Don't be Down on the Farm'

How to preserve a national treasure

By Senator Byron Dorgan

A traveler through Western Europe these days observes something unusual to American eyes. Family-based agriculture is thriving there. The countryside is dotted with small, prosperous farms, and the communities these support are generally prosperous as well. The reason, of course, is that Europe encourages its family-scale agriculture, while America basically doesn't care. The difference was apparent at the World Trade Organization meetings in Seattle. The European representatives were talking about families and communities, while the Americans talked about markets. You listen to the speeches, as I did, and a question looms up in your mind. If American trade representatives think these European values represent the problem, just what do they think represents the solution? If prosperous rural economies are not a worthy goal, then what is? The question is of great urgency among U.S. farmers these days. Out beyond the prosperity of Wall Street and Silicon Valley, the producers in America's food economy are struggling for survival. The weather has been miserable. Prices for some commodities are at Depression-era levels. Imports are soaring, and giant agribusiness firms are squeezing out farmers for a bigger share of the food dollar. In this setting, farm auctions have become a grim daily counterpoint to

the Wall Street boom.
The stories are wrenching beyond description. I received a letter from a woman whose son refused to get out of bed the day the family farm was auctioned off. His dream was to become a farmer like his dad, and he couldn't bear to watch that dream get sold off by a bank. Suicides among farmers are now three times the rate of the nation as a whole. One Iowa farmer left a note that said, "Everything is gone, wore out or shot, just like me."
Many in the opinion class offer an obligatory regret and then wonder why we should care. Family farmers are just poignant footnotes to the bright new economy, they say, like the little diners that got left behind on Route 1 when the interstates came in. "The U.S. no longer needs agriculture and is rapidly outgrowing it," said Steven Blank, an economist at the University of California at Davis. In this view, farms, like steel mills and television factories, can move to low-cost climes abroad, and should. "It is the improvement in the efficiency of the American economy."
Most express themselves in more diplomatic terms. But that's basically the expert view. An economy is just a mathematical equation and efficiency, narrowly defined, is the ultimate value. If family-based agriculture disappears, so be it. This view isn't just distasteful. It is shortsighted and wrong.
The fact is, family-based agriculture is not unproductive or inefficient, even by the narrow calculus of the economics profession. (I'll go into that a little later.)
First off, if we care about food, we will not welcome an economy in which control of the food chain lies in a few corporate hands. Monsanto-in-the-Fields

is not everyone's idea of the food economy they want. But the basic issue here goes far beyond food. It speaks to us as citizens rather than just as shoppers; ultimately it concerns the kind of country we are going to be. The family farm today is a sort of canary in the mine shaft of the global economy. It shows in stark terms what happens to our lives, our communities, and our values when we prostrate ourselves before the narrow and myopic calculus of international finance. So doing, it raises what is probably the single most important economic question America faces: What is an economy for?

For decades the nation has listened to a policy establishment that views the economy as a kind of "Stuff Olympics." The gold medal goes to the nation that accumulates the most stuff and racks up the biggest GDP. Enterprise is valued only to the extent it serves this end. But what happens when we produce more stuff than we need but less of other things, such as community, that we need just as much? Do we continue our efforts to produce more of what we already have a glut of? Or do we ask a different question? If Americans say we need stronger families and better communities, then we need to question whether our economic arrangements are contributing to those ends. If we really believe in traditional family values, then should we not support the form of agriculture---and business generally---based upon those values?

There's a way to save our family-based agriculture. Harry Truman had the answer more than fifty years ago. Put simply, Truman wanted to confine the agricultural support system to the family-sized unit. This would promote a modern and productive farm economy and healthy rural communities too. It would begin to align our economic policies with our traditional family values and social ideals. But in order to see the value of this approach, we have to put off the mythologies and ideological blinders that dominate the debate today.

Over the Edge

These mythologies start with the assumption that the struggles of family farmers are Darwinian proof of their own unfitness to survive. The fact is, family farmers are in a bind today because of deliberate actions and inactions here in Washington. An impartial market didn't decree their difficulties. Policy makers did. Yes, there has been lousy weather, an expensive dollar, and the collapse of crucial markets in Asia. These come with the territory. Since the New Deal, the federal government has sought to help farmers get through such tough times. What's different now is that the government has tried instead to push family-based producers over the edge. The push started with the trade agreements that opened the U.S. wide to foreign production. Advocates of NAFTA and GATT promised American producers vast new markets, yet today America's trade deficit has reached record levels, and the balance of agricultural trade is heading in the same direction. You heard that right. The coal is pouring into Newcastle. By the sublime logic of the global economy, a nation that has depressed prices of durum wheat is importing durum wheat, fruit, poultry, and meat as well.
This did not happen because American farmers are backward or inefficient. It happened because of a high dollar, which works against exports; and because American trade negotiators have been more attentive to the needs of corporate food processors than to the farmers who grow the food. The U.S. trade

