FOOD & WATER WATCH

Fair Farming: A New Deal Approach to Food Supply Management

Farmers are the target of significant vitriol for receiving federal farm subsidies. But the reality is that the average farm only stays afloat through a combination of federal support and off-farm income. Even so, the U.S. loses over 10,000 farms each year, and the suicide rate for agricultural workers rate is among the highest of all U.S. industries.[1] One thing that most of us can agree on is that the federal safety net is not working for anyone — except for the powerful agribusinesses that profit off the backs of farmers and taxpayers.

But there is a clear path forward. During the Great Depression, New Deal-era farm policies established supply management programs that boosted farm income, preserved precious topsoil and saved countless farms from foreclosure. We can reenact supply management for the 21st century for commodity crops and dairy, while correcting past failures to address racial and economic inequities.

There is no free market in agriculture

Many farm households earn negative farm income, meaning crop prices do not cover their production costs.[2] While many factors impact crop prices, overproduction is a chief contributor to price slumps. However, farmers cannot flip a switch and 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]

Farmer organizations in the 1920s and 1930s recognized this trap. But it would be "economic suicide" for an individual farmer to voluntary reduce production. So, farmers organized to fight for guaranteed incomes to enable them to safely scale back production and avoid expanding onto erodible land.[4]

Supply management: The antidote to boom and bust cycles

Sweeping New Deal legislation from the 1930s included the Agricultural Adjustment Act of 1933 (recognized as the first Farm Bill). This and other legislation established supply management programs for commodities like corn and wheat through a multi-pronged approach:[5]

- **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, the USDA collected the farmer's harvest, essentially purchasing surplus grains rather than letting them flood the market.[6]
- 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 costs and smoothing out market volatility.[7]
- **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.[8] 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.[9] 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.[10]

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

Agribusinesses opposed supply management programs from the very beginning, as they threatened their control over the market and reduced their access to cheap grains. These agribusinesses spent decades growing market power and political influence. Together with allies in Congress, they chipped away supply management programs from the mid-20th century onward. This deregulation culminated with the 1996 "Freedom to Farm Bill," which destroyed the last vestiges of supply management.[11]

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.[12] In fact, deregulation of the farm economy has cost taxpayers significantly more than if supply management programs had remained.[13]

But powerful agribusinesses achieved what they long sought: a steady supply of cheap grain — produced on the backs of farmers and subsidized by taxpayers. They reap huge profits processing excess corn and soybeans into ethanol, food additives and feed for factory farms.[14] And they offload the numerous costs of overproducing commodities — from ecological destruction to climate change — onto the rest of us.[15]

Supply management for a new era of regenerative farming

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 we need to do to make it happen:

Restore supply management in the next Farm Bill and ensure it benefits farmers of all backgrounds. The Farm Bill is an omnibus law passed approximately every five years to establish and fund a wide range of food and agricultural policies.[21] Farm Bill negotiations usually devolve into disputes over how much to fund various programs, without enough funding to go around.[22] Fortunately, supply management programs reduce overall spending by addressing the problem (overproduction) rather than treating the symptom (low prices).[23] In fact, price floors and nonrecourse loans can operate at little to no cost since the USDA would sell crops collected as collateral.[24]

However, we must first reconcile the ways in which New Deal-era supply management programs deepened existing social inequities, especially for small farm owners and

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.[16] By the turn of the century, it was more cost effective for farms to purchase livestock feed rather than grow it themselves or practice rotational grazing. This further incentivized specialization and the decoupling of crop and livestock systems.[17]

Factory farms mushroomed across the rural landscape, replacing thousands of smaller, more diverse farms.[18] 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.[19] 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.[20]

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.

farmers of color.[25] Future supply management programs must benefit farmers of all sizes and backgrounds, and not accelerate farmland consolidation. Alongside this, we need to boost funding for existing USDA programs that help beginning farmers and farmers of color access land and other resources.

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 use. We must also ban factory farms from receiving public funding from conservation programs and guaranteed loans.

Stop agribusiness megamergers and strengthen antitrust enforcement. 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 farmland.

Endnotes

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