'80s a roller coaster ride for farmers

By STEVEN P. ROSENFELD
Associated Press

DES MOINES – Iowa farmers were brought to their knees by debt and drought in the 1980s, as agriculture suffered its most punishing setback since the Dust Bowl and Depression 50 years earlier.

Thousands of farmers were driven from their land. Many who survived the farm crisis emerged burdened by a mountain of debt. There was one drought in 1983 and a second that began in 1988 and has yet to end.

Still, tens of thousands of Iowa farmers hung on to their land and shared in a recovery financed with huge government payments that sent farm income soaring to record heights.

"It was kind of a roller-coaster-type ride," said Jack DeWolf of Rolfe. He isn't the same farmer he was when the decade began.

"Those tough years, years you couldn't seem to do anything right, caused us to be somewhat more conservative in our thinking -- not being so anxious to purchase things on time or to mortgage something," he said.

It was a lesson learned by many farmers' parents and grandparents in the 1930s and forgotten in the inflation-fueled boom years of the 1970s.

"We must have longer memories about economics," said Dale Cochran, Iowa's secretary of agriculture.

NEIL HARL, an Iowa State University professor and national authority on the farm economy, said the more cautious farmer with little debt survived the 1980s and may be in good shape.

"As for those still living on the margins, a significant reduction in farm income will put them in the soup," Harl said.

IOWA LOST MORE than one out of every 10 farms between 1978 and 1987, according to the U.S. Census Bureau. There were 121,339 Iowa farms in 1978, as the farm economy was still expanding, and 105,180 farms in 1987, as the recovery from the recession took hold.

As the number of farms fell, their size grew, from an average of 274 acres in 1978 to 301 acres in 1987.

The fallout from the farm crisis spread to rural communities and to the farm implement factories and meatpacking plants in some of the state's large cities.

"We lost thousands of Main Street businesses and tens of thousands of jobs in Iowa," said Cochran, who saw the value of his north central Iowa farm near Eagle Grove plunge from $4,000 an acre in 1981 to $1,200 an acre in 1986.

Cochran said 38 banks or savings and loans failed in the past decade, mostly in rural communities. Iowa lost 275 implement dealers and an almost equal number of auto dealerships, and the economies of Davenport, Fort Dodge, Ottumwa and Waterloo suffered through retrenchments in farm-related industries.

Harl said three factors deserve the brunt of the blame for the farm crisis:

•Inflationary expectations dating back to the mid-1960s. "It was a common belief inflation always would be with us. That caused profound changes in decision makers, including farm decision makers. Farmers started anticipating capital expenditures," Harl said.

If a farmer thought he might need a new tractor, he bought it at once, rather than paying a much higher price the next year. When federal inflation policy changed, however, "the bills were there to be paid," he said.

•The Federal Reserve Board's decision under Paul Volcker to bring inflation under control by making credit scarce, which sent short-term interest rates shooting to more than 20 percent in 1980 and long-term interest rates shooting to more than 15 percent in 1981.

"That was what really took agriculture apart," Harl said. "Agriculture is a capital intensive industry that is export sensitive. A farmer typically nets 5 percent to 7 percent on assets. When you start paying 19 percent to 21 percent on money, you don't get well very fast, especially when more than half of your net worth is in debt."

•The federal tax cuts of 1981, which Harl called "the single most irresponsible act in the history of the Republic." The cuts raised "a frightening prospect of massive budget deficits," and the deficits kept interest rates higher than they otherwise would have been.

Harl also said the heady rise in the value of the U.S. dollar against other foreign countries in the first half of the decade "cut the heart out of exports" by making U.S. commodities too expensive abroad.

Harl said the farm debt problem is mostly over, but overproduction remains a threat. "It stretches as far as the eye can see in the future. It will keep pressure on agricultural prices and pressure on land values," he said.

Harl identified the 1990s as a decade of transition for farmers, as the government seeks to reduce price supports, lower international trade barriers and deal with concerns about food safety and groundwater pollution.

If farm programs place more emphasis on the marketplace and less on federal subsidies, more marginal farm land will be taken out of production, and communities surrounded by poorer land and steeper slopes will face adjustments, he said.