agreement with Canada is a prime example. Before that agreement the U.S. imported virtually no durum wheat from Canada. (Durum is the kind used in pasta.) The U.S. trade representative at the time, Clayton Yeutter, assured Congress in writing that the agreement would have no effect on grain. Yet durum was pouring across the northern border almost from the moment the agreement took effect. Today, Canadian imports comprise nearly 25 percent of U.S. processed durum. These imports nearly doubled in the first five months of 1999 alone.

Some call this the Invisible Hand. But it has a lot more to do with something called the Canadian Wheat Board, a government agency that handles every bushel of wheat produced in Canada. The Wheat Board publishes no price information, so the workings of the Canadian market are inscrutable to U.S. farmers. There are subsidies for grain handling and transportation that give Canadian producers a further edge. Canada is not an exception. Most nations try to protect their own food production, and understandably so. They have long memories of wars that made food a precious commodity; and as true conservatives they value their rural traditions and cultures.

So tough luck you say: The consumer is king, and cheap imports mean low prices at the supermarket. This degradation of the producer was not what Jefferson and others had in mind when they founded our republic. But that aside, if you think the farmer's travail has been the consumer's gain, you might check your local supermarket. Somehow, those Depression-level prices on the farm haven't shown up on the bar codes. Prices of hamburger and bread have inched up,

even as farm prices have plummeted.
Someone is getting the spread, and that someone is the food processing and packing industry, which has scored big off the misery of U.S. farmers. The big four cereal manufacturers have returns on equity of upwards of 29 percent even as farmers go bankrupt. From a loaf of bread that costs $1.59 at the store, the wheat farmer gets about five to six cents. In 1981 the wheat farmer got about double that. The processors can reap where the farmer sows, in large part because the industry has become so concentrated in recent years. When Ronald Reagan became president, the top four beef processors controlled about 36 percent of the market. Today the figure is over 80 percent. A wheat farmer today is dealing with a grain industry in which the top four firms control 62 percent of the business. This means a marketplace with the power to say, "take it or leave it."
The antitrust laws are supposed to prevent this kind of bullying. But decades of erosion at the hands of ideologically-disposed economists and judges have reduced these laws to mere "husks of what they were intended to be," as the late Justice Douglas put it. Moreover, budget cuts during the Reagan-Bush years crippled antitrust enforcement just as the current merger wave was gaining momentum. Even after modest increases under Clinton, the antitrust budget has fallen in real terms since the late 1970s. The Microsoft trial has gotten a lot of headlines. But when Cargill, the nation's number one grain exporter and the largest privately-held company, can buy the grain operations of Continental, which is number two, with barely a peep from Washington, then the cops aren't

exactly walking tall on the antitrust beat.

There is a pattern here. The U.S. government has undertaken to remake the world in the image of the multinational corporation---an image in which all economic problems get reduced to mathematics. Family-based production has stubborn loyalties to locality and place. It provides a buffer against the ruthless---and often misleading---mathematics of the market. Therefore the government seeks to engineer it out of existence and to replace it with the corporation that has no such inconvenient human tendencies. This was the implicit logic of the Farm Bill of 1996.

Failing the Farms

The Farm Bill of 1996 was touted as a radical break from the past. Proponents said that it would "free" farmers from the stifling bureaucracy of the federal government and enable them to make their fortunes in the global marketplace. They called the bill---with mordant irony---the Freedom to Farm Act. It seemed plausible in the flush times of the mid-'90s. But the agricultural marketplace soon cratered, and farmers found out quickly what the bill really left them free to do---Get Out of Farming Fast.

Put simply, the bill phases out the federal-price support program over a period of seven years. During that time, it doles out between $5 billion and $6 billion a year in transition payments, supposedly to wean farmers off the federal supports. These go to all agricultural entities, regardless of size and regardless of need. The bigger you are, the more you get---no matter how much money you have sitting in the bank.

It sounds like a parody of a government program. Yet that's how the bill works---or, more accurately, doesn't work. A year after the bill took effect, Congress was enacting "emergency" relief to help undo the damage it had just done. Congress just enacted another emergency measure this year. There is no end in sight. Congress buys a little quiet while the nation's family-based producers twist slowly in the wind.

