Largest Federal Farm Program on Record

But Continued Bankruptcies: How Can It Be?

Something seems wrong! The Federal Government is spending nearly $30 billion a year for commodity programs. But bankruptcies of farmers continue, many agricultural banks are in financial difficulty and the problems of the Farm Credit System are being discussed openly.

Our elected and appointed officials must be extremely frustrated.

On the one hand, they have responded generously to financial stress of farmers. They legislated, signed, and are implementing a nearly $30 billion a year commodity program. And this price tag doesn't count the hidden costs—higher consumer prices—associated with the programs.

The costs are large by any criteria. They are the largest on record even when account is taken of inflation. And the costs—not the amount directly received by farmers—are nearly equivalent to expected net farm income of all farm operators—over $11,000 for each farm operator, including small part-time farmers. When account is taken of the fact that the major benefits go to operators of large row crop farms the per farm equivalents are even more astonishing.

On the other hand, bankruptcies and foreclosures continue, and many families and farm banks continue to hurt financially. Problems are sufficiently frequent and severe that Iowa Governor Branstad presses for a moratorium on farm bankruptcy proceedings in that State. Obviously, either the federal checks are not reaching those in serious trouble, or the checks for them are not large enough when they get to their mailboxes.

Farmers Differ in Size and Need

How can this be? One quick answer is that the program benefits are not targeted to need. But this answer obscures an even more fundamental consideration; namely, farm and ranch operators are diverse in terms of size, management skill, off-farm income, and farm debt.

Things have changed. In years past, farmers and their farms were more alike. They were more homogeneous financially, and their size of operation were more equal. With these conditions, tying government benefits to production tended to distribute the benefits throughout the farm communities.

Sure, some people were missed. There were some bankruptcies and foreclosures. And hired hands, migrant workers, and tenants didn't get the same benefits. But generally speaking all farm operators (and their landlords) benefitted (if not directly at least indirectly). Further, the distribution of the benefits was sufficiently equal that the differences could be and were largely ignored. And farm people were a substantial percentage of the rural communities. Thus, farm program effects were more perversive in rural communities.

Farmers are not homogeneous today. Some are very large by most any standard. Many are small. Some have large amounts of debt. Others have no debts. Farmers in financial trouble come in all sizes—large, medium, and small. And farmers have become a minority even in rural communities.

Money is scarce

Federal money as never before is scarce and the opportunities to get more federal money for farmers are limited if not nil. Therefore, even though we don't say it openly, we all know that when some producers not in trouble receive large checks, that money is not available to give direct relief to their neighbors in trouble.

Simply put—for the government to send a $500,000 check to one farmer means that twenty $25,000 checks cannot be sent to assuage the pain of twenty neighbors in trouble or to provide information about training and employment opportunities for those who in the end must leave farming.

Alternatives

It would seem that policymakers and farm-related organizations have two basic alternatives in terms of distributing benefits with current or revised programs.

One alternative is to stay the course; continue to cast dollars upon the water and let those dollars be distributed according to production. The outcome—large producers will get the most. And barring the unpredictable, such as large exports to the USSR or to some other nation, those with financial difficulties—large as well as small—will gradually fade away as bankruptcy and foreclosure processes continue.

The other major alternative, of course, is to gear benefits to need—like the food stamp program does. There is great reluctance to follow this approach. Many that now receive big checks would no longer receive them; or at least the checks would be much smaller.

Hinging benefits to need could be complex. For example, some farmers in financial difficulty have large operations and tremendous financial problems because of aggressive expansion in their debt at the wrong time. With this alternative would they be entitled to checks sufficiently large to bail them out of their difficulties? Also, many who are financially sound today may not be so without the commodity program checks and benefits.

And then too, rural traditions rail against applying to farmers what we have come to accept as appropriate for others in our society. Consequently, needy farmers might not favor this approach even though they may be better off financially if it were utilized.

Congress may not want to gear programs to the diversity of farm and ranch operators either. And, even if they did, it is not clear that an achievable political compromise between the two basic alternatives—the present system based on production and a system based on need—would eliminate the current contradiction between large total expenditures and continued financial stress for many individual families. The choice between these or other alternatives will not be easy. But to ignore the issue in the weeks ahead invites a negative public response to farm programs.

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