Drought menaces farm sector and Sunbelt growth

by Susan B. Cohen

Over the past week the weather pattern—identical to that of the 1930s Dust Bowl and the 1950s Great Texas Drought—that enforced killing heat and drought across the Plains and South of the country for more than a month has begun to break up. There are several sobering notes to this good news, however.

Extensive damage has been done to crops and livestock. The cattle industry has been dealt a devastating new blow. Moreover, the stubbornness of the drought in the Southwest puts the entire question of Western development, including the so-called Sunbelt boom, right on the line.

The Carter White House has preferred to ignore these developments throughout, routinely rejecting requests for a presidential declaration of disaster from states like Montana and North Dakota that had already suffered more than $1 billion in losses.

Instead of granting disaster aid, Mr. Carter went ahead with his long-rumored move to "hold" the farm vote. He announced that he would raise support loan levels, effective for the coming harvest, to channel about $1 billion into the farm sector. He was acting, he said, to remedy the "serious cost-price squeeze" that has cut farm income this year. Opportunity, it would seem, was the mother of the President's generosity—within days Congress would have placed a piece of legislation to similar effect on his desk.

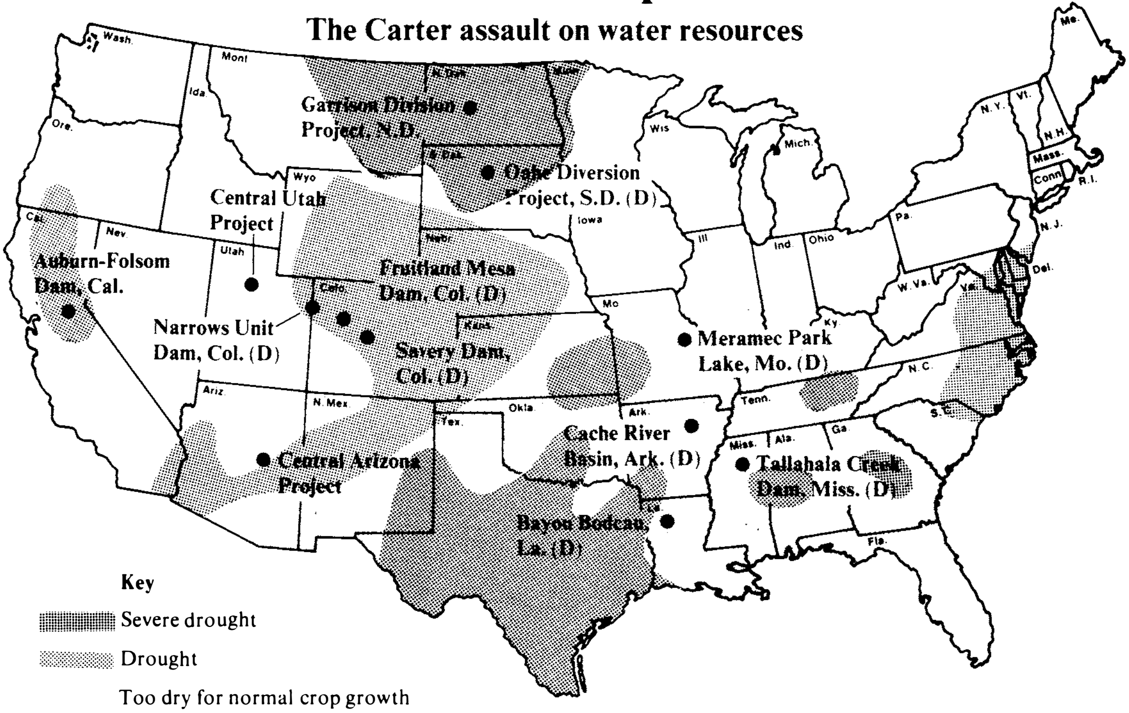
Carter raised the loan price for wheat from $2.50 to $3.00 per bushel; for corn from $2.10 to $2.25; and for soybeans from $4.50 to $5.02. The Senate also called for a "second tier" of prices—$3.30 for wheat and $2.40 for corn—to be set for commodities committed to the three-year reverse program, but President Carter declined to include this feature in his program.