Community Matters Too

From the time Franklin Roosevelt established the first farm-support programs during the Depression, a central question has gone unresolved: What is the farm program really for? People in Washington have always wrung their hands over hard-pressed family farmers. But the programs they've enacted have favored the biggest farmers and hastened the demise of the smaller ones. In its many permutations, the farm program has proceeded on the assumption that the mode and scale of production don't matter, and all that counts is a given quantity of beef or grain. This view dominates the policy and media establishments and the result is a facile cynicism regarding efforts to help the family-based producer. We need to reexamine this assumption. The embrace of text-book orthodoxies tends to blind reporters to economic reality, and to the social dimension of economic enterprise.

In reality, a family-based enterprise such as a farm produces much more than corn or wheat. It also produces a community. One might say it has a social product as well as a material product. This social product is invisible to economists and policy experts because they see only what they can count in

money. But it is crucial in a nation that has more stuff than it knows what to do with but less community and stability than it needs.

This is not rural romanticism. I'm talking about the opposite---the ways that family-based enterprise provides a matrix for community life. A small town café, for example, contributes much more to the life of a rural community than its financial balance sheet would suggest. It is a hub of social interaction, a crossroads where people meet in person rather than just as blips on a computer screen. It serves to reinforce the formal organizations in the town, from the volunteer fire department to the PTA. Cafés are so important to small-town life that in Havana, North Dakota, (pop. 124) folks actually volunteer at the local café to keep it open.

Family-based agriculture is a prolific source of social product. Study after study has documented this effect. The most famous was that of Walter Goldschmidt of the University of California, comparing two California farm communities in the 1940s. One was comprised of small and medium sized family farms; the other of large scale producers. The localities were similar in other significant respects. Goldschmidt found that the family farms produced a measurably stronger social unit. People showed "a strong economic and social interest in their community. Differences in wealth among them are not great, and the people generally associate in those organizations which serve the community." The locality with larger farms, by contrast, had a more pronounced class structure, less stability, and less civic participation.

This will come as no surprise to people who grew up in such settings. The family and community values that people give speeches about in Washington are a fact of daily life. I remember a farmer in my home town of Regent, North Dakota, a fellow named Ernest, who had a heart attack around harvest time. His neighbors took their combines and harvested his grain. The economics textbooks call these farmers "competitors," and if they were corporations they would behave that way. But because they are real people they acted like neighbors and friends.

The social dimension of enterprise is crucial even in conventional economic terms. Francis Fukuyama, the respected writer on social dynamics, developed this subject in his book Trust. "Virtually all serious observers understand," he wrote, "that liberal political and economic institutions depend on a healthy and dynamic civil society for their vitality." Society needs enterprise but enterprise also needs a society.

Jefferson was right. The kind of agriculture we choose affects the kind of communities we have and the kind of nation we are going to be. A nation that tries to divorce the processes of production from larger social concerns---as policy experts do---eats its own seed corn. Neglect the social product of private enterprise, and we create the conditions for our own decline.

Small Farms Are Efficient

Against this, we have to ask what's to gain by displacing family-based farming with corporate agribusiness firms. The answer is, very little.

The supposed efficiency of corporate-scale operations has a large dose of hype. Farms can reach peak efficiency at well within the range of a family operation.

Michael Duffy, an agricultural economist at Iowa State University, has found that corn and soybean producers in that state reach the low point on the production cost curve at between 300 and 500 acres. The top 10 percent of pig producers, based on cost of production, averaged 164 sows.

Wheat farmers reach lowest costs at a somewhat larger scale, but still well within a family-sized operation. The belief that bigger corporate operations mean more productive agriculture is just a "bunch of crapolla," Duffy says.

The claims of efficiency, moreover, ignore the costs that sprawling agribusiness operations impose upon the rest of us. Partly these costs are social. When there are no neighbors to drive Aunt Ella a hundred miles to the clinic, she has to use a taxpayer-funded van instead. But the biggest costs may be environmental. Corporate pig factories, for example, have become a nightmare for their neighbors. They foul local water supplies and emit a colossal stink into the air. A county in Illinois actually had to reduce property assessments by 30 percent in the vicinity of such a plant. In North Carolina, which has emerged as a pig factory haven in recent years, Hurricane Floyd caused massive flooding of the huge lagoons that hold the wastes. The sludge spread over the countryside and leached into the groundwater. Residents were advised to drink bottled water and even to have their wells re-drilled. That might be efficiency for the corporation. But it's not for the neighbors, nor for the society as a whole.

