



# Crossroads Resource Center

P.O. Box 7423 / Minneapolis, Minnesota 55407 / USA / 612.869.8664  
<[kmeter@crcworks.org](mailto:kmeter@crcworks.org)> <<http://www.crcworks.org/>>

## ***Tools for Community Self-determination***

### **A brief history of the "Finding Food in Farm Country" studies**

by Ken Meter, Crossroads Resource Center

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#### **Early stages:**

When Ken Meter was a journalist getting acquainted with farm issues in the late 1970s, he interviewed a community of farmers near Green Isle, Minnesota. At one point, he asked what it was like to farm when the farm economy was healthy. Their answer: the farm community had its own source of credit. This comment launched a variety of follow-up activity.

#### *See:*

Meter, Ken (1983). *Green Isle: Feeding the World and Farming for the Banker*. Minneapolis: Crossroads Resource Center. Available at <http://www.crcworks.org/gi.pdf>.

#### **Further research:**

Subsequently, Meter dug into USDA data bases to see if existing data could confirm this concept. He learned that indeed the largest source of farm credit at the time the Green Isle farmers started to farm was individual lenders. Farming had expanded rapidly since then, but unfortunately, so had overall farm debt. In fact from 1950 to 1985, total farm debt had escalated from \$6 billion to \$250 billion (this latter amount rivaled the national defense budget). In the New Deal era, farmers had worked themselves out of debt by farming. Since WWII, farm debt increased as farmers expanded their acreage and technology. Moreover, interest payments by farmers took far more money out of rural communities than federal support payments returned.

Deepening this analysis formed the core of Meter's masters program at Boston University. He received an MA in 1983.

#### *See:*

Meter, Ken (1990). *Money with Roots*. Minneapolis: Crossroads Resource Center. Available at <http://www.crcworks.org/roots.pdf>.

#### **Raising the issue:**

Meter continued to elaborate on this analysis as time allowed. Eventually, he expanded the analysis of interest payments to include other farm input costs. In 1999, he was invited to present this analysis at the Minnesota Department of Agriculture. In the audience was Nancy Bratrud, active with the Community Design Center, working with food issues in Southeast Minnesota. Nancy went to Dick Broeker and asked for money to hire Meter to perform an economic analysis of the Hiawatha Region.

### **Finding Food in Farm Country report (2001)**

*Findings in Southeast Minnesota (updated since original publication of report)*

- Region's farmers sold \$912 million of farm commodities on average each year during 1997 - 2003. However, they spent \$996 million, on average, to produce these crops. Net loss is \$84 million *per year*. The region has lost money producing food commodities for seven years straight, 1997-2003.
- Federal subsidies average \$98 million each year, but farmers must earn another \$68 million each year to cover the costs of farming.
- Moreover, the region spends about \$500 million each year purchasing farm inputs from outside the region, and another \$500 million buying food from outside the region (out of \$670 million spent for food). This means the region ships out as much money producing and buying food as the entire value of all commodities produced!
- If the region's consumers were to buy 15% of their food from local sources, it would generate as much income for the region as two-thirds of farm subsidies.

### **Follow-up in Southeast Minnesota (2001-present):**

Southeast Minnesota Food Network used the data to help recruit new producers and processors into the network, and for marketing materials.

Hiawatha Fund, a regional investment fund, was created to solicit investments from area residents that can be invested in retaining local ownership of local firms, eventually into sustainable food and energy startups.

### **Worldwatch Institute publishes data (2002):**

Brian Halweil's 2002 booklet *Home Grown* publishes a synopsis of the Southeast Minnesota data.

### **Findings in Hawaii (2003):**

David Cole, former America Online executive now running Sunnyfields Farm in Virginia and about to become CEO of Maui Land and Pine in Hawaii, learns of Southeast Minnesota data from Worldwatch Institute. He commissions Ken Meter to produce similar data for the state of Hawaii. Cole and Meter both present this data to the statewide Hawaii Agriculture Conference in Fall, 2003.

- Hawaii imports 90 % of its food, a total of \$4 billion worth
- 500,000 acres—85% of all farm land in the state—is not currently being farmed
- Between 1969 and 2000, food purchased by tourists rose from \$500 million to \$2.2 billion (2000 dollars)
- During the same time span, farm income fell from \$500 million to \$200 million (2000 dollars)
- Hawaii ships 42,000 cattle a year to the mainland for fattening, only to buy boxed beef from packing houses.

### **Findings in Wright County, Iowa (2004):**

The Aldo Leopold Center for Sustainable Agriculture at Iowa State University funded a study of the Wright County, Iowa, farm and food economy following the same model, in early 2004. That study showed that County farmers suffer losses similar to those faced by farmers in Southeast Minnesota. Here, however, the \$20 million production loss in 2001 was more than compensated for by federal payments.

