Whatever Happened to the Farm Problem?

In the early 1960s President John F. Kennedy is said to have called in his economic guru, John Kenneth Galbraith, and asked, “Ken, explain the farm problem to me. But don’t take too long.”

Agriculture in America remains complicated today, and as a nation we have not learned from the past. That I know, because in 1966 I served as Executive Director of the National Advisory Commission on Food and Fiber (NACFF)—thirty individuals, farmers, top executives in the food and agribusiness industries, economics professors, and a nutritionist. President Lyndon B. Johnson chose commissioners with differing political and economic philosophies (which they demonstrated from the beginning). Not surprisingly, the principal issue addressed by the Commission was agricultural overproduction in the United States—not malnutrition and world hunger, very real problems that continue today. We treated trade and marketing issues as if they were sacrosanct, a cure-all to end all.

Though I am putting words into his mouth, I am sure that in 1969 President Johnson said something like “Hubert, put together a group of farm studs and have them study how I can reduce the budget over there in Agriculture.” Johnson was seeking from his Vice President, Hubert Humphrey, a quick answer to a problem that had increasingly nagged presidents ever since Franklin D. Roosevelt introduced the farm program in 1933. Johnson did not add the obvious: that he needed the money going to the U.S. Department of Agriculture (USDA) for his war coffers to fight the Vietnamese.

Lack of adequate markets—“overproduction”—had been the clarion issue of farmers since America’s first Secretary of the Treasury, Alexander Hamilton, levied a tax on excess grain production, which spurred the Whiskey Rebellion of 1791. The failure of the National Bank in Andrew Jackson’s early-nineteenth-century presidency, the Greenbacker Rebellion in the post–Civil War period, the rise of Populism in the late 1800s, the farm chaos of the 1920s, followed by the Crash of 1929—all resulted, at least in part, from a market that could not absorb everything that America’s farmers were producing. Amazingly, food gluts were an issue even during the Great Depression.

The 1960s’ chemical revolution in agriculture (the so-called “green revolution”) compounded the surplus problem and brought an era of “Surplus Disposal,” which gave rise to food relief and school-lunch programs. The federal government attempted to solve the farm problem by paying farmers to withhold land from planting, yet the food kept piling up. Pushing food became an integral part of U.S. foreign policy. Food was becoming an unwanted blessing.

Indeed, following World War II, the cost of agricultural subsidies had increased until it made up a substantial portion of the federal budget. It is not easy to find the total expenditures on farm-related programs, as Congressional committees are adept at obfuscating the numbers. Even though previous terms like price supports, acreage control, and marketing quotas have been pushed aside by words like energy and conservation, Congress is still using taxpayer money to create a market (or distort it) where there isn’t one. In 2010 the USDA budget was $134 billion dollars, about twenty billion of which went directly to farm subsidies. After our commission work, the language of the Congressional bills themselves began to change. The word agriculture was used less boldly, apparently because legislators deemed it more politic to use words like food, conservation, and security to sell the bills. For example, the first major farm bill was called the Agricultural Adjustment Act of 1933. By 2008 the same bill had changed to the Food, Conservation, and Energy Act.

The best overview of the farm problem yet is to be found in Farmers in a Changing World, the 1,200-page 1940 Yearbook of Agriculture. It describes the evolution of the rural sector from the nation’s beginning and answers many theoretical and philosophical questions concerning food and fiber in America. A section entitled “Agriculture and the National Welfare” encapsulates issues such as market instability, environmental preservation, surpluses, and nutrition, which are as relevant today as they were seventy years ago.
Our Commission was only the second such effort to address the country's agricultural issues. In 1909 President Theodore Roosevelt had appointed a group, the Country Life Commission, to study problems of a different nature—the exodus of farm population to the cities, which was causing widespread apprehension about both rural and urban squalor.

Had I known what I was signing on for with the Commission, I might have had second thoughts. I worked fourteen-hour days, even at Christmas. On Christmas day, 1966, Washington received one of its freak storms. I put my chains on the car and drove through two feet of snow to my offices in the 1400 block of K Street. We needed drafts of our research for the upcoming San Francisco meeting at which César Chávez, not yet a household name, had been invited to give testimony.

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Like Teddy Roosevelt, President Johnson also believed that the government should be involved with farm policy. He wanted to address the fundamental question: In a market economy, what should be the government's role in assuring a supply of food and fiber for the American people at reasonable prices, in guaranteeing competitive agricultural exports, and in providing farmers with sufficient and stable incomes for the preservation of the family farm and its resources?

In those days Presidential commissions were uncommon and were not created primarily to avoid making difficult decisions. Our Commission members worked diligently for eighteen months, exemplified by the fact that we had 95 percent attendance at each of the sixteen meetings held around the country. At these meetings the Commission sought and received testimony (pro and con) and assistance from scores of agribusiness leaders and farm and non-farm professionals. The three-day sessions were filled with vigorous argument. As Executive Director, I had a competent staff and long lists of consultants and advising professionals, including environmentalist Lester Brown, Earl Butz (then Dean of Agriculture at Purdue University), and economist Hendrick Houthakker.

