

CHAPTER III

SELECTED ECONOMIC POLICY ISSUES (CONT.)

C. Food and Agriculture

216. The fundamental test of an economy is its ability to meet the essential human needs of this generation and future generations in an equitable fashion. Food, water, and energy are essential to life; their abundance in the United States has tended to make us complacent. But these goods—the foundation of God's gift of life—are too crucial to be taken for granted. God reminded the people of Israel that "the land is mine; for you are strangers and guests with me" (Lv 25:23, RSV). Our Christian faith calls us to contemplate God's creative and sustaining action and to measure our own collaboration with the Creator in using the earth's resources to meet human needs. While Catholic social teaching on the care of the environment and the management of natural resources is still in the process of development, a Christian moral perspective clearly gives weight and urgency to their use in meeting human needs.

217. No aspect of this concern is more pressing than the nation's food system. We are concerned that this food system may be in jeopardy as increasing numbers of farm bankruptcies and foreclosures result in increased concentration of land ownership.⁽⁷³⁾ We are likewise concerned about the increasing damage to natural resources resulting from many modern agricultural practices: the over-consumption of water, the depletion of topsoil, and the pollution of land and water. Finally, we are concerned about the stark reality of world hunger in spite of food surpluses. Our food production system is clearly in need of evaluation and reform.

1. U.S. Agriculture—Past and Present

218. The current crisis has to be assessed in the context of the vast diversity of U.S. crops and climates. For example, subsistence farming in Appalachia, where so much of the land is absentee-owned and where coal mining and timber production are the major economic interests, has little in common with family farm grain production in the central Midwest or ranching in the Great Plains. Likewise, large-scale irrigated fruit, vegetable, and cotton production in the central valley of California is very different from dairy farming in Wisconsin or tobacco and peanut production in the Southeast.

219. Two aspects of the complex history of U.S. land and food policy are particularly relevant. First, the United States entered this century with the ownership of productive land widely distributed. The Pre-emption Acts of the early 19th century and the Homestead Act of 1862 were an important part of that history. Wide distribution of ownership was reflected in the number and decentralization of farms in the United States, a trend that reached its peak in the 1930s. The U.S. farm system included nearly 7 million owner-operators in 1935.⁽⁷⁴⁾ By 1983 the number of U.S. farms had declined to 2.4 million, and only about 3 percent of the population was engaged in producing food.⁽⁷⁵⁾ Second, U.S. food policy has had a parallel goal of keeping the consumer cost of food low. As a result, Americans today spend less of their disposable income on food than people in any other industrialized country.⁽⁷⁶⁾

220. These outcomes require scrutiny. First of all, the loss of farms and the exodus of farmers from the land have led to the loss of a valued way of life, the decline of many rural communities, and

the increased concentration of land ownership. Second, while low food prices benefit consumers, who are left with additional income to spend on other goods, these pricing policies put pressure on farmers to increase output and hold down costs. This has led them to replace human labor with cheaper energy, expand farm size to employ new technologies favoring larger scale operations, neglect soil and water conservation, underpay farm workers, and oppose farmworker unionization.(77)

221. Today nearly half of U.S. food production comes from the 4 percent of farms with over \$200,000 in gross sales.(78) Many of these largest farms are no longer operated by families, but by managers hired by owners.(79) Nearly three-quarters of all farms, accounting for only 13 percent of total farm sales, are comparatively small. They are often run by part-time farmers who derive most of their income from off-farm employment. The remaining 39 percent of sales comes from the 24 percent of farms grossing between \$40,000 and \$200,000. It is this group of farmers, located throughout the country and caught up in the long-term trend toward fewer and larger farms, who are at the center of the present farm crisis.

222. During the 1970s new markets for farm exports created additional opportunities for profit and accelerated the industrialization of agriculture, a process already stimulated by new petroleum-based, large-scale technologies that allowed farmers to cultivate many more acres. Federal tax policies and farm programs fostered this tendency by encouraging too much capital investment in agriculture and overemphasizing large scale technologies.(80) The results were greater production, increases in the value of farmland and heavy borrowing to finance expansion. In the 1980s, with export markets shrinking and commodity prices and land values declining, many farmers cannot repay their loans.

