



Looking Back at America's Farm Crisis

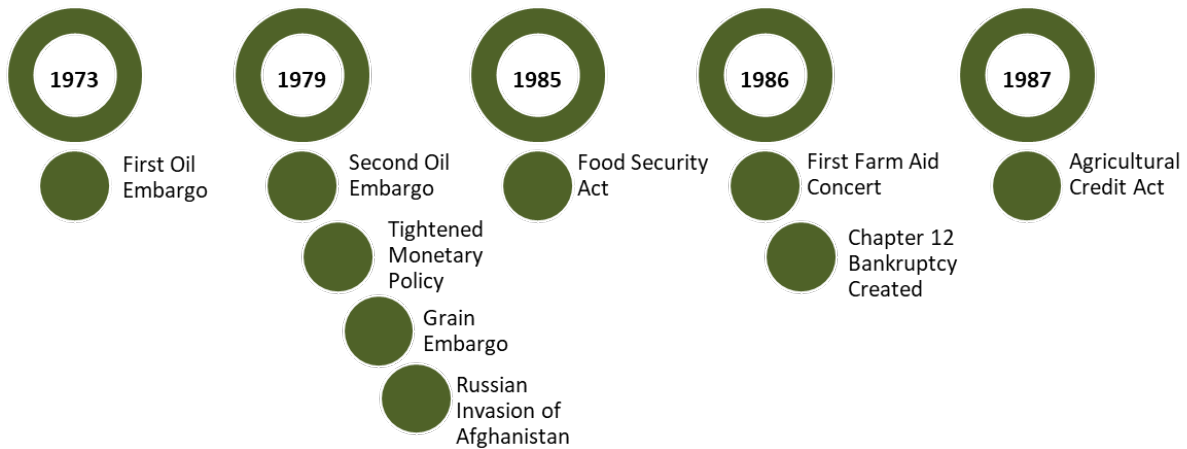
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About This Paper

Economic and cultural decline in rural areas was precipitated in no small part because of the 1980s farm crisis. Following rapid changes in the farm economy that resulted in rising real estate values and speculative buying in the 1970s, a variety of economic and political factors came to a head in the early 1980s, the result of which was disastrous for many family farms. Loan defaults led to both farm foreclosures and bank closures, which in turn led to depopulation and forced closure of other local businesses. In an effort to sustain themselves, some farmers left their communities, some lobbied the federal government for change, and some turned to more drastic measures. In this paper, we will explore the roots of the 1980s farm crisis, the impact to rural communities, the rise of both militant and nonviolent groups seeking to help farmers, and an overview of the community of Ord, Nebraska during this time.

Roots of the 1980s Farm Crisis

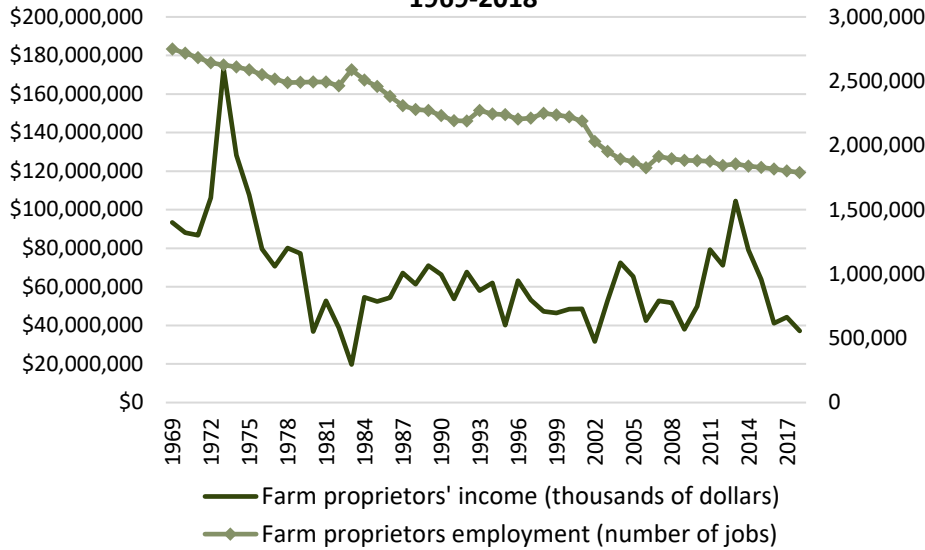
The farm crisis that manifested in the early 1980s really began much earlier. Farm consolidation, rising crop prices and land values, increased efficiency from new technologies, and global economic factors in the 1970s all gave rise a heated agricultural market. As economic policy became more heavily focused on combating inflation, in conjunction with other global and economic factors, agriculture commodities took a substantial hit. The resulting drop in crop prices substantially devalued agricultural assets and left farmers without the ability to pay the large loans taken during the previous expansion period. Though the federal government did eventually implement legislation to assist farmers, in many cases it was too late.