Still, strong imbalances of supply and demand were found in the County. One stellar example.

- 700 farmers in Wright County collect \$26 million in subsidies, to produce crops that are raw materials for industry, and not directly edible.
- At the same time, 400 hungry people in the county receive \$300,000 in food stamps to buy food—primarily purchased from producers outside the county.

**Findings in Northeast Iowa (2004):**

The Value Chain Partnerships project of the Aldo Leopold Center for Sustainable Agriculture, funded by the W. K. Kellogg Foundation, funded a two-county study in Northeastern Iowa.

- Bureau of Economic Analysis (BEA) data show that both farm production costs and cash receipts have declined steadily since the late 1970s, in real dollars.
- This was the first region Crossroads Resource Center has studied where farms showed a positive cash balance. The region's farmers earned \$1.8 billion more selling farm commodities (in 2002 dollars) than they spent producing those crops, during the period 1969-2002.
- The main factor driving declining cash receipts is the loss of revenue from selling livestock and related products.
- Farmers in the region received \$634 million in farm subsidies over the past 34 years.
- Still, government payments have been important in recent years, counting for at least 50%, and at times more than 100%, of net farm income each year since 1999.
- The Northeast Iowa region's consumers spent \$70 million buying food in 2000, primarily from external sources, even as their neighbors lost money producing food commodities.
- The region's consumers buy an estimated \$9.5 million of meats, poultry, fish and eggs each year, \$6.6 million in fruits and vegetables, \$6 million of cereals and bakery products, and \$4 million in dairy products.

**Iowa results (2004):**

Both the Wright County and Northeast Iowa studies also compiled similar data for the state of Iowa as a whole.

- Trends in Iowa as a whole are quite negative, since the state has a strong focus on "cash" grains, with declining livestock income. Overall, the state's farmers lost \$3.4 billion (2002 dollars) producing crops and livestock from 1998-2002. State farmers have reduced production expenses in the face of declining cash receipts, which indicates management is not the issue.
- Iowa farmers received \$120 billion in farm subsidies from 1969-2002. At the end of that period, farmers increasingly relied on non-production income to pay for the costs of farming. "Other" farm-related income earned by Iowa farmers rose to \$3.7 billion in 2002, nearly as much as all federal subsidies received that year.
- For all Iowa farmers, even though farm productivity nearly doubled between 1969 and 1996, the balance of cash receipts and production costs fell to one-fourth their 1973 level.

**Findings in Central Coast, California (2004):**

Six counties in California's Central Coast have 13 % of the state's farmed land, and earn 19 % of California's net farm income. Most of the farmland is devoted to potatoes, barley and vegetables. One of every three farms has a fruit orchard.

Central Coast farmers sell \$12 million of food directly to consumers (2002) and sell \$21 million of organic food. The farm production balance rose fairly steadily from 1969 to 2002, from half a billion dollars to one billion—almost one-quarter of cash receipts. Most of this growth is due to

rising income from fruit and vegetable crops, correlated with greater reliance on farm labor. Livestock sales have fallen even as population and household income rose.

However, most all of this growth was in a single county—Monterey County—and is due to increasing income for vegetables that are grown on immense farms, so it is not clear that the region benefits a great deal economically from this growth. In the other five counties in the region, farmers were no better off, or worse off, in 2002 than they had been in 1969.

Central Coast consumers purchase \$6.6 billion of food each year. Large scale fruit and vegetable operations face rising costs, especially for labor, but have been able to attract sufficient cash receipts to have a positive cash flow. However, most of the benefits are centered in a single county.

#### **Findings in California (2004):**

As others have noted, California imports \$ 5 billion more of food than it exports. Data will be released in upcoming months as part of Ecotrust's Vivid Picture project.

#### **Findings in Northwest Minnesota (2005)**

- The 13-county region has 205,000 residents with \$ 4 billion of purchasing power annually.
- One third of Minnesota's farms over 1,000 acres in size are located in the region.
- The region has 16% of the state's farms and 16 % of Minnesota's organic production (\$1.3 million).
- 231 farms sell \$833,000 of food directly to consumers.
- Region's 9,765 farm families sold \$851 million of farm commodities on average each year during 1993 - 2003. However, they spent \$1,092 million, on average, to produce these crops. Net loss is \$200 million *per year*. The region has lost money producing food commodities for eleven years straight, 1993-2003, for a total loss of \$2.2 billion over the past 11 years.
- Northwest Minnesota farmers spend \$200 million each year buying fertilizers, lime and chemicals as farm inputs.
- 40% of the region's farms lost money in 2002.
- Federal subsidies average \$167 million each year, but farmers must earn another \$66 million each year to cover the costs of farming.
- Moreover, the region spends about \$480 million each year purchasing farm inputs from outside the region, and another \$300 million buying food from outside the region (out of \$403 million spent for food). Adding in the annual production loss of \$200 million, this means the region ships out \$1 billion each year — the entire value of all commodities produced!
- Consumers spend about \$200 million buying food to eat at home — about the same amount as all losses sustained by the region's farms.