223. Their situation has been aggravated by certain "external" factors: persistent high interest rates that make it difficult to repay or refinance loans, the heavy debt burden of food-deficient countries, the high value of the dollar, dramatically higher U.S. budget and trade deficits, and generally reduced international trade following the worldwide recession of the early 1980s. The United States is unlikely to recapture its former share of the world food and fiber trade, and it is not necessarily an appropriate goal to attempt to do so. Exports are not the solution to U.S. farm problems. Past emphasis on production for overseas markets has contributed to the strain on our natural resource base and has also undermined the efforts of many less developed countries in attaining self-reliance in feeding their own people. In attempting to correct these abuses, however, we must not reduce our capability to help meet emergency food needs.

224. Some farmers face financial insolvency because of their own eagerness to take advantage of what appeared to be favorable investment opportunities. This was partly in response to the encouragement of public policy incentives and the advice of economists and financiers. Nevertheless, farmers should share some responsibility for their current plight.

225. Four other aspects of the current situation concern us: first, land ownership is becoming further concentrated as units now facing bankruptcy are added to existing farms and non-farm corporations. Diversity of ownership and widespread participation are declining in this sector of the economy as they have in others. Since differing scales of operation and the investment of family labor have been important for American farm productivity, the increasing concentration of ownership in almost all sectors of agriculture points to an important change in that system.(81) Of particular concern is the growing phenomenon of "vertical integration" whereby companies gain control of two or three of the links in the food chain: as suppliers of farm inputs, landowners, and food processors. This increased concentration could also adversely affect food prices.

226. Second, diversity and richness in American society are lost as farm people leave the land and rural communities decay. It is not just a question of coping with additional unemployment and a need for retraining and relocation. It is also a matter of maintaining opportunities for employment and human development in a variety of economic sectors and cultural contexts.

227. Third, although the United States has set a world standard for food production, it has not done so without cost to our natural resource base.⁽⁸²⁾ On nearly one-quarter of our most productive cropland, topsoil erosion currently exceeds the rate at which it can be replaced by natural processes. Similarly, underground water supplies are being depleted in areas where food production depends on irrigation. Furthermore, chemical fertilizers, pesticides, and herbicides, considered now almost essential to today's agriculture, pollute the air, water, and soil, and pose countless health hazards. Finally, where the expansion of residential, industrial, and recreational areas makes it rewarding to do so, vast acreages of prime farmland, three million acres per year by some estimates, are converted to non-farm use. The continuation of these practices, reflecting short-term investment interests or immediate income needs of farmers and other landowners, constitutes a danger to future food production because these practices are not sustainable.

228. Farm owners and farmworkers are the immediate stewards of the natural resources required to produce the food that is necessary to sustain life. These resources must be understood as gifts of a generous God. When they are seen in that light and when the human race is perceived as a single moral community, we gain a sense of the substantial responsibility we bear as a nation for the world food system. Meeting human needs today and in the future demands an increased sense of stewardship and conservation from owners, managers, and regulators of all resources, especially those required for the production of food.

229. Fourth, the situation of racial minorities in the U.S. food system is a matter of special pastoral concern. They are largely excluded from significant participation in the farm economy. Despite the agrarian heritage of so many Hispanics, for example, they operate only a minute fraction of America's farms.⁽⁸³⁾ Black-owned farms, at one time a significant resource for black participation in the economy, have been disappearing at a dramatic rate in recent years,⁽⁸⁴⁾ a trend that the U.S. Commission on Civil Rights has warned "can only serve to further diminish the stake of blacks in the social order and reinforce their skepticism regarding the concept of equality under the law."⁽⁸⁵⁾

230. It is largely as hired farm laborers rather than farm owners that minorities participate in the farm economy. Along with many white farm workers, they are by and large the poorest paid and least benefited of any laboring group in the country. Moreover, they are not as well protected by law and public policy as other groups of workers; and their efforts to organize and bargain collectively have been systematically and vehemently resisted, usually by farmers themselves. Migratory field workers are particularly susceptible to exploitation. This is reflected not only in their characteristically low wages but in the low standards of housing, health care, and education made available to these workers and their families.⁽⁸⁶⁾

2. Guidelines for Action

231. We are convinced that current trends in the food sector are not in the best interests of the United States or of the global community. The decline in the number of moderate-sized farms, increased concentration of land ownership, and the mounting evidence of poor resource conservation raise serious questions of morality and public policy. As pastors, we cannot remain silent while thousands of farm families caught in the present crisis lose their homes, their land, and their way of

life. We approach this situation, however, aware that it reflects longer-term conditions that carry consequences for the food system as a whole and for the resources essential for food production.

