3 The Political Economy of Food

Summary 3.1 “How Comest Thou in This Pickle?” – 3.2 The Origin of a Food Regime. – 3.3 Cheap Food for Conquest.

> As I sat thinking about why the article upset me so much other than the obvious reasons I realized that at this moment in time when it comes to farming I feel like I am digging my own grave to follow my dreams.
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3.1 “How Comest Thou in This Pickle?”[1]

In point of fact, the case of tobacco in North Carolina is not unique. From the middle of the nineteenth century, agricultural policy has been influenced mainly by a handful of corporations and businesses which have lobbied at the federal level for regulations which would increase productivity and competitiveness for small farmers. Economics examiner Al Krebs defines this sector of the economy as agribusiness, “the financing of agriculture and the manufacturing, transporting, wholesaling, and distribution of farm machinery, fertilizers, chemical poisons, seed, feed, and packaging materials (agricultural inputs)” (Krebs 1992, 16). In general, for over a hundred years, agribusiness has monopolized the farmers’ inputs and their trade outlets, thus gaining the ability to exercise its pricing power over them. In this context, farmers have become virtually powerless to determine the prices that they pay for agricultural inputs or the prices they receive for their outputs (Qualman 2001, 17).

The growth of corporate power in agriculture began in the early nineteenth century, when the development of trade and commerce became dependant on the creation of a new transportation system and trade routes. The US government transferred public land to private citizens through

1 Shakespeare, *The Tempest.* Act V, Scene I.

dozens of different "land grants", which allocated the railroad companies an extensive amount of land. By the late nineteenth and the early twentieth century, the emerging industrial capital represented by companies such as the United States Steel Corporation, Ford Motor Company, or the Standard Oil Company needed railway lines to gain access to raw materials, labor, and trade outlets. Lenin notably noticed how these companies had a voice at the political level, which gave them the power to apply discriminatory land rates, hold land grants and monitor farmers' profit books, maintain mining operations, regulate transportation and grain terminals, grant mortgages and loans, and ultimately control entire regional economies (Lenin [1917] 1997, 26).

Already in the 1930s, a small directorate of railroad companies, industrial and financial capital governed California agriculture. As McWilliams argues, during the 1930s California Lands, a subsidiary of Transamerica Corporation (Bank of America), was the largest farming organization in the world, owning 600,000 acres of land. Companies like Campbell Soup both owned the land and used contracts to buy fruit and vegetables from "independent" growers; California agriculture was controlled by a small number of corporations:

> Southern Californians Inc. (a group of employers); Southern Pacific Company, Santa Fe Railroad Company, Pacific Gas and Electric Company, Industrial Association of San Francisco, Canners' League of California, Holly Investment Company. […] In whatever way you turn the investigation, you find the same complex of forces involved. (McWilliams 1942, 50)

During the 1930s, the concentration of capital in agriculture was further increased by two major events: the Great Depression and the Dust Bowl. At the same time as the Great Depression pushed thousands of families into bankruptcy, a severe drought hit the Great Plains – at the time the "breadbasket of America" – setting records for dryness in twenty states. Farmers suffered a 60 percent decline in income, and millions had to abandon their farms (McWilliams 1942, 50). These events led to a new wave of foreclosures and bankruptcies in the US countryside, primarily involving small farmers. Slowly, these events fostered the concentration of land ownership. Given the high costs and risks of land ownership, agribusiness has pursued a strategy of horizontal integration, trying to consolidate its ownership and control of production within the same stage of the food system. At the same time, the need to minimize its interaction with other companies led to a strategy of vertical integration, the control the entire process of production from "seed to shelf". The vertical integration of production typically occurred through the use of contracts: agribusiness would ask the growers to provide the land and the buildings in exchange for a market outlet (Heffernan 1999).

During the 1930s, many farmers were forced to foreclose and others were dependent on the integrating companies for both their agricultural inputs and to ensure a market outlet for their crops. Throughout the decade, farmers organized against the growing power of US agribusiness. In 1933, President of the American Farm Bureau Federation Ed O'Neal warned the Senate that "unless something is done for the American farmer we will have revolution in the countryside within less than 12 months" (Agricultural Adjustment Relief Plan 1933, 12).