I see an economist scowling in the back row. If people wanted social product, he mutters, then they would demand it in the market.

But that's precisely the problem. Americans can't speak through the market

unless the market gives them an effective choice, and under current arrangements they don't have one. When we buy pasta or pork chops at the supermarket there's nothing on the label to tell us the kind of farm it came from.

Markets are the best means we have for allocating resources, when people have both information and choices and when all costs are accounted for. But they don't work so well when information and choice are lacking and costs get shifted onto others, and that's what happens with agricultural production today. Farmers aren't getting full compensation for their production, including social product. They should. The question is how.

The Brannan Plan

After his improbable reelection in 1948, President Harry Truman introduced a farm bill that had a truly far-sighted provision to limit federal farm supports to the family-sized unit. Farmers could become bigger if they wished. They could produce as much as they thought they could sell. But they couldn't expect the federal government to support all their ambitions.

The Brannan Plan as it was called---after then Secretary of Agriculture Charles Brannan---would have made it the policy of the United States that scale and social impact matter, in agriculture at least. Not surprisingly, the larger farm interests opposed the Brannan Plan (though mostly on other grounds) and it died a quick legislative death.

In the 50 years since, the farm program has gone from one extreme to the other---from supporting everything in sight to hitching the nation's farmers to a market ideology in a world that doesn't always buy it. We've shed crocodile tears over family farmers while promoting their demise. Now the congressional majority is in a quandary. Republicans know they have to do something. But many on that side can't bring themselves to face the implications. So they heap more blame on government, rail at the Federal Reserve Board and the government's failure to open more foreign markets, and hope the problem will just go away.

To be sure, the Federal Reserve Board is a deserving target. When you hand the management of the economy over to money center bankers, then farmers, who rely heavily on credit, are going to get shortchanged. But it's not enough to rail at the Fed. We need to put someone on the Fed who understands the value of family-based farms, and who can provide some balance to the economists and bankers who run the place now.

It is good too that Republicans want to open up foreign markets, but we've also got to develop new domestic markets. Since people can eat only so much, that means new uses for farm products. Ethanol barely scratches the surface. There are many materials, from plastics and building materials to paper and inks, that are being made from crops. In Minnesota, farmers are getting from $20 to $50 an acre for selling the right to capture the wind energy from their land. David Morris of the Institute for Local Self Reliance has sketched out the possibilities in a report called, suggestively, "The Carbohydrate Economy."

Farmers need more bargaining power in the market too, not just more points of access to it. Senator Paul Wellstone of Minnesota and I have proposed a moratorium on mergers in agriculture-related industries, and a complete review of the antitrust laws as they affect this part of the economy. The measure failed to pass this fall, but we will introduce it again.

But by far the most important issue is the economic safety net. No matter what else you do, farmers are going to confront bad years. There has to be a support structure of some kind, and it should advance the social values of this country rather than undermine them. Harry Truman had the right idea. There should be a support price for an amount of production that is within the range of a family-scale operation. (This would vary by crop and region of the country, of course.) Beyond that, producers would be on their own. If they wanted to exceed the support range and take their chances in the world market, then more power to them. But we wouldn't ask the taxpayers to support a scale of operation from which there is no social benefit and for which there is no economic need.

This approach would not encourage overproduction, since there would be built-in limits on the amount of production that was supported. The caps would be enough to sustain a family-sized operation in bad years, but they would not make anyone rich. This approach would begin to compensate farmers for their contribution to rural communities---a form of production for which the global market provides no monetary return. It would recognize that the efficient destruction of community in America is not the kind of efficiency the government should encourage.

If this country can subsidize a public-housing program for millionaire athletes and billionaire owners called pro-sports stadiums, then surely it can provide a

safety net for the family-scale agriculture that contributes so much to this nation. Anyone who thinks big corporations are less likely than small enterprises to ask for government help hasn't been paying much attention. Big companies, not little ones, get bailed out in America. Already, the corporate pig factories in North Carolina have asked for millions of dollars from Congress to help upgrade their waste lagoons.

An economy is supposed to provide for human need. At a time of material abundance but social scarcity, shouldn't we encourage forms of enterprise that meet the needs of our dwindling communities? If we truly believe in traditional family values, shouldn't we support the forms of enterprise that embody those values, including the family farm?

The crisis in the Farm Belt is one problem America knows how to solve. We have both the means and the resources; the question is whether we will use them. There is nothing to lose in terms of food, and a great deal in terms of our society to gain