232. While much of the change needed must come from the cooperative efforts of farmers themselves, we strongly believe that there is an important role for public policy in the protection of dispersed ownership through family farms, as well as in the preservation of natural resources. We suggest three guidelines for both public policy and private efforts aimed at shaping the future of American agriculture.

233. *First, moderate-sized farms operated by families on a full-time basis should be preserved and their economic viability protected.* Similarly, small farms and part-time farming, particularly in areas close to cities, should be encouraged. As we have noted elsewhere in this pastoral letter,(87) there is genuine social and economic value in maintaining a wide distribution in the ownership of productive property. The democratization of decision making and control of the land resulting from wide distribution of farm ownership are protections against concentration of power and a consequent possible loss of responsiveness to public need in this crucial sector of the economy.(88) Moreover, when those who work in an enterprise also share in its ownership, their active commitment to the purpose of the endeavor and their participation in it are enhanced. Ownership provides incentives for diligence and is a source of an increased sense that the work being done is one's own. This is particularly significant in a sector as vital to human well-being as agriculture.

234. Furthermore, diversity in farm ownership tends to prevent excessive consumer dependence on business decisions that seek maximum return on invested capital, thereby making the food system overly susceptible to fluctuations in the capital markets. This is particularly relevant in the case of non-farm corporations that enter agriculture in search of high profits. If the return drops substantially or if it appears that better profits can be obtained by investing elsewhere, the corporation may cut back or even close down operations without regard to the impact on the community or on the food system in general. In similar circumstances full-time farmers, with a heavy personal investment in their farms and strong ties to the community, are likely to persevere in the hope of better times. Family farms also make significant economic and social contributions to the life of rural communities.(89) They support farm suppliers and other local merchants, and their farms support the tax base needed to pay for roads, schools, and other vital services.

235. This rural interdependence has value beyond the rural community itself. Both Catholic social teaching and the traditions of our country have emphasized the importance of maintaining the rich plurality of social institutions that enhances personal freedom and increases the opportunity for participation in community life. Movement toward a smaller number of very large farms employing wage workers would be a movement away from this institutional pluralism. By contributing to the vitality of rural communities, full-time residential farmers enrich the social and political life of the nation as a whole. Cities, too, benefit soundly and economically from a vibrant rural economy based on family farms. Because of out-migration of farm and rural people, too much of this enriching diversity has been lost already.

236. *Second, the opportunity to engage in farming should be protected as a valuable form of work.* At a time when unemployment in the country is already too high, any unnecessary increase in the number of unemployed people, however small, should be avoided. Farm unemployment leads to further rural unemployment as rural businesses lose their customers and close down. The loss of people from the land also entails the loss of expertise in farm and land management and creates a need for retraining and relocating another group of displaced workers.

237. Losing any job is painful, but losing one's farm and having to leave the land can be tragic. It often means the sacrifice of a family heritage and a way of life. Once farmers sell their land and their equipment, their move is practically irreversible. The costs of returning are so great that few who leave ever come back. Even the small current influx of people into agriculture attracted by lower land values will not balance this loss. Society should help those who would and could continue effectively in farming.

238. *Third, effective stewardship of our natural resources should be a central consideration in any measures regarding U.S. agriculture.* Such stewardship is a contribution to the common good that is difficult to assess in purely economic terms, because it involves the care of resources entrusted to us by our Creator for the benefit of all. Responsibility for the stewardship of these resources rests on society as a whole. Since farmers make their living from the use of this endowment, however, they bear a particular obligation to be caring stewards of soil and water. They fulfill this obligation by participating in soil and water conservation programs, using farm practices that enhance the quality of all resources and maintaining prime farm land in food production rather than letting it be converted to non-farm uses.

3. Policies and Actions

239. The human suffering involved in the present situation and the long-term structural changes occurring in this sector call for responsible action by the whole society. A half-century of federal farm-price supports, subsidized credit, production-oriented research and extension services, and special tax policies for farmers have made the federal government a central factor in almost every aspect of American agriculture.(90) No redirection of current trends can occur without giving close attention to these programs.

240. A prime consideration in all agricultural trade and food-assistance policies should be the contribution our nation can make to global food security. This means continuing and increasing food aid without depressing Third World markets or using food as a weapon in international politics. It also means not subsidizing exports in ways that lead to trade wars and instability in international food markets.

