Supplemental farm income programs not the answer to agriculture’s financial woes

With increases in the number of farm bankruptcy proceedings and suicides among farmers it seems like we have been transported back to the 1980s and the farm crisis.

It wasn’t supposed to be this way. At the beginning of this decade we were told that crop agriculture was on a new price plateau and the only problem would be the need to protect farmers against in-season price fluctuation—difference between price expectations at planting and actual prices at harvest. At that point, farm income was approaching record levels, and few were worried about the need for protection against an extended period of low prices.

The August forecast of 2019 net farm income is $88.0 billion, down 21 percent from the peak of $123.7 billion in 2013. While net government payments were 11 percent of net farm income in 2013, the projection for this year is 22.1 percent.

Tragically, these increased payments are not enough to stave off farm bankruptcies. In an article for Modern Farmer, Dan Nosowitz writes, “The Farm Bureau, a lobbying group that typically leans to the corporate side of farming, analyzed statistical data from the US Courts concerning bankruptcy filings. For the year leading up to September 2019, American farm bankruptcies were up by a whopping 24 percent compared to the year before. During this mostly-2019 period, there were 580 Chapter 12 bankruptcy filings” (https://tinyurl.com/uvt2bno).

The largest number of filings was 48 in Wisconsin followed by Nebraska, Kansas, and Georgia with 37 filings each (https://tinyurl.com/y4gohnhg).

Though statistics on suicides by farm operators are difficult to quantify—some may be classified as accidental deaths—the level of calls to farm suicide prevention hotlines has increased as farmers have faced an extended period of below the cost of production farm prices. In addition to hotline reports, the trend in farm suicides can be seen in the increase in news stories on farm suicides by major media outlets.

The current financial struggles in farm country cannot solely be laid at the feet of the current trade war with China. They began well before then and cannot be blamed on any single administration. We have seen a slow shift in the economic philosophy of farm programs since the Eisenhower administration. From our perspective, farm programs fell over the cliff with the passage of the 1996 Farm Bill and without the implementation of the Renewable Fuels Standard the crisis agriculture is currently experiencing would have come much earlier.

The attempt of current farm programs to solve the inherent problems facing the farm sector by enacting various programs to supplement farm income is doomed to failure. To start with, farm income supplementation programs are very expensive as we have seen in the increase in direct government payments from $11.0 billion in 2013 to a forecast $19.5 billion in 2019. Even with that increase we see increasing farm debt, bankruptcies, and suicides.

In addition, the benefits of farm income supplementation programs are unevenly spread among various farm constituencies. The programs that meet the needs of farmers in one area can be inadequate for farm operations in another region.

What farmers need is a price for their production that covers the full cost of production of a set of products that are required to meet human nutritional needs. Until as a nation we can agree on the need for price support programs we are doomed to repeat the boom-bust cycle that has plagued agriculture for millennia.

Policy Pennings Column 1003

Originally published in MidAmerica Farmer Grower, Vol. 37, No. 249, November 22, 2019

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