In 1933, Roosevelt responded to the rural crisis with the New Deal, legislation that introduced a non-recourse loan program in US agriculture. The *Agricultural Adjustment Act* of 1933 (48 Stat. 31) organized agriculture around the principle of "full cost accounting", or "parity": a non-recourse loan program which raised farm incomes through price supports and production adjustments for farmers accepting a reduction of acreage for basic agricultural commodities—namely wheat, cotton, corn, hogs, rice, tobacco and milk. This sort of "minimum wage" for growers encouraged farmers to reduce the acreage under cultivation in order to allow farm commodity prices to increase. If the market price fell below parity (the cost of production), farmers could take a government loan worth up to 90 percent of the parity price and withhold their crops until the next year (Dawkins 2002, 210). If prices remained low, the farmer kept the loan and the government kept the crop (209). Since the New Deal, US farmers have found innovative ways to work around the acreage restriction laws by improving the yield of cultivated acreage (Pollan 2006, 50). While these policies reduced the total amount of cultivated acreage, their indirect result was a steady increase in productivity. As Friedmann clarifies:

> Instead of direct income support, New Deal price supports tried to raise farm incomes indirectly by setting a minimum price for commodities named in the legislation, and maintaining this price through state purchases. Government purchases to support prices encouraged farmers to produce as much as possible. Legislation to limit production by restricting acreage was never effective. In fact, insofar as they encouraged farmers to remove their worst land from production, acreage controls tended to increase productivity. Surpluses mounted more persistently with the technological developments involved in the industrialization of agriculture. Industrialization subordinated farms to emerging agro-food corporations, both as buyers of machines, chemicals and animal feeds, and as sellers of raw materials to food manufacturing industries or livestock operations. Profits in the agro-food sector depended on the larger restructuring of the postwar economy towards mass production and mass consumption, especially increased consumption of animal products and high value-added manufactured foods, or what might be called 'durable foods'. (Friedmann 1995, 32-3)

In the years following World War II, the introduction of new technological inputs, such as the widespread use of pesticides, chemical fertilizers and electric-powered machinery, stimulated a further increase in productivity, leading US surplus to reach its highest historical peak in the 1950s.

3.2 The Origin of a Food Regime

By the end of the 1950s, technological innovations had led farm output to increase rapidly (Orden, Paarlberg, Roe 1999). In fact, supply outstripped demand, leading farm prices to fall relative to the price of other products (Orden, Paarlberg, Roe 1999, 12). During the 1950s, a few political figures questioned the legitimacy of price-support policies. As Robert Wolf (2000) recalls in an excellent article:

> From 1942 through 1952 farmers had received, on average, 100 per cent of parity. But in 1952 Secretary of Agriculture Ezra Taft Benson tried to get parity repealed (it was 90% in 1952). Eisenhower replied that "gradualism" was the better policy, but in 1953 the repeal began. The rhetoric of the period is sometimes distinctly business oriented, stressing efficiency, bigness, and profits, or else it emphasizes an appeal to God and country. Earl Butz, who was another of Benson's Assistant Secretaries of Agriculture, spoke bluntly in business terms, as in 1954 when he declared that agriculture "is now a big business", and that "just like the modern business enterprise, [it] must 'adapt or die'". Adaptation for Butz meant that the farmer must "get big or get out", a phrase that he used repeatedly over the years.

They observed that while the acreage reduction policy stimulated a continuous increase in productivity and over-production, it also contributed to depress farm prices and incomes, and it caused a greater need for government assistance and an increase in public expenses (Pollan 2006). In fact, the contradictory nature of these policies was causing a vicious cycle of over-production, low profits, and the need for greater subsidies at the level of the family-farm. At the same time, these policies rapidly expanded the market for those companies that monopolized the sale of US surplus abroad. As a result, US agribusiness has lobbied at the federal level since 1950 not so much to decrease competition and protect the ability of farmers to sell their crops for prices at least equal to the cost of production, but to decrease assistance to farmers, thus forcing them to sell their crops at any price. Indeed, in 1942 agribusiness began lobbying the White House for a reduction of the price of parity (Dawkins 2002, 209). The "Committee for Economic Development", formed with the participation of university professors, economists and corporate executives from Heinz and Hormel, Ford and General Motors, AT&T and IBM, suggested lowering agricultural subsidies and taking "greater advantage" of the farmers' surplus and financial crisis. The committee argued that: "the movement of people from agriculture has not been fast enough to take full advantage of the opportunities that improving farm technologies and increasing capital create" (quoted in Dawkins 2002, 209). In order to take "full advantage" of the industrialization of agriculture, it was necessary to stimulate the sale of new machinery and chemical outputs, and to force the substitution of the small farm with the large, industrial farm. The goal of US agribusiness throughout the second half of the twentieth century has thus been to "move off the farm about two million of the present farm-labor force, plus a number equal to a large part of the new entrants who would otherwise join the farm-labor force" (quoted in Dawkins 2002, 209). As University of Michigan agricultural economist Kenneth Boulding notably suggested:

