Commodity Credit Corp. stops paying

The 1987 monetary collapse will be measured in empty shelves before long.

May 1 was the effective close-of-business day for the Commodity Credit Corporation, which suspended disbursements for farm subsidy payments and support loans, until Congress acts to remedy the situation. The CCC is out of money to operate. A supplemental measure, approving about $6.6 billion, was passed by the House, but not by the Senate. As of May 7, no concerted action was under way, despite the fact that the timing of the CCC payments suspension hits during the spring crop planting.

In order to plant this year at all, many farmers had to make precarious funding arrangements, which any change—like the CCC suspension—could undermine. Funding from the Farmers Home Administration has all but dried up in most regions.

Demobilizing farmers by interrupting any planting-period cash flow is especially disastrous right now, because of the large amount of land contracted to be out of production this summer, under the Department of Agriculture's huge cropland set-aside program. This season there will be more land set aside than any other year except for the infamous 1983 PIK (Payment in Kind) year. In 1983, a drought started in mid-summer, which, combined with the acreage set-aside, reduced the corn harvest by half, and the soybean harvest even more.

The rationalization for the USDA, Congress, and other policymakers doing nothing to avert a possible repeat crop shortfall this year is that there are food surpluses. This lie is getting harder to repeat in the face of declining food stocks. For example, the national numbers of cattle and hogs have fallen so low, in terms of meat output potential per person, that even the rigged futures markets in Chicago are showing price rises—the stock isn't out there to slaughter.

Quality soybeans and soybean seeds are not available, despite the publicity about "bin-busting" harvests. The corn in storage—from the perfect growing weather of 1986, and previous years—is beset by record rates of infestation, due to the environmentalist-banning of EDB (ethylenedibromide). So when you go to the grain bin, the pests may have gotten there first.

Army logistics experts advise a one- to two-year food reserve supply, given possible weather and other disasters' for example, the abrupt shortages of nitrogen fertilizer at one point during the rigged energy crisis in the 1970s. The "surplus" of grain now on hand in the United States is only several-months' worth, even in the face of the collapse of exports and domestic livestock consumption needs.

In this context, the inaction in Washington regarding the CCC payments, and the ongoing collapse of the farm credit system, will translate into empty shelves before long, unless the onset of disaster evokes some last-minute emergency measures to restore farm output. Farm debt should be frozen and rescheduled, and new, low-interest production credits issued under authority of the Treasury Department, through the existing farm credit network. This should be combined with new foreign trade and monetary measures designed to stabilize currencies and resume production and trade levels for allied nations.

The Commodity Credit Corp. began to have suspensions of payments in 1985, after a 20-year record of no significant interruptions in function since 1965. In 1986, there were four suspended-payments periods, during which time Congress had to authorize more money. The CCC was founded in the 1930s to be the mechanism to help farmers stabilize their income despite commodity price swings.

By the end of April, the seventh month of the CCC fiscal year, the agency has already effectively spent its yearly anticipated budget of $25 billion (referred to as its borrowing authority). Last year the CCC spent a net of $25.8 billion, and projected spending slightly less this year, but they are already wrong. At the time of suspending payments, the CCC was down to $1 billion, and spending at the rate of $80 million a day.

The halted CCC funds stop payments for: crop loans, crop price deficiency payments, acreage diversion, storage and warehouse costs, and dairy diversion.

An April 17 report from the Farmers Home Administration noted that in 21 states, the FmHA had used virtually all their direct operating loan allocations through the third quarter (April 1-June 30) of fiscal 1987, and a number of other states were near the limit. A letter sent in late April to Agriculture Secretary Richard Lyng, by House Agriculture Committee Chairman Kika de la Garza (D-Tex.) said, "As the time for spring planting approaches, thousands of farmers across the nation are facing the very real possibility that they will not obtain sufficient credit to finance their operations this year." This is coming true.