Whistling in the low-price dark?

As we write this column, farmers in the Southern US have planted some of their cropland while farmers in more northern areas are making plans for crops that they will begin planting in a month or so. They are doing this in the face of what looks to be the seventh year in the row of significantly lower prices.

The recent and historic price peak occurred in the 2012 crop marketing year when widespread drought across a significant portion of the corn belt resulted in reduced corn production and a season average corn price of $6.89 per bushel.

In 2013, we saw a $2.63 per bushel decline in corn prices to $4.46 per bushel. While a price decline in the year after a short-crop is to be expected, a 35.3 percent price decline is unusual. The last time, we saw a price decline that sharp was 65 years earlier in 1948 when the corn price fell by 40.7 percent following a short crop in 1946. The largest single year price decline for corn was 62.5 percent in the 1920 crop marketing year following the end of WWI.

The 2014 corn price declined by another 76 cents and was below the cost of production for many farmers. From there the price fell to $3.61 in 2015 and $3.36 in 2016 and 2017. The estimated season average price for 2018 currently stands at $3.60. Most other crops have followed a similar pattern in recent years and net farm income is down by 46.4 percent from its peak.

Our question is not why farmers are planting despite the low prices. We understand why. Our question was asked by a friend of ours and President of the Nebraska Farmers Union, John Hanson. "Why are farmers so quiet?" Hanson also tells us that the number of calls to the Nebraska farmers hotline have hit an all-time high in recent months.

But, other than some complaints following the initiation of the trade dispute with China that sent soybean prices tumbling, we have barely heard a public whimper out of farmers. The level of activism is low. It seems like a lot of farmers are hunkering down, trying to weather out this storm.

It wasn't always this way. In the late 1920s and early 1930s, farmers were in near rebellion as they organized the Farmer's Holiday Association in May 1932 in advance of the presidential election that voted Franklin Delano Roosevelt into office. In the mid-1950s we saw the development of the National Farmers Organization in response to low milk and livestock prices. 1979 saw farmers drive their tractors across the country to Washington, DC for a tractorcade organized by the American Agriculture Movement in response to the increase in farm foreclosures as farm prices fell from their mid-1970 highs.

An unusually wet spring in 1983, triggered a strong response from farmers and the government quickly increased the number of acres that farmers were allowed to put into the acreage reduction program. The farm crisis of the mid- to late-1980s with the accompanying increase in the number of farmer suicides resulted in the establishment of farmer hotlines and farm debt mediation programs.

In 1998, the second year of a falling prices following the adoption of the 1996 Farm Bill—the "farm bill to end all farm bills"—Congress approved $3.057 billion in "market loss payments" for grain, cotton and dairy farmers. This was the first of a series of emergency payments that were made for the 1998-2001 crop marketing years. During one calendar year, Congress approved $20 billion in emergency payments in response to low farm prices. The farm bill was replaced a year early with the 2002 Farm Bill.

So why haven't we seen a significant response this time? Why are farmers content with an "evolutionary" farm bill that will cost a lot and make little difference to the farm economy? Is it because they are so happy with a reduction in regulations that they are willing to whistle in the low-price dark?

We don't have an answer, but we do know that if the low-price problem is not quickly addressed, we are likely to see a significant increase in the number of commercial-size farmers who will be looking for jobs in town.

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