> The only way I know to get toothpaste out of a tube is to squeeze, and the only way to get people out of agriculture is likewise to squeeze agriculture. If the toothpaste is thin, you don't have to squeeze very hard, on the other hand, if the toothpaste is thick you have to put real pressure on it. If you can't get people out of agriculture easily, you are going to have to do farmers severe injustice in order to solve the problem of allocation. (quoted in Dawkins 2002, 210)

Since the 1950s, federal subsidies to farmers have been gradually reduced. During the Eisenhower's presidency, the price of "parity" decreased from 90 percent to 75 percent of the cost of production.

> The President's message on January 11, 1954, urged the adoption of flexible supports for basic commodities ranging between 75 and 90 percent of parity, depending on supply, so farmers would be discouraged from overplanting. He also asked that export programs be strengthened to reduce surpluses and that part of the Government-owned surpluses be isolated from the market to prevent them from depressing prices. (Bowers, Rasmussen, Baker 1984, 21)

Obviously, the reduction of subsidies did not alleviate the crisis for US farmers, but it did stimulate a further increase in productivity and the accumulation of surplus that could be sold for artificially low prices abroad. In those years, the slow process of industrialization in agriculture contributed to shift agriculture from a system based overwhelmingly on manual labor to a largely mechanized industry. This was a key factor in the substitution of the small farm with the industrial farm, and marked the period when agriculture became fully dominated by agribusiness. According to Orden, Paarlberg and Roe (1999, 32):

> This efficient behaviour of individual farmers led to greater aggregate supply, which pushed down agricultural prices because of the smaller growth in aggregate demand. The lower prices then forced more farmers out of agriculture, and required the ones who remained to adopt even more output-expanding modern technology. Despite their best efforts [...], the internal dynamic of the technological treadmill made it impossible for enough labor adjustment to occur for farmers' earnings to keep pace with non-agriculture earnings.

In 1972, the Soviet Union bought one-fourth of the US wheat harvest, making farm prices and consumer food prices shoot upward (Hillgreen 1982; Luttrell 1973). The surge in demand drove grain prices up, providing a major market outlet for American farmers (Hillgreen 1982; Luttrell 1973). In 1972 and 1973, conveniently low interest rates persuaded many farmers to go deeply into debt based on the assumption that commodity prices and land values would continue to rise (see Luttrell 1989, 82). When the "boom" ended several years later, farmers had accumulated even more debt. At the same time, the temporary increase in inflation and farm income persuaded President Nixon's second secretary of agriculture, Earl Butz, to reduce the New Deal price support policy. In fact, the growing expansion of international markets had turned "the New Dealera practice of controlling supply to boost crop prices with supply controls into a liability that impaired US agriculture's global competitiveness" (Orden, Paarlberg, Roe 1999, 13). Now payments were offered to growers when the market price fell below an arbitrary "target price" set by government regulators. To receive these payments, farmers had to remove some of their land from production, thereby supposedly helping to keep market prices up. This repeated the "side-effects" of the old acreage reduction policy: increasing production, decreasing prices, and driving small farmers off their land. Once again, the "new system" of direct payments did not solve problems for the small family-farm, but it did allow the government to further accumulate grain surplus to dump in the foreign market, and to justify "squeezing" small farmers out of the countryside. In 1984, Butz admitted that the goal of these contradictory agricultural policies was to foster the liberalization and industrialization of agriculture and to induce farmers to "plant their fields 'fencerow to fencerow'".

According to the reconstruction of Robert Wolf (2000, 45):

> In the same period Butz told the Dayton, Ohio Rotary Club: "American agriculture's like a big pie. Right now we've got lots of farmers, and each one is getting a small slice of the pie. We need to eliminate a bunch of them, so that those that are left will get a lot bigger slice". No one could have made the administration's intentions any clearer. The ap-

> peal to God and country was exemplified in an article by Benson, part of which A.J. Krebs quoted in his comprehensive study of agribusiness, The Corporate Reapers. "Freedom", Benson wrote, "is a God-given, eternal principle vouchsafed to us under the Constitution. It must be continually guarded as something more precious than life itself. It is doubtful if any man can be politically free who depends on the state for sustenance. A completely planned and subsidized economy weakens initiative, discourages industry, destroys character, and demoralizes the people.... The future of agriculture and the preservation of a sound economic system depends on the vigorous emphasis of the principles, benefits, and values of competitive enterprise.