241. We offer the following suggestions for governmental action with regard to the farm and food sector of the economy.

242. a. The current crisis calls for special measures to assist otherwise viable family farms that are threatened with bankruptcy or foreclosure. Operators of such farms should have access to emergency credit, reduced rates of interest and programs of debt restructuring. Rural lending institutions facing problems because of nonpayment or slow payment of large farm loans should also have access to temporary assistance. Farmers, their families, and their communities will gain immediately from these and other short-term measures aimed at keeping these people on the land.

243. b. Established federal farm programs, whose benefits now go disproportionately to the largest farmers,(91) should be reassessed for their long-term effects on the structure of agriculture. Income-support programs that help farmers according to the amount of food they produce or the number of acres they farm should be subject to limits that ensure a fair income to all farm families and should restrict participation to producers who genuinely need such income assistance. There should also be a strict ceiling on price-support payments which assist farmers in times of falling prices so that benefits go to farms of moderate or small size. To succeed in redirecting the benefits of

these programs while holding down costs to the public, consideration should be given to a broader application of mandatory production control programs.(92)

244. c. We favor reform of tax policies which now encourage the growth of large farms, attract investments into agriculture by non farmers seeking tax shelters, and inequitably benefit large and well-financed farming operations.(93) Offsetting non farm income with farm "losses" has encouraged high-income investors to acquire farm assets with no intention of depending on them for a living as family farmers must. The ability to depreciate capital equipment faster than its actual decline in value has benefited wealthy investors and farmers. Lower tax rates on capital gains have stimulated farm expansion and larger investments in energy-intensive equipment and technologies as substitutes for labor. Changes in estate tax laws have consistently favored the largest estates. All of these results have demonstrated that reassessment of these and similar tax provisions is needed.(94) We continue, moreover, to support a progressive land tax on farm acreage to discourage the accumulation of excessively large holdings.(95)

245. d. Although it is often assumed that farms must grow in size in order to make the most efficient and productive use of sophisticated and costly technologies, numerous studies have shown that medium-sized commercial farms achieve most of the technical cost efficiencies available in agriculture today. We therefore recommend that the research and extension resources of the federal government and the nation's land-grant colleges and universities be redirected toward improving the productivity of small and medium-sized farms.(96)

246. e. Since soil and water conservation, like other efforts to protect the environment, are contributions to the good of the whole society, it is appropriate for the public to bear a share of the cost of these practices and to set standards for environmental protection. Government should, therefore, encourage farmers to adopt more conserving practices and distribute the costs of this conservation more broadly.

247. f. Justice demands that worker guarantees and protections such as minimum wages and benefits and unemployment compensation be extended to hired farmworkers on the same basis as all other workers. There is also an urgent need for additional farmworker housing, health care, and educational assistance.

4. Solidarity in the Farm Community

248. While there is much that government can and should do to change the direction of farm and food policy in this country, that change in direction also depends upon the cooperation and good will of farmers. The incentives in our farm system to take risks, to expand farm size, and to speculate in farmland values are great. Hence, farmers and ranchers must weigh these incentives against the values of family, rural community, care of the soil, and a food system responsive to long-term as well as short-term food needs of the nation and the world. The ever-present temptation to individualism and greed must be countered by a determined movement toward solidarity in the farm community. Farmers should approach farming in a cooperative way, working with other farmers in the purchase of supplies and equipment and in the marketing of produce. It is not necessary for every farmer to be in competition against every other farmer. Such cooperation can be extended to the role farmers play through their various general and community organizations in shaping and implementing governmental farm and food policies.(97) Likewise, it is possible to seek out and adopt technologies that reduce costs and enhance productivity without demanding increases in farm size. New technologies are not forced on farmers; they are chosen by farmers themselves.

249. Farmers also must end their opposition to farmworker unionization efforts. Farmworkers have a legitimate right to belong to unions of their choice and to bargain collectively for just wages and working conditions. In pursuing that right they are protecting the value of labor in agriculture, a protection that also applies to farmers who devote their own labor to their farm operations.

5. Conclusion

250. The U.S. food system is an integral part of the larger economy of the nation and the world. As such this integral role necessitates the cooperation of rural and urban interests in resolving the challenges and problems facing agriculture. The very nature of agricultural enterprise and the family farm traditions of this country have kept it a highly competitive sector with a widely dispersed ownership of the most fundamental input to production, the land. That competitive, diverse structure, proven to be a dependable source of nutritious and affordable food for this country and millions of people in other parts of the world, is now threatened. The food necessary for life, the land and water resources needed to produce that food, and the way of life of the people who make the land productive are at risk. Catholic social and ethical traditions attribute moral significance to each of these. Our response to the present situation should reflect a sensitivity to that moral significance, a determination that the United States will play its appropriate role in meeting global food needs, and a commitment to bequeath to future generations an enhanced natural environment and the same ready access to the necessities of life that most of us enjoy today. To farmers and farm workers who are suffering because of the farm crisis, we promise our solidarity, prayers, counseling, and the other spiritual resources of our Catholic faith.

