Weather price-premium years do occur in agriculture, but rarely

Though the 2018 mid-term elections are still in the rearview mirror, the 2020 presidential election campaign is in full swing. President Trump is holding campaign-style rallies while more than 20 Democrats are vying for their party's nod. Sadly, candidates in neither party are addressing the critical issue facing the agricultural sector: low farm income brought on by 5 years of falling crop prices.

From our perspective, every candidate needs to get out into rural agricultural areas and listen and learn. And while there are alternate policies preferred by different farmers and farm organizations, there is virtually no dissension on identifying the problem. At the same time, farmers from left, right, and center agree that the current low prices are disastrous. Some see echoes of the 1980s in the rising level of farm bankruptcies.

The candidates need to understand that the current low-price situation is no anomaly; agriculture is characterized by long periods of low prices punctuated by single years and short periods of higher prices.

Since the establishment of the USDA and systematic recordkeeping of the agricultural sector, there have been three long periods of low prices. The first was brought about by the opening up of the West and the settlement of European immigrants on the vast agricultural lands between the Mississippi River and the Pacific Ocean. The increase in cultivated farmland resulted in a supply of agricultural products that increased faster than the nation's population. The result was, predictably, a steady decline in agricultural prices and farm income.

The second period of low prices began with the end of WWI and continued through WWII. This era is characterized by the adaptation of the internal combustion engine to the needs of agricultural production. Tractors using fossil fuel steadily replaced horses, mules, and oxen as the source of power for cultivation, harvest, and threshing.

The result of this substitution of fossil fuel power for animal power was the conversion of millions of acres that once were used to feed work animals to the production of crops intended for human consumption. Once again, the supply of agricultural products destined for human consumption increased faster than the population, resulting in steadily declining agricultural prices.

Hints of the factors that would drive the third period of low prices began to appear in the inter-war period with the introduction of hybrid corn, synthetic fertilizer, and synthetic pesticides. By the end of WWII, technology had initiated a transformation of agriculture that continues into the present. Yields of all crops have increased dramatically and once again the supply of agricultural commodities has increased at a faster rate than the population and economic growth. The result can be seen in the current period of low and declining agricultural commodity prices.

From the perspective of social stability and humanitarian concerns, the objective should be to cultivate and maintain an agricultural sector in which productive capacity always exceeds current demand. To do otherwise would be ethically unacceptable.

So, what are our political leaders doing to maintain a balance between our nation's agricultural capacity and the utilization of that capacity in a way that allows farmers receive prices that enable them to remain on the land?

From our perspective: not much.

Members of both parties created the 2018 Farm Bill that does little to address the current price/income problems that farmers across this land are facing. There is not one policy in the new farm bill that addresses the issue of price. In addition, the counter-cyclical type programs included in the farm bill, the Agricultural Risk Coverage and Price Loss Coverage programs, are simply inadequate to address the multi-year price problem that farmers are facing.

The Trump administration is calling for cuts in the percentage of the crop insurance premium covered by the federal government, income caps on participation in farm programs, and no additional trade adjustment payments. And, while we would support each of these policy changes, to implement them in the absence of a farm policy designed to address the "price problem" farmers are facing is callous at best.

For their part, the Democrats have been silent.

That leaves farmers with only one hope: a significant production problem somewhere other than on their own fields. And, the production problem must be significant enough to result in a weather price-premium like we saw in 1980, 1983, 1995, and 2012.

What are the chances of that?

We have seen 13 years in the last 152 where corn farmers received a weather premium. Between 1867 and 1945, it took a production decline from the previous year greater than 23 percent to trigger a corn price premium ($0.193 per bushel) above the expected price, given the level of production. For the period between 1946 and 1999, it took a production shortfall of at least 16 percent to generate an average premium of $0.59 per bushel of corn above the expected price for a given year-ending stock-to-use ratio. In the only instance since 2000, it took a production shortfall of 12.7 percent to generate a premium of $2.54 per bushel of corn.

For this year to be the 14th weather premium year in the last 153 years, the early spring floods and continued wet weather in parts of the corn belt, along with other production disturbances, would probably have to result in a minimum of a 12.5 to 16 percent production shortfall from the 2018 national production level.

Farmers deserve a better farm policy than living on hope.

Political candidates of all persuasions need to spend some significant time in rural areas talking to farmers and learning about the challenges they face. They need to study the history of agriculture and identify the types of policies needed to support a vibrant agricultural that benefits consumers and producers alike.

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