Between 1960 and 1982, the number of large farms doubled and the number of small farms was cut by more than half (USDA 1987). By 1984, farm indebtedness rose to 215 billion dollars. Heather Ball and Leland Beatty (1984) described the crisis pervading US farmers as if the "specter of foreclosure" was "haunting America's independent family farmers".

According to Emanuel Melichar, senior economist at the Federal Reserve Board, more than one third of America's commercial farmers are in serious financial trouble, and unless real interest rates come down and debts are rescheduled, many of them will fail. An American Bankers Association survey conducted in 1983 found that 17 percent of farmers with outstanding loans would be unable to make their payments this year (Ball, Beatty 1984).

In those years, farm foreclosures rose dramatically, and many described the farm crisis of the Eighties as the worst since the Great Depression. In general, for all these years federal support for farmers has been considered a socialist measure potentially undermining competition and self-reliance (Wolf 2000). In a clearly neoliberal fashion, farmers had to adhere to the principle whereby only "competition is thoroughly American" (Wolf 2000, 45). In 1996, the *Freedom to Farm* bill accelerated small farm foreclosures, consistently driving small growers out of farming. At the end of 1998, Vice President Al Gore admitted that the US was facing "the worst crisis our farmers have ever experienced" (Weiner 1999).

3.3 Cheap Food for Conquest

The New Deal price support program encouraged the US to accumulate large stocks of surplus. It also created supplies available for export in quantities greatly exceeding demand. In general, the practice of selling US surplus abroad for prices below the cost of production is referred to as "dumping". According to Porter and Bowers (1999, 10):

> The United States had used its authority under section 32 of the Agricultural Adjustment Act of 1933 primarily for the disposal of small surpluses of perishables, wheat, and cotton. In the 1950's, when the United States developed unmanageable surpluses of grains and other agricultural products, Congress passed Public Law 480 [1954]. P.L. 480, soon named Food for Peace, provided authority for sales of surplus US agricultural products for nonconvertible foreign currencies, for donations of such commodities to relief organizations and foreign countries for various non-profit uses, for the barter of such commodities for strategic and critical materials for the US stockpile, or for use in US foreign diplomatic or aid programs.

On paper, US Public Law 480, named "Food Aid", (the *Agriculture Trade Development and Assistance Act*) was described as a humanitarian effort meant to dispose of American surpluses abroad for purposes of "assistance". In reality, it was hardly so. In fact,

> far from feeding the hungry, Title I Food Aid first of all puts money in the pockets of giant grain corporations like Cargill, who provide and ship the products. Second, it supports factory-style poultry producers and food processors, and finally it helps shift consumer tastes in recipient countries away from locally grown crops toward wheat products like bread and pasta. (Lappé, Collins, Rosset 1998, 134)

In 1947, the *General Agreement on Tariffs and Trade* (GATT) introduced among member countries a series of regulations meant to reduce trade protectionism in manufacturing. As Orden, Paarlberg and Roe point out, GATT was meant to smooth transition to a free market in manufacturing, although initially it insisted "that quantitative import restrictions tied to domestic production controls and direct export subsidies be explicitly allowed for agricultural products" (1999, 60). In fact, Article VI of the original GATT initially "banned" dumping. In those years, several countries were using protectionist barriers to promote agricultural self-sufficiency. In this sense, policies of *laissez faire* were seen as potentially destabilizing. In 1955, the US used this clause to negotiate a permanent waiver from the GATT Council for its domestic agriculture policy. Orden, Paarlberg and Roe maintain that according to the waiver the US could "continue to operate its dairy, beef, sugar and other import-control programs for supported commodities even when there were no domestic pro-action restraints" (1999, 60). Moreover, the US Government used its permanent waiver to dispose of food surpluses abroad via the Public Law 480 program of cheap food aid (Shiva, Bedi 2002).

According to Douglas E. Bowers and Jane M. Porter (1989, 10):

> Some countries contended that all of the concessional sales under the Food for Peace program (1954) could be classified as export subsidies. The United States has consistently rejected this interpretation. The United States, however, contended that the French export subsidies were a flagrant violation of part 1 of the International Grains Arrangement. US agricultural interests vowed that there would be no more trade negotiations for industry without primary consideration for agriculture.