Pre-Crisis Agriculture in the United States

Farming in the United States has a tumultuous history with swings between severe hardship and broad prosperity. The New Deal supported farmers through the Depression and prosperity returned during World War II, though this was again followed by a drop in crop prices as stockpiles increased and demand dropped. Rural development programs began to take root in the 1960s, primarily focused on reducing underemployment in rural areas and expanding access to loans for homesteads and farm buildings (Federal Reserve Bank of Kansas City, 1988).

Figure 1: Farm Proprietors' Income & Employment 1969-2018



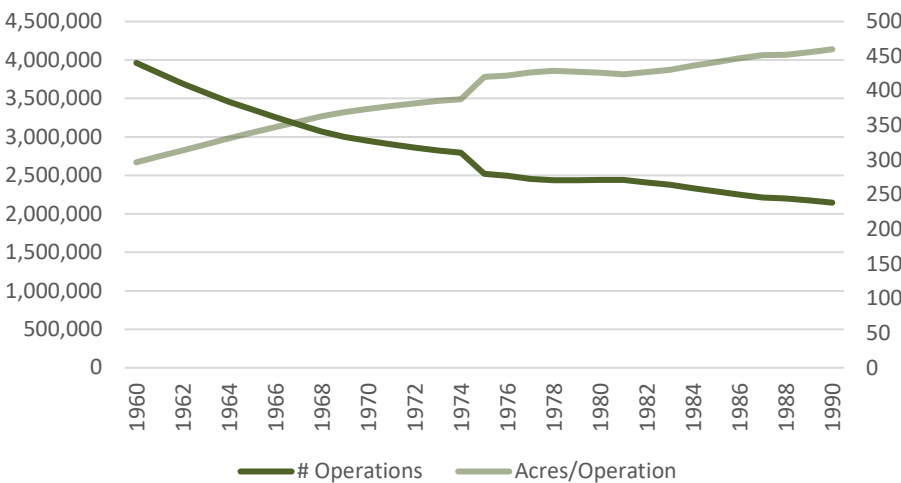
Source: U.S. Bureau of Economic Analysis

2 shows the consolidation of acreage as the total number of farms declined. Figure 3 gives more insight, however; the percentage of operations in the middle range shrank while both smaller and larger operations increased.

As farm operations restructured, technologies were also making production more efficient and boosting output, which was much needed as trade agreements such as that with the Soviet Union in 1972 increased demand for U.S. exports. The additional demand increased crop prices, which in turn boosted farm income and coincided with an increase in farm values. More readily available credit prompted additional farm debt as producers bought additional acreage and equipment (FDIC, 1997; Federal Reserve Bank of Kansas City, 1988).

The Farm Credit System was a popular tool during this time because of reduced requirements for equity;

Figure 2: Farm Operations 1960-1990



Source: U.S. Department of Agriculture, National Agricultural Statistics Service

The 1970s formed a more specific foundation for the farm crisis. Agribusiness became a more pronounced segment of the agriculture economy. The Federal Reserve Bank of Kansas City (1988) noted that more than a half million farms disappeared between 1969 and 1979, and rural economies shifted began a transition away from dependence on agriculture. As time went on, farm structures began to change. Figure

this more borrower-friendly ratio combined with rising asset values meant that loan amounts rapidly increased as well. Additionally, loans were based on underlying asset values rather than cash flow, so ability to repay was a secondary factor for loan risk assessments (FDIC, 1997). Similar to the housing bubble preceding the Great



Recession, easy access to credit proved to be a flashpoint when conditions changed and fundamentals began to deteriorate.