This move, and subsequent maneuvering by Kansas Senator Bob Dole and South Dakota Senator George McGovern (prime movers of the congressional price support legislation) to claim credit may titillate the pollsters. But the decision is unlikely to go over well in the farm belt. At this point, giving a farmer another loan is like offering a drowning man a drink of water. Producers have been piling up second and third mortgages and more loans for the past two decades, papering over the fact that they were continuing to operate at below cost of production. This practice was brought to a screeching halt this year when the Carter-Volcker economic policy billowed inflation and sent production costs up by more than 50 percent for the key inputs of credit, energy and fertilizer. With virtually no equity left, producers have no cash reserves and no leeway to "credit manage" their way through this season. The point is also demonstrated in the surprisingly flush condition of regional banks.

The new loan prices are at a little more than half the cost of production—and a far cry from even 90 percent of parity, seen by many producers as a baseline for being able to stay in business. Thus, the pressure on producers is in no way lessened. They are still forced to sell, as soon as possible, whatever they have at whatever price they can get to prevent their cash-flow from collapsing. They cannot "play the market," holding produce for a better price. And Carter's $1 billion is, after all, a loan—to be paid back in full, with interest, at term.

Drought threatens food supply, western development

The Carter assault on water resources



In April 1977 President Carter announced that he was discontinuing funding for no less than 18 federal water projects, many of them already underway, and that he would substantially "modify" at least five more. The fight has not ended yet, although 12 of the projects have been killed. A number of the more important of these projects are indicated—those killed already have a (D) for "dead"—on the above map which shows the disastrous implications of such a water policy.

The multiproject diversion unit at Garrison, North Dakota, was nearly 20 percent completed in 1977 when the project was put under wraps, subject to Carter's "modification." Originally intended to supply about a million acre-feet of irrigation water to 250,000 acres of farmland now drought-stricken in central and eastern North Dakota, the project has been scaled down to supplying irrigation water to about 100,000 acres, in addition to providing enhanced municipal water supplies; facilitating fish and wildlife management; and assisting in flood control, land drainage and stream-flow regulation. Today the project is virtually dead.

The Central Arizona Project, "modifed" to eliminate three dams, was then made contingent upon state passage of stringent water conservation laws. For three years, Interior Secretary Andrus blackmailed public and private water users in Arizona, until they passed strict water conservation measures in precedent-setting legislation in June.

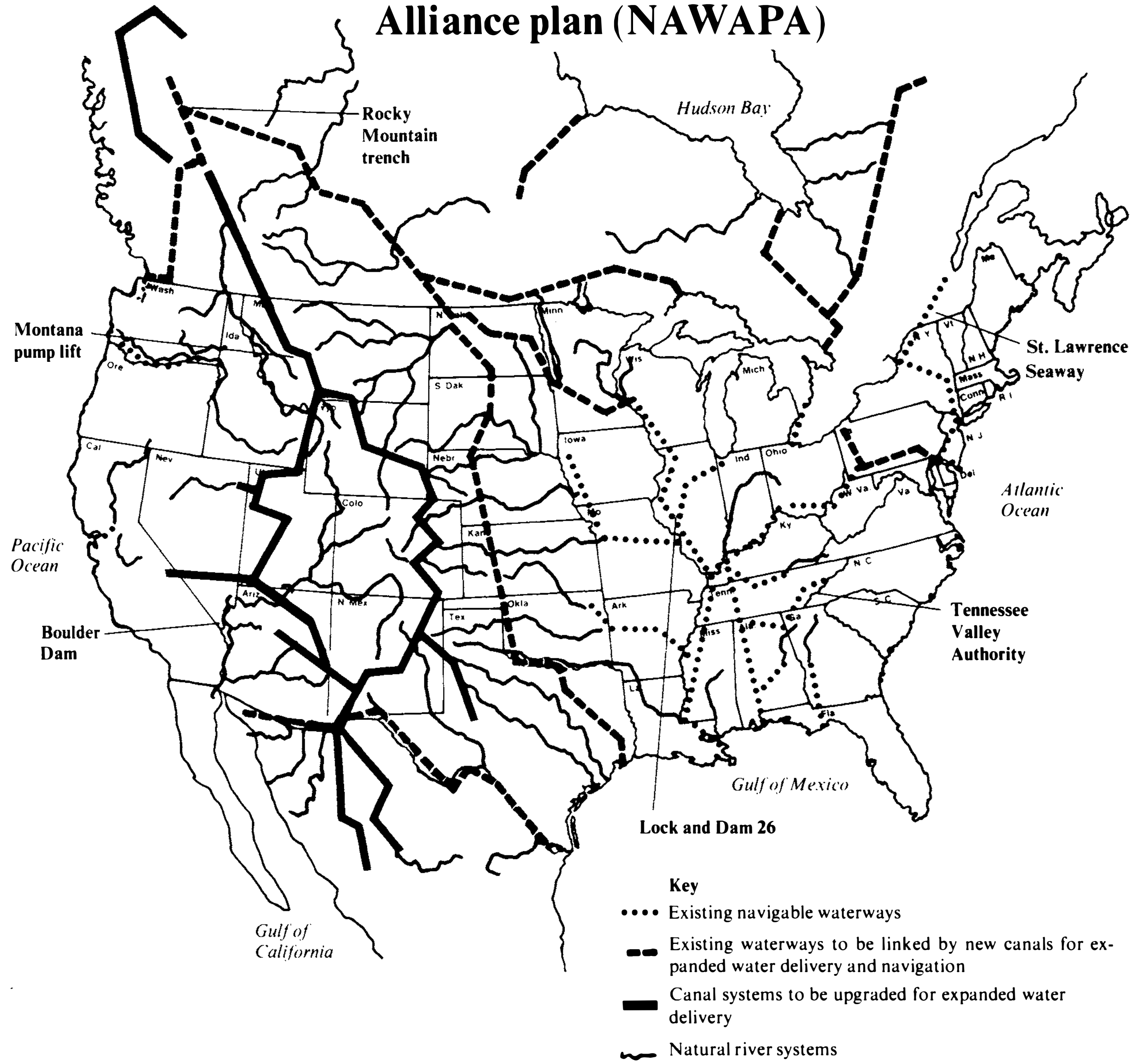
Last December, President Carter's Water Resources Council, run by Cecil Andrus, presented a new set of regulations governing water project evaluation. The new regulations—premised on fierce regional and local competition for scarce water supplies—make it virtually impossible to identify a water development project as in the *national* interest and therefore worthy of federal support. Further, the Carter administration has sought to encourage water "conservation" by taking every opportunity to raise water users' fees.