FOOTNOTES

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74 Data on farms and farm population are drawn from *Agricultural Statistics*, annual reports of the U. S. Department of Agriculture, Washington, D.C.

75 Irma T. Elo and Calvin L. Beale, *Rural Development, Poverty, and Natural Resources* (Washington, D.C.: National Center for Food and Agricultural Policy, *Resources for the Future*, 1985).

76 *National Food Review*, USDA, no. 29 (Winter/Spring 1985). In 1984 Americans were spending 15.1 percent of their disposable income on food. This is an average figure. Many low-income people spent a good deal more and others much less.

77 Luther Tweeten, *Causes and Consequences of Structural Change in the Farming Industry* (Washington, D.C.: National Planning Association, 1984), 7.

78 *Economic Indicators of the Farm Sector: Income and Balance Sheet Statistics, 1983, ECIFS 3-3* (Washington, D.C.: U.S. Department of Agriculture Economic Research Service, September 1984).

79 Marion Clawson, *Ownership Patterns of Natural Resources in America: Implications for Distribution of Wealth and Income* (Washington, D.C.: Resources for the Future, Summer 1983).

80 *Causes and Consequences, 7*; and *A Time to Choose: Summary Report on the Structure of Agriculture* (Washington, D.C.: U.S. Department of Agriculture, January 1981).

81 The nature of this transformation and its implications have been addressed previously by the USCC Committee on Social Development and World Peace in a February 1979 statement *The Family Farm* and again in

May 1980 by the bishops of the Midwest in a joint pastoral letter *Strangers and Guests: Toward Community in the Heartland*.

82 *Soil Conservation in America: What Do We Have To Lose?* (Washington, D.C.: American Farmland Trust, 1984); E. Philop LeVeen, "Domestic Food Security and Increasing Competition for Water," in Lawrence Busch and William B. Lacey, eds., *Food Security in the United States* (Boulder, Colo.: Westview Press, 1984), 52. See also *America's Soil and Water: Conditions and Trends* (Washington, D.C.: U.S. Department of Agriculture Soil Conservation Service, 1981).

83 *1982 Census of Agriculture*.

84 U.S. Commission on Civil Rights, *The Decline of Black Farming in America* (Washington, D.C.: U.S. Commission on Civil Rights, February 1982), esp. 65-69 regarding their property.

85 *Ibid.*, 8.

86 U.S. Department of Labor, *Hearings Concerning Proposed Full Sanitation Standards*, document no. H-308 (Washington, D.C., 1984).

87 Ch. II, para. 112.

88 *A Time to Choose*, 148.

89 Luther Tweeten, "The Economics of Small Farms," *Science*, vol. 219 (March 4, 1983): 1041.

90 U.S. Department of Agriculture, *History of Agricultural Price-Support and Adjustment Programs, 1933-84*, Ag. Info. Bulletin no. 485 (Washington, D.C.: U.S. Department of Agriculture Economic Research Service, December 1984).

91 *The Distribution of Benefits from the 1982 Federal Crop Programs* (Washington, D.C.: U.S. Senate Committee on the Budget, November 1984).

92 "The Great Debate on Mandatory Production Controls" in *Farm Policy Perspectives: Setting the Stage for 1985 Agricultural Legislation*. (Washington, D.C.: Senate Committee on Agriculture, Nutrition, and Forestry, April 1984).

93 *A Time to Choose*, 91.

94 Richard Dunford, *The Effects of Federal Income Tax Policy on U.S. Agriculture*. (Washington, D.C.: Subcommittee on Agriculture and Transportation of the Joint Economic Committee of the Congress of the United States, December 21, 1984).

95 This proposal was put forward thirteen years ago in *Where Shall the People Live? A Special Message of the United States Catholic Bishops* (Washington, D.C.: USCC Office for Publishing and Promotion Services, 1972).

96 Thomas E. Miller, et al., *Economies of Size in U.S. Field Crop Farming* (Washington, D.C.: U.S. Department of Agriculture Economic Research Service, July 1981).

97 See ch. IV.