LAND STEWARDSHIP PROJECT

LSP *Myth Buster* #62

An ongoing Land Stewardship Project series on ag myths and ways of deflating them.

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➔ *Myth*: Commodity Ag is Rural America's Cash Cow

➔ *Fact*:

When a form of production dominates a region geographically, it should be safe to assume that it's also king of the local economy. But when it comes to all those millions of acres of corn, soybeans, and other commodity crops growing in rural communities, the dollars generated are passing through like a speeding freight train — and it's a one-way trip. That means the people who raise those crops are left to seek other forms of income to survive.

During the fall of 2022, a University of Missouri-CoBank study showed that a whopping 82% of farm household income comes from off-farm sources. In the 1970s, farmers were reliant on around 40% to 50% of their household income from off the farm. Well over half of principle farm operators have a main job off the farm; in 1974, 37% worked off the land. And over 60% of farm-dependent county residents commute outside their counties to work, up more than 10 percentage points from two decades ago, according to the study.

A big reason so many farm families are working off the farm is that such jobs often provide healthcare insurance as a benefit, which is increasingly important at a time of skyrocketing medical costs. But it's also clear that farming is simply not providing the financial security most households require. That's surprising, given the billions of dollars in economic activity the commodity system of agriculture churns out annually. But, as food systems analyst Ken Meter makes clear, most of that money is leaving our rural communities via an extremely extractive process.

As he points out in his book, *Building Community Food Webs*, today farmers earn one penny from each dollar's worth of food they sell — a 98% decline since 1910. By 2018, the net cash income from crops and livestock fell to $4 billion, which is lower than Great Depression-era levels and only 1% of sales, according to Meter. Much of that money is being siphoned off in the form of interest payments. As it becomes increasingly expensive to raise a crop — it's estimated the 2022 corn crop was the most costly one in history and that 2023 will top that — farmers are more reliant on huge amounts of credit to buy machinery, land, and chemical inputs. Farmers borrowing money has long been part of agriculture, but traditionally producers worked with local banks and even fellow farmers to procure those loans. Those lenders would use the interest earned off the loans to invest in the local community.

But increasingly, more of that debt is being controlled by corporations with headquarters in distant cities, states, or even countries. Those interest payments leave the community, and don't come back. And consider the fact that virtually no inputs — pesticides, fertilizers, or fossil fuels — are produced locally these days. That became painfully clear in 2022 as the war in Ukraine disrupted world natural gas supplies, resulting in record high input prices down on the farm. Meter's number crunching shows that when one considers losses in terms of interest payments, combined with money shelled out for pesticides, fertilizers, and fossil fuels, "at a minimum" $4 trillion (in 2018 dollars) has left the U.S. farm sector since 1910 (that's 13% of cash receipts). He says that's a conservative estimate, given that it doesn't include the costs of equipment, building materials, or seeds, which are almost all being shipped in from elsewhere.

Even what's considered "farm income" is often not tied directly to selling the fruits of the land onto the open market. Through such programs as crop insurance and other subsidies, an increasingly larger proportion of cash input is via government programs. In 2019, government payments made up one-fifth of all farm income, which means decisions about how much money is given to whom are increasingly being made outside rural communities.

Take a drive through most farm towns and one will see the result of this extraction of wealth: shuttered Main Street businesses, along with closed schools and churches. Rural America is faced with the cruel irony of seeing its commodity production explode, while its economic vitality, and population, fizzle. An added insult is that many farm towns are surrounded by endless acres of fertile soil, but are food deserts where the only place one can procure even a loaf of bread or a gallon of milk is the local gas station. Meanwhile, 11% of rural households in 2021 were "food insecure," meaning that they lacked "consistent access to enough food for an active, healthy life," according to the USDA.

Make no mistake, there is a lot of money involved in agriculture these days — it's just not going to the farmers and the communities they live in. Take, for example, the record prices being paid for farmland. Wide income disparity gaps — the gap between the richest and the poorest residents — have long been more closely associated with metropolitan areas—think New York's Park Avenue and Harlem's slums, for example. But an analysis by

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Bloomberg News found that booming prices for farmland have helped make wide income disparities commonplace in rural areas as well.

Families that sell out to the highest bidder or rent to a farmer are often not living in the community anymore, meaning their wealth isn't staying local. In addition, when a farm is sold, it's more than likely bought to add acres to a larger operation, not to serve as a basis for a new start-up.

Iowa historically had low levels of inequality, "but now it is skyrocketing," Iowa State University sociologist David Peters told *Bloomberg*. "Today you have far fewer farmers and a small number earning larger and larger incomes. It doesn't spread through the economy like it used to," he added.

The system that bleeds rural communities dry has many roots, including federal policies that were set up to provide multinational corporations a steady source of cheap commodities that can be exported and fed to livestock in industrialized concentrated animal feeding operations. Reforming farm policy so that it stops favoring an increasingly consolidated system that treats farming communities as places to be strip-mined of their resources is one way to end this extractive system. Another approach is to create community-based food initiatives that emphasize localized, homegrown systems. In such a system, grain, livestock, produce, and dairy products are processed and marketed in the community or region, providing sustenance, and income, for local folks first. Any surplus could be sold outside the region, with the income from those sales staying in the community. Commodity crops like corn and soybeans would still have a place in such a system, but their role in controlling all aspects of the economy — from who is loaned money and allowed to buy land to what kind of storage and transportation infrastructure is present — would be greatly diminished.

In a community-based food system, businesses start to see agriculture as a key driver of the economic and civic life in the community, and not just a way cash motors down the road. This can help drive the development of local lending, processing, and other ancillary businesses.

This isn't a pipe dream. Meter has written extensively about communities who have taken such an approach. No one has it completely figured out, but the potential is huge. Meter once did a study in a sparsely populated community in North Dakota that showed that if everybody in that region bought $5 worth of food weekly from a local farm, the overall economic value of those purchases would be greater than all the money generated by all those commodity crops grown on thousands of acres in the area.

That's why the Land Stewardship Project has been conducting listening sessions in rural communities to find out what a different approach to our food system could, and should, look like. Farmers, small business owners, and local government officials are turning out for these meetings and acknowledging that the current system is simply not working. That's a good start: after all, the first step toward long term change is acknowledging the current system is broken…and isn't inevitable.

More Information

- For more on LSP's community-based food work and Ken Meter's research, see the No. 2, 2022, *Land Stewardship Letter*: https://landstewardshipproject.org/no-2-2022-land-stewardship-letter.
- The CoBank-University of Missouri Study, "The Importance of Off-Farm Income to the Agricultural Economy," is at cobank.com.

More Myth Busters

Other *Myth Busters* can be found at https://landstewardshipproject.org/myth-busters. For paper copies, contact Brian DeVore at 612-816-9342 or bdevore@landstewardshipproject.org.

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