More than drought

This is the problem that agriculture spokesmen cite in connection with the drought. "It's more than just drought you're dealing with," David Samuelson, a Texas rancher and spokesman for the American Agriculture Movement explained this week. "The real kicker on this thing is the weak financial position of the producers. They're being hit with a drought at a time when they have no financial reserves to deal with it. They're all loaned up, and the bankers are calling in the loans."

What Samuelson and others fear is a flood of bankruptcies and the irrevocable damage to the nation's food-producing capacity if action is not taken to declare a moratorium on federal farm loan repayments and enforcement of 90 percent of parity—powers the President has at hand now. Even the optimistic USDA forecasts predict a 25-35 percent reduction in 1980 net farm income from 1979—as of the second quarter it was plunging at an annual rate of 40 percent.

The North American Water and Power Alliance plan (NAWAPA)



NAWAPA, a water development project that would transform the North American continent, was proposed in 1964 by the Ralph M. Parsons Engineering Company. It was attacked by environmentalists and austerity-minded special interests, and has been shelved ever since.

The essence of the plan is to exploit the natural river systems of the continent, in conjunction with a large-scale engineering effort to capture the millions of acre feet of water lost through runoff each year and redirect it for multi-purpose use in water-short regions.

The major engineering projects would be undertaken to collect surplus runoff water from the Rocky Mountains, starting in southern Alaska and into western Montana, to be delivered for use in southern California, Arizona, Texas and Mexico. Another portion would be diverted east into channels leading to the Great Lakes and into the Mississippi River.

With a mobilization of the skilled labor and engineering resources of the United States, Mexico and Canada, the project would take ten to fifteen years to complete. Its total cost, with the appropriate use of nuclear explosive construction methods, would be about $130 billion at 1979 prices. The return on this investment would include:

- a near-doubling of hydroelectric production in the U.S. alone;
- a near-doubling of irrigated fertile acreage in the states west of the Mississippi;
- a vast expansion of the continental inland waterway system;
- a significant augmentation of water flow into the existing river system, alleviating transportation bottlenecks in what are now periods of low natural flow.

In addition, the project would result in a significant net increase in ground water reserves in many overdrafted areas of the country, such as the Southwest and Texas High Plains, areas hit hard by the drought.

