Fair Farming: A New Deal Approach to Food Supply Management

The 2020s began with unsettling correlations to the 1920s: a global pandemic, worldwide economic recession and rural crisis driving farmers off the land. But today we have the benefit of hindsight as we work towards economic and social recovery. New Deal-era farm policies used supply management to raise farm income and preserve precious topsoil. We can reenact supply management for the 21st century for commodity crops and dairy, while correcting past failures to address racial and economic inequities.

Supply management policies can also address the numerous externalities associated with overproduction of commodity crops by ending indirect subsidies to factory farms and reducing climate emissions. It is a critical step in reorienting our farming system from an extractive industry to a public good[1] — one that can restore economic prosperity to rural and urban communities alike.

Historical roots of supply management

U.S. commodity production throughout the 20th and early 21st centuries has been characterized by boom-and-bust cycles. When crop prices are high, farmers may increase their yields and invest in more land and new machinery. But when crop prices crash, farmers struggle to make up the cost of production and meet debt obligations. Each farm crisis brought more foreclosures and more farmland consolidation, with farmers of color and other historically-underserved farmers hit the hardest.[2]

The chief contributor to falling commodity prices is entirely predictable: overproduction. But farmers cannot flip a switch to halt production until prices recover. They are locked into crops already in the ground, and into debt for machinery and inputs geared towards commodity specialization. One of the few tools farmers have in the face of price slumps is to ramp up production even more, creating a positive feedback loop.[3]

This is the situation behind the man-made ecological disaster we call the Dust Bowl. During the first World War, the U.S. government encouraged farmers to increase production, embracing a philosophy of "wheat will win the war." With demand from war-torn Europe surging, crop prices reached all-time highs, and farmers responded by converting more virgin prairie into wheat fields. But European post-war recovery slowed this export demand, leading to surpluses of grain crops that sent farmgate prices plummeting. By the 1930s, dust storms swept precious topsoil off of fields that had been farmed intensively for a decade by farmers desperate to avoid foreclosure.[4]

A New Deal for farmers

The Great Depression only exacerbated farm country's economic woes, with farm income falling more than one-third between 1929 and 1932. Farmer organizations recognized the role of oversupply in driving down prices. However, it would be "economic suicide" for individual farmers to voluntary reduce production. Even efforts facilitated through cooperative marketing associations failed to move the needle. Change would have to come from comprehensive federal legislation.[5]

And Washington responded. The sweeping New Deal legislation from the 1930s included comprehensive agricultural reform, such as the Agricultural Adjustment Act (AAA) of 1933 (recognized as the first Farm Bill). This and other legislation tackled supply management of commodities like corn and wheat through a multi-pronged approach:[6]

- **Price floors** established minimum prices farmers received for their crops. These functioned as non-recourse loans lent to farmers by the U.S. Department of Agriculture (USDA). "Non-recourse" means that loans were held on collateral — in this case, the grain harvest. So when the market price of corn or wheat fell below the established price floor, USDA collected the farmer's harvest, essentially purchasing surplus grains rather than letting them flood the market.[7]
- Crops collected as collateral went into the **federal grain reserve**. When weather events or other disruptions reduced national crop yields, the government sold grain from the reserve, thereby recuperating some of its costs and smoothing out market volatility.[8]
- **Voluntary acreage reductions** formed another pillar of supply management. USDA conservation programs incentivized farmers to plant soil-building crops like legumes in place of soil-depleting commodities. Programs also paid farmers to set aside vulnerable land for a set period of time.[9] These programs created the necessary incentives for farmers to cut back on production, while also protecting precious topsoil from further erosion.

The central goal of many of these programs was to achieve parity — a crop price that covered farmers' costs of production while providing a living wage that is comparable with that of non-farm families.[10] Together, these and other supply management tactics like import restrictions and marketing quotas helped curb oversupply and raise farm income. They undoubtably saved countless farms from foreclosure, although the benefits were unevenly spread among farmers of different backgrounds and farm sizes.[11]

Despite their flaws, New Deal-era programs helped stabilize commodity markets and raise farm income. So why were they abandoned?

Corporate takeover of the food system

Grain purchasers challenged supply management programs from the very beginning, as the policies threatened agribusinesses' control over the market. Nevertheless, supply management remained a central pillar of Farm Bills into the early 1950s.[12]

History repeated itself with the second World War: Demand for U.S. grains surged, raising farmgate prices and encouraging farmers to increase production. Predictably, U.S. surpluses piled up during Europe's gradual recovery, threatening another farm crisis. However, the Eisenhower administration encouraged farmers to increase production and "get big or get out." The goal was to expand export markets in order to sell surpluses and increase the U.S.'s global influence. The 1950s also saw the parallel rise in surpluses being exported — or "dumped" — to foreign markets as food aid.[13]

This shift from supply management towards free-market ideology was no accident. Corporate agribusinesses spent decades consolidating market power and growing their political influence. Having the ears of Congress and USDA officials, agribusinesses succeeded in chipping away supply management programs from the mid-century onwards.[14] But export markets proved unreliable; sudden drops in demand for U.S. grain ushered in new farm crises and new foreclosures. Nevertheless, deregulation of farm markets intensified, culminating in the 1996 "Freedom to Farm Bill," which destroyed the last vestiges of supply management.[15]

The results were devastating. Corn and wheat prices dropped roughly 50 percent from 1996 to 1998, requiring massive direct payments from government coffers to keep farmers afloat.[16] But powerful agribusinesses achieved what they had long sought: a steady supply of cheap grain – produced on the backs of farmers and subsidized by taxpayers.

