

Crisis of overproduction devastating American agriculture

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A crisis of overproduction and collapsing farm prices is devastating American agriculture, compounded by the short-term effects of this summer's drought in the East and a heat wave in the Midwest. Tens of thousands of farmers are leaving agriculture altogether, and the number of full-time family farmers in the United States has now fallen below 1 million for the first time in 200 years.

On August 2 the Clinton administration declared the entire state of West Virginia and neighboring counties of Kentucky, Ohio, Pennsylvania, Maryland and Virginia to be a disaster area because of the drought, qualifying farmers in this region for low-cost federal loans. In the Midwest, the two-week heat wave that left nearly 200 people dead also exacted a toll from crops, especially corn.

But weather conditions are not the fundamental cause of the mounting stress in agricultural America. Farm prices are depressed because four years of record crop production have swelled the supply of commodities, while the Asian financial crisis and financial shocks in Russia and Latin America have sharply reduced demand.

The result is an enormous glut of agricultural commodities on the market. Wheat stocks worldwide have doubled since 1996, soybean stocks have tripled and corn stocks have quadrupled. Midwest grain elevators are filled to bursting with the unsold portions of the wheat harvests of 1996, 1997 and 1998. When the 1999 wheat harvest comes in, an estimated 1 billion bushels—half the entire crop—will go unsold and have to be stored in temporary outdoor facilities.

Prices have fallen to some of the lowest levels in memory. Wheat prices have slumped to as low as \$2.06 a bushel, the same level as in 1866. Hog prices collapsed in December, falling to as low as \$15 for an

animal usually valued around \$250, before recovering to just \$40 this summer. The prices of corn and soybeans, the two largest crops in the US, have fallen 45 percent over the past five years. The price of rice is 30 percent below its five-year average.

Under these conditions, even a substantial decline in production because of drought and heat will not be enough to raise prices. The farmers hit by bad weather conditions will simply have less to sell at a price which does not come close to covering the cost of production.

The economic crisis is accelerating the long-term decline in the number of American family farmers, a process which has continued decade after decade throughout the twentieth century. During the 10 years ending in 1997, 20 percent of full-time farmers left agriculture, compared to 8 percent in the previous decade. Iowa lost 15 percent of its full-time farmers in five years, Minnesota 13 percent, Kansas and North Carolina 11 percent. In thinly populated South Dakota, 2,000 farmers have gone under in just the past year.

In 1996 the Republican Congress, with the support of the Clinton administration, adopted the Freedom to Farm Act. If truth in advertising applied to congressional legislation, Congress would have been forced to retitle this law the “Freedom for Small Farmers to Go Broke Act.”

The new law phased out the system of farm subsidies and government price supports, first established in the Great Depression under Franklin Roosevelt, which was the underpinning of rural America for six decades. The Freedom to Farm Act coincided with the onset of a series of record harvests which have driven down prices, and each year Congress has been compelled to adopt emergency legislation to prevent a financial collapse in agriculture.

Farm cash receipts have fallen \$17 billion since 1997,

with the gap made up temporarily through the doubling of the government subsidies which were supposed to be eliminated. In 1998 net farm income was \$44.1 billion, of which \$12 billion was government subsidies. This year net farm income is projected at \$43.8 billion, down slightly despite an increase in subsidies to \$16.6 billion.

On Wednesday the US Senate voted 89-8 to approve an emergency \$7.4 billion farm aid bill which will provide additional subsidies in the year 2000 budget, which begins October 1. Grain, soybean, livestock, dairy, tobacco, cotton and other farmers will be eligible. Senate Republicans rejected an even larger \$10.8 billion in subsidies proposed by the Democrats and backed by the Clinton administration.

The American press has taken notice of, and criticized, the failure of the Republicans to follow through on their free market rhetoric. Editorials in leading daily newspapers, such as the *Washington Post*, have suggested that a government bailout of farmers is unwarranted, since there are no bailouts for small businessmen and other family-run enterprises which run into economic difficulty.

The Republican policy is partly explained by the fact that many of the "farmers" receiving government subsidies are in reality giant agribusinesses, a traditional recipient of financial support from both big business parties. But there are deeper social reasons why politicians so callous towards welfare recipients and the poor are less indifferent to the plight of the farmers.

To the extent that the Republican Party has a popular social base, outside of the extreme right and Christian fundamentalist elements which have come to play such a prominent role in recent years, it is to a considerable extent in rural and small-town America, especially in the Midwest, where the farm crisis now threatens to create a political upheaval.

There is no solution to the farm crisis, however, within the framework of the capitalist market. A fundamental contradiction under the profit system is the accumulation of vast surpluses of agricultural commodities which cannot be sold at a profit, side by side with, on a world scale, enormous unmet social needs for food, clothing, and raw materials. Children starve in Africa and India while American farmers go bankrupt for lack of buyers. This contradiction can only

be resolved when agriculture is integrated into a reorganized world economic system in which rational planning, not private profit, is the driving force.



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