

## Key to the Flow Chart: The Roots of the Crisis in Rural America

### Central Issues (Flow Chart Color: Olive)

Overproduction, increased inputs/high intensity production and low prices drive each other in a positive feedback loop with negative impacts on farmers, rural America, rural economies and the environment. In the absence of mechanisms that allow farmers to control the rate at which their crop reaches the market (e.g., farmer-owned reserves), surplus commodities drive market prices down, recently to levels far below cost of production. Attempting to recoup more from low prices farmers adopt new input technologies promising greater yields. As the per unit cost/benefit ratio of this strategy is low, producers employ maximum space available, including “fencerow to fencerow” production and confined livestock operations. These production practices drive more overproduction and send prices further downward, while producing adverse consequences to water, soil, biodiversity and human health.

Feeding into this cycle is the dominant paradigm of industrial, high-input agricultural production. This model, which dominates educational systems in land grant Universities and extension services, has been put forth by the non-farming agribusiness input and processing sectors. These sectors have much to gain from maximum production strategies including large input expenditures and low farmgate prices which provide an abundance of cheap raw materials for processing). Meanwhile, the farm sector, in the absence of alternative production models or market possibilities, has no economic recourse but to attempt to recoup from maximum production, and the feedback loop begins again.

This cycle has further contributed to record levels of farm assistance payments. (\$32 billion in 1999) Ironically, these payments,

while preventing immediate economic pain, stimulate continued over-production and long term low prices. Under current USDA projections, low prices are expected to continue for another 4 - 6 years.

International trade policy also plays a key role here: as the input and marketing sectors of agriculture increasingly globalize, the world market is increasingly the determining factor in price. Overproduction can no longer be viewed as a national problem. Overproduction of grains globally force prices downward for the farm sector, while benefitting the increasingly concentrated agriculture input and marketing sectors who largely control policy.

The consequences of this central problem follow several themes (color-coded), and through a variety of constituencies (shape-coded), affect virtually the entire public.

*“In the 80s and 90s subsidies-I think helped put the small farmer out of business and helped the bigger farmer. Lower government payment caps and closing loopholes on caps might have prevented this. With the idea of globalization and the benefits it will contribute to the macroeconomy, financiers and their political cronies began to push for freer markets. Tweaking subsidies just enough to ensure lots of production at a low price. Low price has always been the goal behind globalization. Those who stand to profit are the TNCs-- Cargill, ADM etc, not the farmer.”*

-Jeffrey  
Ag-Online Business Chat

### Increased Land in Production (Chart Color: Green)

One way to increase production in the face of low prices is to increase the amount of acreage

used for crops. Sometimes called “fencerow to fencerow” planting, this forces cropping out into ecologically sensitive lands. It can bring into production land that had been pasture or woodlot and leads to destruction of habitat for native species, including plants, birds butterflies and other animals. This, in turn, decreases biodiversity, increases the chance that species will become endangered, and decreases opportunities for hunting.

Increasing cropped acreage can also mean plowing of riparian buffers and eliminate practices to reduce erosion and flooding. This sends topsoil, fertilizers and pesticides into waterways, reducing water quality, increasing toxic loading in food chains and impacting drinking water, water recreation, fishing, and waterfowl hunting.

*“The drop in the farm share of income over the last fifty years seems directly related to why my dad made good money farming and I’m working harder for less. Does anyone think this will stop?”*

-Jim, Iowa City

### **Increased Inputs (Chart Color: Yellow)**

The dominant agricultural paradigm teaches farmers need to be “efficient” and to increase yields per acre. This is accomplished by increasing dependence on agricultural inputs, including irrigation, pesticides, herbicides and fertilizers, and for animals, hormones and antibiotics. However, as these chemicals can be toxic to non-target organisms, and pose health risks for humans as well, the term of “efficiency” may well be inaccurate when considering the externalized costs of cleanup, regulation, etc. expended by the public to protect the “public goods” of water, air, soil and biodiversity. Heavy use of fertilizers causes eutrophication of lakes and streams, degrading water quality and habitat, and nitrates in fertilizer have been linked to miscarriage and birth defects. Numerous consumer groups have raised concerns about

residues of pesticides, fertilizers and hormones in food products, and farm workers have illnesses linked to exposure to these chemicals in the field.

The use of hormones to boost growth in meat and milk production has been the impetus for 70% of all antibiotic use (UCS, “Hogging It”) and possibly contributes to an increase in antibiotic resistance in a number of pathogens. Manufacture of pesticides, fertilizers and other inputs is an energy-intensive process, consuming large amounts of fossil fuels and contributing to global climate change.

While the current paradigm asserts this long standing concept of efficiency, clearly the aggregate health and environmental effects related above have a cost of their own which must be born. While some government regulations seek to place the economic burden of these onto producers, there is significant government expenditure involved in regulating and often subsidizing these costs. This further distorts markets against small and low input producers who do not benefit by having the public subsidize a portion of their production costs.

### **Vertical Integration and Consolidation of Agricultural Operations (Chart Color: Blue)**

While current farm policy (Freedom to Farm 1996) was advanced as a way to unleash for farmers the benefits of free market forces, the result has been that the number of independent producers has dropped significantly. Iowa, by

*“To me a real concern should be that our food supply is now being controlled by a very small, small number of major players.”*

- agonair  
Ag-Online Business Chat

example lost nearly one third of its pork producers in 1999. As these independents find themselves unable to survive, many turn to contract production where they become a component in food production system that is

controlled from input to processing by a few large corporate interests. These vertically integrated systems, wield enormous market power and are generally dominated by the non farm input and processing sectors. Moreover, these input and output sectors are increasingly “linked” to each other by various business contracts and shared leadership and are increasingly global (Heffernan and Hendrickson 1999).