Food dumping and global hunger

In a world where over 800 million people are hungry, it might seem cruel to propose cutting U.S. grain production. But the world already produces more than enough calories to feed everyone. Poverty and inequality — not scarcity — drive global hunger.[17] And aspects of U.S. agricultural and trade policy only exacerbate it.[18]

Food dumping is one of the most notorious examples. "Dumping" is when surplus commodities are exported to foreign markets and sold at prices that are lower than the cost of production. Dumping also occurs under the guise of food aid. In practice, food dumping undercuts local farmers who cannot compete with these subsidized grains, destroying their markets and making developing countries dependent on U.S. imports. According to Oxfam International, "food aid is often not provided at the right time, the right place, or in sufficient quantities." Rather, it often serves as a tool for expanding U.S. export markets. Oxfam advocates giving aid in the form of cash grants so hungry people can purchase food from their local markets instead.[19]

A broken system

U.S. farm policy shifted from managing production to directly subsidizing farm income (and agribusinesses) at a huge economic cost.[20] Many see this as an egregious example of government wastefulness, but they misdirect their anger at farmers[21] instead of the corporate lobbyists and their allies in Congress who built this system. The 2014 Farm Bill eliminated direct payments to farmers. However, USDA continues to subsidize farm income through other programs, including federal subsidized crop insurance, which continue to encourage specialization and farmland consolidation.[22]

Meanwhile, rural communities remain in crisis. The median farm income for farm households was negative each year from 1996 through 2018, only reaching a positive $297 in 2019 due to government bailouts connected to events like President Trump's tariff war. Many farm households rely on off-farm income to stay afloat.[23] Nevertheless, the U.S. loses over 10,000 farms each year, and the agricultural industry's suicide rate is among the highest of all U.S. industries.[24]

Agribusinesses are the true winners in this system. They reap huge profits by purchasing artificially cheap grain and processing it into ethanol, food additives and feed for factory farms.[25] They offload the numerous costs of overproducing commodities — from ecological destruction to climate change — onto the rest of us.[26]

There is no free market in agriculture

Agribusinesses and their political allies continue to advocate for deregulating markets and increasing exports in order to boost farm income.[27] But a free-market approach to agriculture is problematic for many reasons:

First, food demand is inelastic. Farmers cannot scale back production midseason to meet changing demands.[28] This was vividly illustrated during the COVID-19 pandemic, where supply chain meltdowns left farmers dumping milk and leaving vegetables to rot in fields.[29] Even subsequent years of low prices have little impact on production.[30]

Second, a free-market approach requires competition. But decades of unchecked corporate consolidation have given a handful of companies enormous power along each step of the food supply chain. Today's farmers buy inputs from, and sell into, markets with diminishing competitiveness.[31]

Third, U.S. farm programs like federal crop insurance manage risk and incentivize commodity production, even when market prices fall below the cost of production.[32] The same agribusinesses that argue for self-regulating markets also lobby to keep these policies in place.[33]

Free-market ideology is just a smoke-screen. Agribusinesses do not want a free market; they want to control the market for their own greedy ends.

Supply management for a new era of regenerative farming

We can model supply management programs off those of the past, but need to make crucial changes to promote social and environmental justice:

- **Programs should benefit farmers of all backgrounds.** New Deal-era farm policy deepened existing social inequities. For instance, acreage-reductions and price supports disproportionately benefitted owners of large farms, giving them leverage to expand their operations. They also displaced many southern sharecroppers and tenant farmers. Additionally, supply management programs unintentionally raised land prices, creating a barrier of entry for new farmers.[34]

  These barriers hit farmers of color, who also face systemic racism within our agricultural system, especially hard. Discriminatory practices blocked many farmers of color from participating in USDA programs throughout the 20th century; this exclusion continues today.[35] Black farmers lost their land at rates higher than other groups. In 1930, there were 880,000 Black farmers in the U.S. (14 percent of all U.S. farmers). By the turn of the century they had fallen to 18,000 (less than one percent).[36]

  We need to continue to root out systemic racism within USDA and other federal agencies to ensure that Black and other historically underserved farmers can fully participate in USDA programs. Safeguards also need to be put into place to ensure that supply management programs do not lead to more farmland consolidation. We must also boost funding for programs that help beginning farmers access land and other resources needed to enter farming.