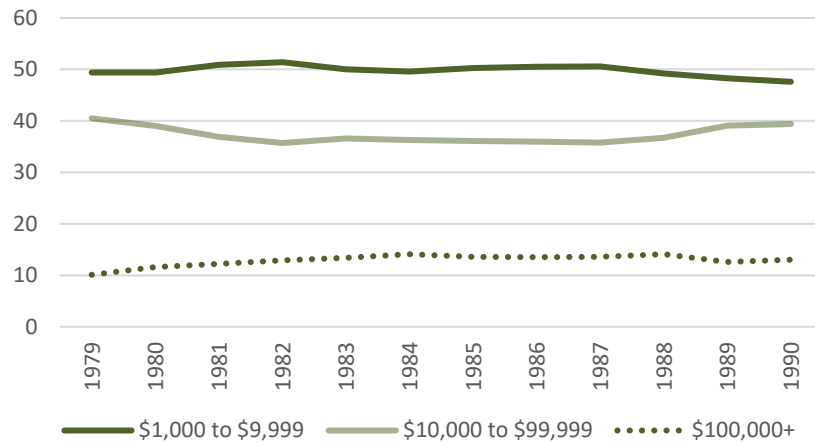
1980s Downturn

Economic activity was heated throughout the U.S. economy in the 1970s, and the Federal Reserve began tightening monetary policy in 1979 to battle inflation. Banking deregulation also meant that rural banks were not able to lend as competitively in the past (Federal Reserve Bank of Kansas City, 1988). As the Fed raised interest rates, so too did rates rise on farm loans. The reduced cash flow due to increased debt service began to limit economic activity, which in turn began to reduce the asset values underlying farm debt (FDIC, 1997), and farmers were overleveraged for several years (Levitas, 2004).

In addition to domestic monetary policy, global trade slowed in the early 1980s as importers of U.S. goods experienced their own economic upheavals and the value of the dollar rose (FDIC, 1997; Federal Reserve Bank of Kansas City, 1988). The pain of these changes was not felt equally, however; states with heavy dependence on agriculture were more significantly impacted (FDIC, 1997; Federal Reserve Bank of Kansas City, 1988), and farmers were sometimes subjected to interest rates surpassing 20% on their loans (Levitas, 2004).

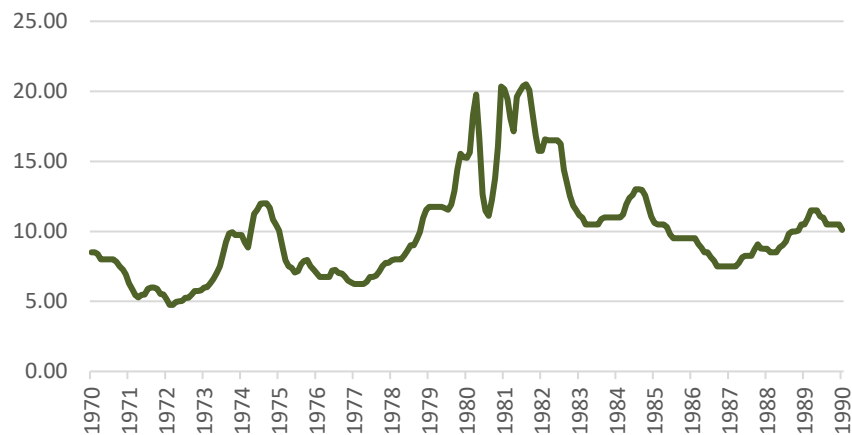
While the economic damage began accumulating in the initial part of the decade, it was quite some time before federal legislation was passed that benefitted farmers. Title XIII of the 1985 Food Security Act contained several provisions to expand credit to farmers including expanded eligibility for farm and operating loans, mandating that Farmers Home Administration (FmHA) interest rates be reduced through federal backing of such loans, and exempted farm homesteads from foreclosure and bankruptcy proceedings. Legislation creating Chapter 12 bankruptcy that would allow farmers to restructure debt was passed in 1986. Lastly, the Agricultural Credit Act (1987) required Farm Credit

Figure 3: Percent of Farm Operations by Economic Class 1979-1990



Source: U.S. Department of Agriculture, National Agricultural Statistics Service

Figure 4: Monthly Prime Interest Rates 1970-1990



Source: Federal Reserve Economic Data



System lenders to evaluate delinquent loans for restructuring and work with borrows on such restructuring before beginning any foreclosure proceedings.

Impacts of the Farm Crisis on Rural Communities

Much has been written on the spiral of hard economic times in rural areas: as rural economies decline, residents move to where they can find work, leaving behind fewer customers for remaining businesses and a reduced tax base for local governments; fewer services then prompts more residents to leave in search of a better life, further deteriorating local conditions. We will give some further consideration to this trend in this section, but we will also look at some of the other changes to rural quality of life and the organizations that both served to help and hurt farmers during this time.