Before the rain and cooler temperatures took the pressure off from northern and eastern Oklahoma last week, the nation's corn and soybean crops were directly threatened. The heat and drought had moved into the Corn Belt just at the critical pollination stage. In irrigated areas the crops staunched the weather—though at a terrific expense to producers—but in many areas dryland crops were wiped out, and overall yields will be down significantly, anywhere from 10 to 25 percent. In Indiana, one of the top corn-producing states, Purdue University estimates that 6 percent of the crop has suffered irrevocable damage. Russ Arndt, president of the National Corn Growers Association, projected a week ago that yields could drop from 140 to 100 bushels per acre this season.

Comprehensive estimates of the damage in terms of livestock and crop losses and inevitable yield reductions are not yet available, but preliminary verdicts in various states give a sense of the magnitude. In North Dakota damage was estimated at more than $1.2 billion; in Missouri, Governor Teasdale called the state's $1.5 billion crop loss figures "a conservative estimate"; Georgia has put crop losses at $450 million, with 45 percent of its corn crop, 26 percent of its vegetables, and 14 percent of its tobacco gone. In Arkansas crop losses have been put at $500 million, in addition to the loss of about 8 million broilers and breeder hens in the country's number one poultry-producing state; in Texas losses are topping $2 billion.

Texas is one of the top cattle-producing states in the country, and persistence of the drought there is devastating. Pastures have burned up, stock ponds are dry and cracked, cattle are subject to respiratory diseases and infection and do not gain weight properly in the heat, and producers are increasingly forced to send them to market several weeks early and a hundred pounds lighter. State officials have estimated that by Aug. 1, rangeland feeding would give out entirely—and a mass sell-off of livestock may begin.

Producers are unable to avail themselves of irrigation management to maintain their herds, and the costs of supplementary feeding—with the hay and other forage crops largely destroyed—are prohibitive in most cases. Nor can most producers afford to ship their herds out of the area or the state to "greener pastures." They are forced to cull—even to the point of cutting into breeding herds.

Livestock in jeopardy

Texas is the most concentrated example, but the cattle industry was hit all the way up the Plains through Missouri and Kansas to Montana, Wyoming and the Dakotas, where cow-calf pairs have been streaming to market for a month or more, as pastures dried up and forage burned.

This is a situation which even the recent rain cannot remedy—there has been no regrowth on most of these pastures, and there is not enough time to get a new hay crop before winter. The six states where pasture and water supplies were hardest hit—North and South Dakota, Montana, New Mexico, Texas and Missouri—have fully a third of the nation's beef cows and replacement heifers. Including areas of slightly less severe drought, one half of the cattle herd is at stake.

America's cattle herds represent a national food reserve of grain, stored in the form of high-quality protein on the hoof. The dairy and beef industry is the key to maintaining supplies of low-cost protein for U.S. diets, and stepping up exports of badly needed protein products to the developing sector.

But the so-called cattle cycle has been repeatedly thrown off track by the kind of economic policy incompetence brought to a high point in the Carter-Volcker tight money measures. Producers have been losing money for seven years, and every move toward herd rebuilding has been undermined. Already, at 111 million, cattle numbers are heading to levels *below* the previous cycle's trough, as producers are forced back into liquidation of their herds once again. In the past two years, 6 percent of the country's meatpacking plants have been closed. And since 1976, American beef consumption has been driven down from 95 pounds per person per year to 76.

The Texas challenge

The situation in Texas highlights the challenge to western development overall posed by the drought in terms of effective water development policy. Texas is not only the country's third-ranking agricultural state, but, with Arizona and New Mexico, it is the site of the western Sunbelt industrial and economic boom.

Today estimates are that crop production in Texas—feedgrains like milo, cotton and corn—will be down at least 50 percent, as of this point.

All subsurface moisture is rapidly disappearing, at the same time that fuel costs have put a terrific premium on irrigation. Dryland farming has been almost thoroughly devastated, but overall, as crops are removed and autumn approaches, the west wind will start to blow the loose, dry soil. In southern Texas, where drought conditions have existed for four years, producers have relied heavily on irrigation. In addition to soaring costs, now the groundwater supply is dropping at a rate of a foot per day. Within 30 days, residents estimate, much of the area south of San Antonio could be out of water. Some producers have already sold out in this intensely agricultural area that supplies the East Coast with vegetables all winter. It is similar as you travel west, through New Mexico to Arizona, where the boom town of Phoenix, for example, has been held hostage to the Carter-Andrus water policy for three years.