In a market phenomenon closely related to vertical integration, consolidation and concentration in all aspects of food production have reached historic levels. Currently, a handful of large seed and biochemical manufacturers control the input sector while the output processing sectors in meat and grain production is equally or more consolidated. Similarly, consolidation and concentration in the farm sector have increased greatly as fewer and larger interests control more and more of the production. As power becomes concentrated in the hands of few market options for independent producers become severely limited.

Low prices, complaints about the lack of competitive markets, problems with price manipulation, accusations regarding the lack of transparency and price fixing by the non farm sector abound amongst independent producers. Co-op’s that were created in the early part of this century to give the farm sector market power and vested with special privileges (Capper-Volstead Act) to deal specifically with this problem, have become increasingly controlled by the non farm sector. Anti-trust laws installed in the later part of the last century rose up from such concentration in the meat processing industry. While there have been many unheeded calls recently for similar anti-trust scrutiny, under current anti-trust case law damages to the consumer must be proven.

Even though the non farm input and marketing sectors have posted steady and healthy profits

over the last few decades, consumer food prices have remained relatively stable while the farm sector share of the food dollar has declined significantly. It may prove true that the agricultural input and output sectors have enjoyed immunity to anti-trust scrutiny specifically because the diminishing share to the farm sector has absorbed any questionable price increases to consumers.

*“This declining trend has been working its way through our markets for all this time at roughly 85% of each previous 5 year program period...as each program sets new (lower) market benchmarks and, thereby, coerces more land and operators into the program. As we get accustomed to each new price plateau, we’ve been introduced to accepting the next step down, as you’ll see. Each jump intentionally “programs” us to accept farmgate prices that insulted us just a few years prior. Kinda like cooking a frog!*

*“Curiously, you’ve never, ever seen a grain merchandizer, feeder or processor step forward and object to this trend, have you?”*

-Dick

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### **Farm Policy Issues (Chart Color: Pink)**

As the concentrated input and processing sectors increasingly control markets and profits, they also control the resources necessary to gain access to policy makers and policy decisions. This has resulted in farm policy and subsidies that stimulate market conditions that profit the non-farm sector, and a farm policy and farmer education system (agricultural schools and extension programs) that teach and support the industrial production paradigm that maintains the overproduction-low price cycle. Agribusiness sectors have also lobbied successfully for policies that are detrimental to farm workers, including the H2A guestworker program, farm exemptions to the National Labor Relations Act and the Fair Labor Standards Act, and weak worker safety standards under OSHA and EPA, and restrictions on legal aid to farm workers.

Agribusiness lobbying has also resulted in farm exemptions to the Clean Water Act, Clean Air Act and the Resource Conservation and Recovery Act, among others. These policies allow large operations to externalize their costs and maintain an advantage over small farmers.

*Current policy isn't about saving family farmers. It's a huge subsidy for the corporate grain companies, input suppliers and giant feeders of livestock. What better subsidy for giant-sized Carolina corporate hog producers than cheap corn and cheap soybean meal? The corporates have little reason to worry, the politicians and farm groups raise barely a whimper in protest.*  
-Mychal Wilmers

The complexity of farm policy leaves many policy makers uninformed regarding the inherent conflicting economic interests between the farm and non-farm sectors. Policy makers often yield to “commodity groups” or “agricultural voices” to represent farmer interests. Largely, these groups more closely represent the conflicting interests of the processing or input sectors. Consequently, farm policy debates are seldom framed in a light that honestly examines how farm policy differently impacts these various sectors. Clearly, in the final analysis the lack of that discussion has far reaching consequences to family and independent producers, rural communities, taxpayers and the environment.

### **Rural Community Impacts (Color: Tan)**

When costs of production are high and farm prices are low, farmer income suffers. This has become a chronic problem in rural America, leading to the current crisis situation. Stress, depression, alcoholism, abuse and suicide are on the rise in families facing annual shortfalls and spiraling further into debt. As the farm capital decreases, local businesses suffer as well. The tax base erodes, causing a decline in local schools, infrastructure, social services, and cultural opportunities. The problem is exacerbated when farmers lose their

independence and are forced into contract or labor agreements with corporate farms. These contracts dictate most facets of production and contractually restrict personal and legal recourse and rights. Wages and benefits are generally low in these situations, further eroding local economies. Currently, there is little federal regulatory oversight protecting contract growers' rights.

If large-scale animal feeding operations enter the region, the smell, noise, air pollution and waste lagoons associated with these often further decrease local property values, tax base and quality of life. An equally injurious and even more common outcome: unable to make a living from farming, the landowner sells to developers to feed the endless march of housing and strip malls sprawling out from urban centers. Thus farmland, habitat, and a way of life are lost forever.

*“Look at the recent vote with regards to the pork check-off and tell me if we farmers really count in the eyes of the Washington regulators? What we have is a failure to communicate and we are being shot down at every level! We farmers have to suffer with every new idea and theory from the beltway. I do not look for any favorable treatment from Washington.”*

-Jcat  
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