Our final report to the President, issued in July 1967, was supplemented by seven volumes of technical studies and thousands of pages of evidence. My administrative assistant, Virginia Banister, and I had carefully planned for the commissioners and their wives to spend a day at the Presidential ranch, where we would deliver the report to Johnson personally. The date we arranged with the White House was for a weekend in mid-June. Unfortunately, the Arabs and Israelis had other plans for the President's time, which lasted for six days. We ended up delivering the report to Vice President Humphrey in Blair House instead.

The Commission's conclusions were controversial. Burdensome surpluses had diminished. Foreign demand for U.S. agricultural products was growing, and it was likely that technology and capital would continue to flow into the agricultural sector. However, in the Commission's judgment, the time had come for a major shift in farm policy, including structural adjustments in farm employment, farm size, and production patterns.

Commission members agreed on some major issues: We recommended that price supports for agricultural products be kept at world levels so as not to lose export markets; that farm production be increasingly oriented to market prices; that farm income support payments be divorced from increases in farm production; and that inter-regional and inter-commodity land-use decisions be encouraged to allow marginal cropland to be shifted to less intensive uses.

There was less agreement about direct income payments to farmers, payments not related to output. That argument was somewhat philosophical. Unpredictable changes in farm output due to weather and other factors often result in enormous cyclical variations in incomes. The issue is how to deal with these ups and downs. It is obvious that variable payments directly to farmers are an efficient tool that can assuage the pain, but how can these be handled without undue subsidies to large farmers?

As Executive Director, I had no vote; I was supposed to make objective analyses and to present clearly the options and likely outcomes. Although I was sure that the Commission's findings would not be the ultimate word in U.S. farm policy, I was not prepared for how little attention would be paid to our recommendations. As the political wheel turned in the 1968 election, the incoming Republican administration went as far toward market orientation as the Congress would permit. Markets were freed of the old parity regime that had been in place since FDR, and farm incomes continued to be unstable. Farm units got larger, rapidly, and farmers' organizations jumped into bed with the large agribusiness complex, including agricultural banks. This situation remains the increasingly concentrated norm of today, with farm incomes even more skewed.

Many commissioners did not always understand the complexity of the farm problem, the cost of fixing it, and the length of time it would take. Commission members were about equally divided on the issue of agricultural overproduction and the role that markets should play in solving problems. There was a tie on one strategic vote about elements contained in the final report. The chairman, Dr. Woodrow Berg, suggested with tongue in cheek that perhaps he should flip a coin, causing one farmer commissioner to quip (not entirely tongue in check), “My God, heads or tails, there goes my future.”

The farmers on the commission, and other members with long memories of the 1920s’ chaos in middle-American agricultural life, felt that the FDR farm programs should be continued, with only minor changes. This position holds essentially that farmers are unable to bargain against large, concentrated, agribusiness and financial firms and need the government to stabilize prices in disastrous years; it also holds that government should guard against monopoly features among those firms from whom they buy and to whom they sell. The other commissioners, mostly the agribusiness group, wanted free markets and less government interference between producer and buyer.
I shall never forget the final full session of the Commission, held in New Orleans. Mr. Herman Kohlmeyer, a long-time cotton merchant and owner of his own brokerage firm, reserved the famous restaurant Antoine’s for the evening and invited the commissioners, their wives or husbands, and the staff. For dessert he had the chef create a giant Baked Alaska that had to be carried in by six waiters. On each side was written in large chocolate lettering: “Market Orientation!”

Without knowing it, Kohlmeyer had presented the harbinger for things to come in farm policy for the next three decades. In July 1967 I briefed Orville Freeman, the U.S. Secretary of Agriculture, on the essential features of our report and over the next year made more than a hundred appearances to farmers, agricultural groups, and academic and economic professionals. A dramatic and economically distorting impact on the Commission’s work came with the change brought on by the Republican presidential victory in 1968. The general philosophy of the Executive Branch in the Nixon Administration shifted strongly to market orientation in the agricultural sector and in world markets. The new administration, while respecting the professional aspects of our report, was not bound by its recommendations. Although second-level administrators consulted me, and some heard my address to the American Agricultural Economics Association, they ignored many of the Commission’s recommendations, which came back to haunt “free market” advocates in future farm bills.

Since the 1967 NACFF report, U.S. administrations have placed increased emphasis on programs like school lunch, food stamps, PL-480 or food aid, international food barter, Food for Peace, federal faith-based dietary assistance, nongovernmental organizations (NGOs), and corn-for-ethanol to secure the subsidies to which farmers were becoming addicted. Food has gone to bed with politics in more ways than Secretary Earl Butz would ever have imagined. (As head of the USDA under President Gerald Ford, he will be forever remembered for his “Get big or get out” farm policy.)