#### **Findings in West Central Minnesota (2005)**

- The 12-county region has 173,000 residents with \$ 3 billion of purchasing power annually.
- 21% of Minnesota's farms over 1,000 acres in size are located in the region, and 21% of the state's irrigated land is in the region.
- The region has 12% of the state's farms and 7 % of Minnesota's organic production (\$ 562,000).
- 271 farms sell \$871,000 of food directly to consumers.
- Region's 10,011 farm families sold 1.44 billion of farm commodities on average each year during 1993 - 2003. However, they spent \$1.59 billion, on average, to produce these crops. Net loss is \$153 million *per year*. The region has lost money producing food commodities for eleven years straight, 1993-2003, for a total loss of \$1.7 billion over the past 11 years.

- Northwest Minnesota farmers spend \$200 million each year buying fertilizers, lime and chemicals as farm inputs.
- 34% of the region's farms lost money in 2002.
- Federal subsidies average \$167 million each year, but farmers must earn another \$80 million each year to cover the costs of farming.
- Moreover, the region spends about \$600 million each year purchasing farm inputs from outside the region, and another \$250 million buying food from outside the region (out of \$354 million spent for food). Adding in the annual production loss of \$153 million, this means the region ships out \$1 billion each year — 70% of the value of all commodities produced!
- Consumers spend about \$200 million buying food to eat at home — more than the amount of losses sustained by the region's farms.

**National findings (2004):**

- Looking at all farms in the U.S. in the aggregate and using BEA data posted in 2003, farm production expenses exceeded cash receipts by \$14 billion in 2001. From 1998-2001, U.S. farmers lost \$43 billion (2001 dollars) producing crops and livestock.
- However, BEA altered its data set in early 2004. This new data set states that U.S. farmers earned \$2 billion more producing their crops in 2002 than they paid to produce them.
- Both the 2003 and 2004 data sets show the same trends overall. Farm cash receipts have plummeted steadily since the "grain-for-oil" era in the 1970s. Farmers are earning less producing crops in 2002 than they did in 1969—despite doubling their productivity.
- Farmers in six of every seven counties in the U.S. (over 3000 total) earned less money producing crops and livestock in 2002 than in 1969.
- Only five states in the U.S. found their balance of cash receipts over production costs rise over that span.
- Biggest losses were in the classic Midwestern agricultural states. Iowa, Minnesota, and Illinois sustained the largest losses.
- U.S. farmers have paid \$500 billion more in interest payments to lenders than they received in farm subsidies over the period 1913 to 2000. Farmers essentially subsidize the mainstream economy.
- Farm subsidies visibly support other sectors of the mainstream economy (lenders, land prices, etc.) more than farmers.
- U.S. farm production balance has fallen to half of its 1969 level—far less than one-fourth of its 1973 level—even as farmers doubled their productivity.
- Looking at local farm and food economies yields fundamentally different insights than examining the agricultural sector in isolation, especially given the USDA's current focus on farm operations and commodity production. This suggests that the U.S. should shift the focus of the upcoming farm policy debates to *communities*, and away from *commodities*. This would allow us to assess the impacts of public policies upon rural communities.
- Farmers have been losing ground steadily since 1969, with the exception of the "grain-for-oil" years when they made short-term profits—but also made decisions in a rush for money that sowed the seeds of their own destruction.
- By expanding to plant "fence row to fence row," as advised by Secretary Butz, farmers took on more debt than they could handle, bought equipment their community could not afford to finance for itself, and became far more dependent on distant suppliers and larger distribution infrastructure. By making these choices, they were complicit in making their own farm economy extractive. Even more than before, someone else gets the benefits of farmer productivity.

- The only break farmers have had in these 34 years is because they took action in 1985 to reduce farm debts to levels that would cash flow. Only after that was accomplished did they *reduce* their debt by farming. Otherwise, farmers have fallen into greater debt by farming.
- Farm subsidies benefit lenders, ag supply industries, grain traders, food manufacturers, and a host of other parties more than they benefit farmers. Mike Duffy's research at ISU shows that 46% of the current value of farm land in Iowa is due to subsidies, making farming more expensive. We need to question why we subsidize production of raw materials for industrial processing, in the name of supporting "family farms."