Rural Depopulation

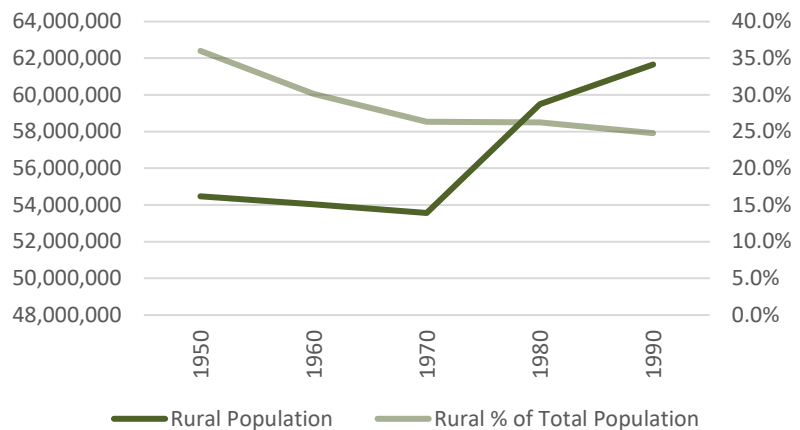
The decline in rural population that followed the farm crisis is the most visible manifestation of the pain that farm families felt at the time. The depopulation cycle began as farmers defaulted on loans and lost property and homes through foreclosure. Some tried to find work in their communities or nearby, but many had no choice but to move further away in search of work (Iowa PBS, 1995). Some of those who remained in the community were financially constrained due to unemployment or

underemployment, which caused further rippling of the economic distress in these communities. A 1986 credit survey showed that nearly a quarter of nonfarm businesses in rural areas were still experiencing financial difficulties (Federal Reserve Bank of Kansas, 1988). Rural communities were not the only ones impacted by these changes, however; other cities with agricultural manufacturing also saw negative impacts from reduced orders during this time (Iowa PBS, 1995).

Declining Quality of Life

Not all communities were impacted equally by the farm crisis, but many were hard hit and saw impacts beyond the visible economic decline – community identities began to fundamentally change as quality of life eroded alongside the local economy. The very definition of “family farm” began to evolve as fewer families made their living solely through agriculture. As communities saw their tax base erode with the decline in agricultural land values and rising property tax delinquencies, these communities were unable to maintain critical infrastructure, which also then posed a barrier to transitioning to a new type of economy (Federal Reserve Bank of Kansas City, 1988). Much community identity can be tied to local schools as well, and during the farm crisis rural school districts began consolidating (Iowa PBS, 1995).

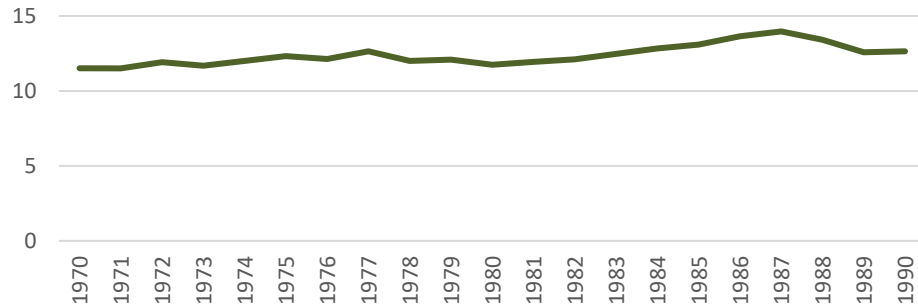
Figure 5: Rural Population 1950-1990



Source: U.S. Census Bureau

These community manifestations of hardship are representations of the broken hearts of farming America, but other signals of trouble at an individual level also manifested. Research indicated that increases in suicides (see Figure 6 above)

Figure 6: Deaths by Suicide & Self-Inflicted Injury per 100,000 Population



Source: e2 analysis of CDC mortality data.

and abuse also occurred during this time as people struggled to cope with the loss of their incomes, property, and identity (Levitas, 2004; Montenegro de Wit, et al., in press; Successful Farming, 2018). Some rural community members turned to other forms of violence as antigovernment groups gained traction in these areas, which will explore next.

Rise of Antigovernment Groups

Times of crisis can bring about a variety of responses, and the farm crisis is no exception. Some farmers and rural community members adopted views based on fear that the government was taking rights and privileges away. As with any social movement, the antigovernment groups that became prominent during this time had differing views among themselves as to the best course of action, with some taking a nonviolent protest route while others became more militant.

