing workforce has lost 487,000 jobs. During 1998, some 265,000 manufacturing jobs disappeared. Over just the first six months of this year, 222,000 have gone, with 35,000 lost in June alone.

The machinery and equipment manufacturing sector is contracting drastically. On July 7, the world’s biggest mining equipment maker, Harnischfeger Industries, which also makes huge paper-mill machines and earth-moving machines, filed for Chapter 11 bankruptcy.

Caterpillar, the world’s largest maker of heavy construction and earth-moving equipment, reported that its orders and sales are down to the extent that profits fell 36.5% from the second-quarter of 1998 to the present, and future prospects are worse still.

Deere & Co., the world’s largest farm machinery builder,

TABLE 1

Decline in world grain production, 1997-99

(million metric tons)

World output	1997	1998	1999
Wheat	613	595	579
Coarse grains	905	905	891
Rice	387	382	387
Total	1,905	1,882	1,858

Source: UN Food and Agriculture Organization, June 1999.