The Farm Bill of 2007 continues a farm policy that encourages overproduction (a discouragement to me after the hope we raised through the NACFF). Food corporations can often purchase raw materials from farmers for less than the real cost of growing them. Corn, soybeans, and selected other crops form the basis of our fast-food system—just think of the corn syrup in soda pop and corn oil in fries. The bulk of the feed for the cows, pigs, and chickens in factory farms comes from corn. In The Omnivore’s Dilemma Michael Pollan reveals that more than 25 percent of the forty-five thousand products in the average supermarket contain corn. Soybeans, found in more than 60 percent of processed foods, usually come in the form of partially hydrogenated vegetable oil, a leading culprit in artery-hardenin trans-fats.

As the Johnson Advisory Commission faded into the background, politics shifted power to large farmers and agribusiness structures. The political and economic players modified their approach and adjusted lobbying efforts, depending on the nature and numbers of the commodities involved. Instability of production and incomes continued to be a threat in the agricultural sector, but programs to deal with these issues were noticeably altered. Economic concentration came to the fore in American agriculture. Information and statistics presented in recent farm legislation (the 2002 and 2008 Farm Bills) show how agriculture in the United States has changed. Large farms and corporate enterprises dominate the subsidy payments. A general figure is that three-quarters of that money goes to about 10 percent of the entities.

In particular, the beneficiaries of the subsidies have changed. In the 1930s about 25 percent of the country’s population resided on the nation’s six million small farms. By 1997, 157,000 large farms with only 2 percent of the U.S. population accounted for 72 percent of farm sales. From 2003 to 2003 the top 1 percent of beneficiaries received 17 percent of subsidy payments. Of the close to 1.4 billion dollars in subsidy payments to farms in Texas, roughly 18 percent of them receive a giant portion of the payments.

It had been argued by some on our Food and Fiber Commission that direct payments would reduce farmers’ dependency on other subsidies during periods of low prices for important crops like corn, wheat, soybeans, cotton, and rice. The 1996 Farm Bill replaced price supports with direct payments. Payments were provided without regard to the economic need of the recipients or the financial condition of the farm economy. After two years prices plunged, and the Congress put the old price supports concept back into the 2002 Farm Bill legislation. Since then, farm legislation has included both mechanisms—direct payments and price supports. The “market” was found not to be God after all! Today’s commodity prices are so high that only direct payments apply.

In 1948 I left my family’s subsistence farm in southeastern Mississippi and went to Berkeley to get a Ph.D. in agricultural marketing and trade. I wanted to discover ways to transform surplus production into something of economic and political value. Today, more than sixty years later, I am still wrestling with a question that has bothered me from childhood: How do we obtain economic justice...
for farmers without producing an unwanted or unmarketable set of farm commodities?

It is difficult to ascertain what impact the NACFF had on farm policies, and on the food and fiber sector of the American economy. Our report did throw light on the farm problem and open it for public debate. It also provided an enormous wealth of information on which politicians could base their decisions. The originators of this historic study deserve much credit. Yet, as the other sectors of the economy grew, the agricultural sector inevitably became a smaller part of the Gross National Product (GNP). Moreover, as the military-industrial complex and the technological sector exploded, the agricultural budget, even with its distorting and disturbing subsidies, became less noticeable politically. In my judgment, because of the decreasing relative size of agricultural subsidies, the so-called “farm interests” got by with more distorting farm bills after 1970 than they could have in earlier years.

Farm bills are not as bitterly debated as they were in the 1950 and 1960s. Politicians in the USDA are not nearly as important in the Washington bureaucracy, and politicians from the farm states are not apt to follow to power the likes of Henry Wallace and Hubert Humphrey.

So whatever happened to the farm problem? Not much. Only now we call it the farm bill. 

NOTES
1. By Executive Order 11256 President Johnson created The National Advisory Commission on Food and Fiber on November 4, 1965. The committee met for the first time at the Mayflower Hotel in Washington DC, the following January. Initially I was a consultant, but in August 1966, after the unexpected death of Harlow Halvorson, the President asked me to become the executive director. Two weeks later, my family in Tucson relocated to Washington.

2. The 1970s and 1980s saw some selective adjustments in land use, conservation, and marginal land use reduction. In addition, the continued surplus production in U.S. Agriculture was a Cold War asset toward international economic development.

3. At one point I received a long, complimentary letter from an erstwhile family friend and politician, the Honorable Jamie Whitten of Mississippi, Chairman of the House of Representatives Appropriations Committee, for having turned back an unused portion of the Commission’s budget. (I think it was $170,000.) Virginia Bannister was furious: “Dr. Hillman, you never leave money unspent in Washington!”