John Birch Society. The John Birch Society predates the farm crisis by many years, having been founded in 1958 by Robert W. Welch, Jr. The organization is named after John Birch, a missionary killed by Chinese communists. The organization views itself as a defender of the Constitution and individual rights, and throughout its history has advocated against the growth of government (John Birch Society, 2020). Alongside this, the organization has opposed global trade agreements, U.S. membership in the United Nations, the civil rights movement, and domestic programs it views as aiming to redistribute wealth. What made the group controversial is claims that these programs are based on a communist agenda within the country, a stance that kept many conservatives from publicly associating with the group (Nilsson, 2017). Officially the group maintained a view of tolerance, with its only focus being communism, undercurrents of anti-Semitism and racism were present (Levitas, 2004). While the organization had lost some momentum by the time of the 1980s farm crisis, its teachings became the foundation for other organizations.

Posse Comitatus. The origins of the Posse Comitatus are more obscure, with both Bill Gale and Mike Beach claiming to be the founder. Whereas the John Birch Society was founded more on political ideology, the Posse Comitatus was founded on religious ideology, and members viewed themselves as “Christian Patriots” (Levitas, 2004). The Posse Comitatus took the ideas of the John Birch Society of expanded individual rights and limited government in a new direction, advocating that a county sheriff was the highest law enforcement allowable and that citizens had their own right to enforce the law, including forming citizen juries.

The Posse Comitatus moved to active defiance of the government, supporting tax protestors who willfully refused to pay federal taxes on the premise that the U.S. Treasury was not lawfully formed. In some instances, the local chapters attempted to have members declare their properties separate from the local jurisdiction and further claim that the locality then had no authority to tax the property. Members were also known to aggravate and intimidate local officials and judges through mass mail and phone campaigns (Levitas, 2004).

Perhaps the most disturbing aspect of the Posse Comitatus, however, was its active promotion of physical force to oppose government action that was deemed to infringe on an individual's constitutional rights. In many cases, this involved a show of force through a large contingent of witnesses to meetings with government officials, along with use of audio and video recordings and a blanket display of weaponry. In other instances, however, members actively engaged law enforcement, which sometimes resulted in violent standoffs. The more violent aspects of the Posse Comitatus also attracted members from other organizations like the American Agriculture Movement, Minutemen, and the Farmers Liberation Army (Levitas, 2004).

American Agriculture Movement. Whereas the John Birch Society aimed to fight government overreach through policy and the Posse Comitatus took a militant stance, the American Agriculture Movement represented both facets of dealing with the farm crisis. The organization formed in the fall of 1977 following federal legislation that they felt undermined the viability of the agriculture industry and would push farmers further into debt. The organization participated in strikes and protests, even organizing a “tractorcade” in 1979, in an effort to bring attention to parity pricing in agriculture (American Agriculture Movement, n.d.). As the farm crisis worsened, divisions emerged within the organization, and the group officially split into AAM Inc. and Grass Roots AAM in 1985. Where AAM Inc. continued to lobby for policy change, Grass Roots AAM engaged in blocking officials from conducting their duties, military-style training, and coordinated campaigns with the Posse Comitatus (Levitas, 2004).

Appeal in Rural Communities. Some might ask how it came to be that such organizations as the John Birch Society, Posse Comitatus, and American Agriculture Movement came to have a hold in rural communities. These extremist groups built on a sense of not just losing core elements of rural identity but that key rights were being taken away by the government, fostering civil unrest. The groups also promised assistance in combating foreclosures so that farmers could keep their homes and land, though in some cases the assistance came from con artists who aimed only to profit on the farmers' suffering (Levitas, 2004). In short, conservatism and slow-moving policy reform “made members easy targets for racist enculturation and recruitment by groups such as the Posse Comitatus, John Birch Society, and Ku Klux Klan” (Montenegro de Wit, et al., in press, p. 8).

Support from Rural-Focused Organizations

Not all organizations active during the farm crisis worked directly against the government or fostered violent animosity. The Iowa Farm Unity Coalition is one example that instead provided hotlines for legal and financial help in addition to coordinating peaceful protest of lenders who did not deal fairly with struggling farmers (Levitas, 2004). The National Family Farm Coalition formed in 1986, bringing together several farm-focused organizations with the support of funds raised through the Farm Aid concert series (National Family Farm Coalition, n.d.). These and other organizations worked to provide a support network for farm families and communities, as well as advocating for legislation that would promote agricultural economic recovery.

Endnotes

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don@e2mail.org

(402) 323-7336

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