- **Policies should not encourage intensification.** One key flaw of New Deal-era programs was that they encouraged farmers to specialize in commodity production using industrial practices. While farmers were paid to voluntarily reduce acreage, nothing prevented them from increasing yields on planted acres. Many turned to synthetic pesticides and other industrial practices.

Yield-per-acre for commodity crops increased from midcentury onwards, counteracting surplus reductions from voluntary acreage reductions.[37]

Intensive commodity farming on monocultures is now the norm in many parts of the country.

Supply management can help end factory farms

The rise of factory livestock farms is directly linked to the dismantling of supply management. Following the disastrous 1996 "Freedom to Farm Bill," crop prices plummeted and farmers stayed afloat through direct government payments. Agribusinesses leapt at the opportunity to purchase artificially-cheap grain to make processed food additives and livestock feed.[41] By the turn of the century, it was more cost effective for farms to purchase livestock feed than grow it themselves or practice rotational grazing. This further incentivized specialization and the decoupling of crop and livestock systems.[42]

Factory farms mushroomed across the rural landscape, replacing thousands of smaller, more diverse farms.[43] Iowa, for example, increased its hog production by more than 50 percent from 1997 to 2017, but lost 85.5 percent of its small- and medium-sized hog farms.[44] Fewer small farms making local purchases eroded the economic and social well-being of many rural communities, leading to greater levels of poverty, economic inequality and out-migration.[45]

Restoring supply management for grain crops will stop the flow of cheap feed to factory farms and level the playing for diverse, family-scale farms.

This extracts a huge ecological toll and could threaten the future viability of farmland.[38] USDA should expand existing conservation compliance provisions[39] to require recipients of farm loans and other USDA payments to implement regenerative practices. USDA must also expand existing conservation programs to provide funding for farmers to make these transitions. Cover cropping, crop rotation and other sustainable practices build soil and avoid the ecological destruction associated with industrial agriculture.

- **All workers in the food production chain need to share in the benefits.** Income parity should not be exclusive to landowners and farm operators. Beginning in 1949, calculations for price parity factored in wages paid to hired labor.[40] Today's crop prices should reflect all the labor that goes into production. And farmers who benefit from federal price supports must be required to pay their workers at least the minimum wage, while providing overtime pay and safe working conditions.

The path forward

We have the blueprints for reenacting supply management and the hindsight to correct past shortcomings. The greatest challenge is getting our elected officials to stand up against the powerful corporations that fight to keep the status quo. Here is what is needed to make it happen:

- **Restore supply management in the next Farm Bill.** The Farm Bill is an omnibus law passed approximately every five years to establish and fund a wide range of food and agricultural policies. This includes everything from conservation programs to federal crop insurance to the Supplemental Nutrition Assistant Program (SNAP, formally known as food stamps). Farm Bill programs have enormous influence over our food system.[46] As such, we need to build the momentum to ensure that supply management is at the table during negotiations over the next Farm Bill (slated for 2023).

  Farm Bill negotiations usually devolve into disputes over how much to fund various programs, without enough funding to go around.[47] Fortunately, supply management programs reduce overall spending by addressing the problem (overproduction) rather than treating the symptom (low prices).[48] In fact, programs issuing nonrecourse loans can operate at little to no cost since USDA would sell crops collected as collateral.[49]

- **Reform — rather than remove — the current farm safety net.** Immediately ending current farm payment programs would only drive more farmers off the land. Instead, we can realign them with the climate reality while moving towards a system that actually manages production. For instance, participants in programs like federal subsidized crop insurance should be required to implement regenerative practices such as crop rotation or reduced pesticide reliance. We must also ban factory farms from receiving public funding from conservation programs and guaranteed loans.
- **Renegotiate trade deals to ease market volatility and stop undermining developing-world farmers.** Export markets have proven to be unreliable and ineffective at managing surpluses. We need to renegotiate trade deals to lessen the reliance on foreign markets, as well as stop the subsidization of cheap feed crops that fuel factory farm growth abroad. Moreover, the U.S. should stop crop "dumping" that creates cycles of dependency, and instead fund local initiatives to increase food sovereignty. USDA must also reinstate Country of Origin Labeling (COOL) on meat products so that only livestock raised and slaughtered in the U.S. can be labeled "Product of the U.S.A."
- **Pass an agribusiness merger moratorium and strengthen enforcement of antitrust laws.** We must break the stranglehold that powerful agribusinesses have on our markets and public policy by enacting a moratorium on new agribusiness mega-mergers and breaking up existing agribusinesses with excessive market power. We must also strengthen our enforcement of federal antitrust laws such as the Packers and Stockyards Act.

The cracks in our food system only deepened with the COVID-19 pandemic. Let us rebuild our system to manage supply and incentivize regenerative practices, and protect our rural economies and climate.

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