In 1996, the US Agency for International Development (US AID) admitted that by means of Public Law 480, “9 out of 10 countries importing US agricultural products are former recipients of food assistance” (quoted in Lappé, Collins, Rosset 1998, 110). Former Public Affairs Director for US AID Vincent Wilber described the law as being one of “big agriculture’s most sacred cows”, a program that since its inauguration in 1954 “has given away over 27 billion dollars worth of American farm products to 148 countries, […] [using] PL-480 shipments [and has provided] an important outlet for otherwise unmarketable surpluses” (Wilber 1981). According to Lappé, Collins and Rosset (1998, 111),

> By encouraging the growth of poultry farms, wheat mills and soap and vegetable oil factories, PL 480 helps create a structural dependence on continued imports. When the food aid stops, these industries, needing the supplies to continue their level of operations, will pressure their governments to keep importing the commodities on commercial terms.

Eminent scholars such as Philip McMichael and Harriet Friedman attribute to dumping a central role in the gradual construction of a US centered food-regime, “a historically specific geo-political-economic organization of international agricultural and food relations” whereby a particular structure of food production becomes the pillar of a new cycle of capital accumulation (Friedmann, McMichael 1989). In fact,

> The US food aid program, formalized in 1954 as PL 480, came to dominate the food trade landscape over the next two decades. US-managed food surpluses were distributed strategically as concessional food aid to states on the geo-political frontline, and/or those regarded as future customers of American agri-exports once they transitioned from aid to trade. As Harriet Friedmann (1992) has shown, this food export regime reshaped, indeed westernized, social diets of newly urbanized customers in industrializing regions of the Third World, at the same time as undermined local farmers with low-priced staple foods. The managed construction of the Third World consumer paralleled the decimation of

> peasant agriculture. Each confirmed the central tenets of the development vision: that the western consumption pattern was a universal desire and peasants were historical residuals destined to disappear. (McMichael 2004, 4)

Harriet Friedmann (1992) traces back to US Public Law 480 the aim of creating commercial markets inducing Third World countries to depend on wheat imports.

> In the 1950s and 1960s, the US share of world wheat exports grew from just over a third to more than half. And as Europe substituted domestic production for its historic imports, the Third World (and Japan) became the major importers. The Third World share of wheat imports grew from 19% in the late 1950s to 66% in the late 1960s. At the end of World War II, no Third World country had been a significant importer, and some, especially in North Africa and Latin America, had been major or minor exporters (Argentina and Brazil still are). Between the early 1950s and the late 1970s, per capita consumption of wheat increased by 63% in the market economies of the Third World, but not at all in the advanced capitalist countries. By contrast, per capita consumption of all cereals except wheat in the Third World increased only 20%, and per capita consumption of root crops actually declined by more than 20%. (Friedmann 1992, 372)

According to McMichael, the Uruguay Round negotiations allowed the crisis of overproduction derived from US and European Community agricultural policies (McMichael 2004, 6) to be managed. The *Uruguay Round Agreement of Agriculture* (URAA) of the World Trade Organization (WTO) was ultimately an implementation of GATT. As Shiva demonstrates, the URAA made dumping “legal”, or more accurately it introduced an antidumping law that recognized dumping as a generalized practice and imposed certain restrictions on it (Shiva 2002, 55).

> Under the new agreement, signed in April 1994, countries are obliged over a period of six years to phase out export subsidies by 21 per cent in volume and 36 per cent in monetary terms, from the 1986-90 base period. This is not a removal of subsidies but rather a perpetuation of them. The Uruguay Round does not help farmers anywhere, even in the North. The agriculture agreement requires a 20 per cent reduction in each industrialized nation’s support for domestic producers over six years and a 13.3 per cent reduction over 10 years for developing countries. All government farm programs are to be added up as a single monetary value, called the ‘Aggregate Measure of Support’ (AMS), summing up that country’s annual budgetary; its friends in Congress have used the commitment to phase down the AMS thereby leading

> to cutbacks in several support program that encourage conservation, wetlands protection, and other environment friendly farming practices. (Shiva, Jalees 2005, 86)

In short, the removal of import protections and export subsidies, together with the introduction of dumping, increased the sale of European and US surpluses enormously around the world, while depressing world prices and forcing small farmers to compete “as equals” with larger corporations such as Cargill. Ultimately, these agreements introduced a new system of free competition in which the transnational governance of agriculture largely undermined the sustainability of the peripheries, destroyed traditional economic structures, and forced a new army of producers and consumers to depend on the market for subsistence. Moreover, the widespread devaluation of agricultural produce that affected US farmers became an international phenomenon, which contributed to the decline of the global countryside, and to the consolidation of the hegemony of US agribusiness in the global economy.