

Farm Debt and Stress

My parents were farmers on Prairie Creek from the 1940's through the 1990's and my mother in particular grew up in a hard scrabble farming environment on Catherine Creek near Elgin. There is a 1920's black and white photo of my mother's family at a work picnic in the forest and everyone is somber except my mother who has a child's optimistic smile. Farming was always unpredictable given that the natural world is indifferent to human aspirations, and yet, worrying about nature's next move did not change the results. Farmers in that period were generally fatalists, accepting whatever nature dished out. Fatalism is accepting that there are forces beyond one's control, such as the summer hail storm ruining the unripe wheat crop; wringing one's hands is not going to alter the outcome (insurance might help a bit, but it might not hail for ten years). Fatalism is an ancient philosophical way of dealing with uncontrollable stress.

One of the ways farm families tried to deal with an unknown future was to not get over extended on expensive farm equipment or ambitious expansion plans, knowing that the debt must be kept within reason. However, some risk was required and every April my parents would take out a sizable mortgage loan against the farm to pay operating costs, not knowing what would happen between April and fall when the cattle and crops were sold. I can remember some heated arguments in the kitchen over how the bank loan would be paid back, given that grain and cattle prices had tanked over the summer. But they would end the year with a shrug, that was farming; tighten your belt and have a smaller Christmas, hope for a better year ahead. Or at least farming use to be that way.

Exiting the Navy in 1973 I enrolled at Oregon State in a graduate program with the intention of majoring in business and taking a minor in Ag Economics. The intent was to return to our farm/ranch and help Mom and Dad grow it in size, it being assumed that larger economic size would lead to greater income and more satisfaction for everyone. While visiting the ranch that summer Dad and I were building fence around the pond on the south end of the house. I asked him directly if this plan was what he wanted. In a very soft voice he simply said no. He wanted an economically safe, uncomplicated retirement. That was the end of my plan and I moved on from the farm (and it turned out well for me); Dad had a better historical perspective than I had at that stage of my life for taking on financial risk.

Farming today has evolved into a capital-intensive business with a heavy debt burden to finance all the latest technology and acquire real estate over many years. I recently drove along the Snake River east of Pasco and was astonished at the enormous new investment in land and equipment there, and yet not a single-family farm barnyard was

present for tens of miles. It was all giant commercial buildings and automated watering systems; the workers live in small track houses in Pasco. It is funded by Big Money, from Wall Street or overseas, certainly not from local farm families (Bill Gates owns 242,000 acres). Throughout the U.S. farmers who are rapidly expanding and buying expensive equipment are taking a gamble that the market for their products will remain stable and production costs will be predictable over several years. This same human optimism about an unknown future has historically fueled an irrational confidence in the financial markets just before a crash (most recently in 2008). There is always a belief that the future can be known and controlled, however history shows this is never true (humans have short memories of history). The mental battle in farming is between giant corporate capitalist who believe economic free will can be had with enough investment, versus my parent's rural fatalism and skepticism to stay moderate and affordable, and expect bad years.

Investment in technology since WWII has enabled farm production output to continually rise while maintaining the same percentage of inputs, but it has required heavy debt financing and betting on the ever-rising crop yields. However, the warning signs of a perfect storm are in sight for heavily in-debt farmers in 2023: a leveling off of agricultural output; rising interest rates will increase crop loan and equipment costs; mortgage interest rates on land will rise; climate change will mean less reliable weather patterns in the critical spring and early summer months causing yields to be less predictable; over use of chemical fertilizers will continue to deplete the soil and pollute water, ending the constant artificial rise in crop yields since the 1960's; war and chaos will disrupt supplies (Ukraine); and developing countries will bid up material prices on farm inputs (fertilizer). The effect will be a smaller and less reliable net farm income resulting in a declining ability to pay off the debt owed. And this of course will result in more stress for farm families and the increased need for a hot line to counsel individuals who are at the edge.

There is no "fix" for this, however, scaling back ambition and learning to live without large capital investments could reduce the pressure to always have a bumper crop every year, which in turn would ease the mental stress somewhat. Back to my parent's 1960's future.

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