

The Future of the Family Farm

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Table of Contents

Introduction.....	1
Current Definition.....	1
Number and Size of Family Farms.....	5
Impact of Technological Change.....	7
What are the Alternatives?.....	9
Implications for the Future.....	10
Footnotes.....	12

Introduction

The family farm has had a long and highly praised role in U.S. agriculture and in U.S. farm policy. At times it has been seen as the salvation of our country and the source of everything that is "good" in the American way of life. Few of us who work in fields related to agriculture today do not cherish fond memories of those days spent on the farm as a boy where we labored long hours in the fields or with the cattle and relaxed in the quite of the evening on the front porch with the family, tired but contented. Most of us have at one time or another expressed a desire to return to the farm and work in the soil. We have pictured in our mind the ideal farm or ranch that would provide us an adequate living and allow us most of the conviences that we have today without being on the treadmill of pressure and progress (publish or perish).

There is however a different concept of the family farm, the concept of a business enterprize which provide a source of income equal to that which could be earned in non-farm employment. The concept which says, if the operation does not pay its way the best thing to do is look elsewhere for employment. It is this concept that most of us considered when we decided to leave the farm for a better level of living than we could hope to obtain had we stayed.

It is this basic conflict then between the profitable business enterprise and the concept of the farm as a way of life that causes us to raise questions concerning the future of the family farm and the role it will play in U.S. agriculture. Before we make any prediction about the future let's look at the origins and evolution of the family farm and the changes that have occurred in the concept over the past 200 years.

The concept of the family farm developed in the mind of Thomas Jefferson and was one of the basic components of Jefferson's democracy. Two quotations from Jefferson will set the stage for the remainder of the discussion. Jefferson believed that "those who labor in the earth are the chosen people of God, if ever He had a chosen people, whose breasts He has made His particular deposit for substantial and genuine virtue. Corruption of morals in the mass of cultivators is a phenomenon of which no age or nation has furnished an example."(1) At another time Jefferson wrote; "generally speaking the proportion which the aggregate of the other class of citizens bears in any state to that of its husband men, is the proportion of its unsound to its healthy parts and is a good enough barometer whereby to measure its degree of corruption."(2)

What Jefferson had in mind therefore included more than the physical description of business organization. He

ascribes to the farm population qualities of virtue which justified the existence of this type of organization as the major strength of our society and therefore something to be maintained above any economic consideration to the contrary.

Since the time of Jefferson the "family farm" has been held by many people in the same respect as the Flag, motherhood, and the goodness labor. Few pieces of farm legislation have been passed which did not have as stated goals the preservation, improvement, or maintanence of the family farm and it has been held as a value in and of itself. This is not to say that the above legislation achieved or was really designed to achieve this goal. The goals and the impact of the legislation often were and continued to be in direct conflict in many cases.

Why has this occurred? Basically because of the confusion existing about the nature of the farm and the farmer. In the past it was reasonable to believe that farmers were people who lived on farms, tilled the soil with their labor and equipment, and cared for their own farm animals. Farmers received the fruits of their labor and management and a return on their investment----farm income. It was generally assumed that the farm operation was seperate from and uninfluenced by non-farm occupations or farm business interest and invest-

ments. Farm production units were taken to correspond with family income-earning and spending units.

Over time the situation has changed. Farming today is mixed with non-farm pursuits. Farmers are no longer easily identifiable. Off farm wages and income are a major part of the income of farm families. In 1964, 80% of the farm operators households reported some off farm income which average \$3,900 per household, also individuals receive incomes from farming although they neither live on a farm nor participate directly in farm operations. (3)

The farmer is therefore no longer the man with a tract of land, a wife, four kids and a collie dog; who produces what he needs, sells the rest, and exists in isolation from the rest of society. Todays farmers are more heterogenous in nature than any other industrial group in society and are therefore more difficult to categorise.

Current Definition

In 1962 Nikolitch defined the family farm to be "any farm on which most of the labor and managerial activities are carried out by the same individual or family and using less than 1.5 man years of hired labor" (4) Although similar to earlier concepts of the family farm this definition differs from the earlier concept in that the individual farmer or farm family is no longer required to own the land resource

on which they operate. The concept of the family farm approaches the concept of the farm business except that the idea of wholesomeness and the basic quality of life is still indirectly interjected into the definition by the implication that we are still talking about the Jeffersonian ideal. Unless we are extremely fundamentalistic in our ideas we see that Nicholich's definition of the family farm makes as little sense today as the definition or concepts of Thomas Jefferson. Because he fails to recognize that farmers are no longer isolated and that to suppose a homogenous group of family farmers is like using the competitive norm in economics. The family farm may be a measure or standard from which to depart. It is not necessarily a goal to be achieved.

Number and Size of "Family Farms"

In order to quantify the number and size of "family farms" we must stick fairly closely to the definition given by Nicholich because he is one of the few who have attempted to determine the characteristics of the family farm in recent years.

In 1964, Nicholich estimated that there were 4.6 million family farms and 200,000 larger than family farms.⁽⁵⁾ He stated that the ratio had remained constant over the ten year period from 1944-54 with about 96% of all farms being family sized. However in 1954 on farms with gross sales of \$25,000

55.7 were larger than family farms. In 1954, 97.2 percent of all full owner farms had less than 1.5 man years of hired labor and 91.8 of all part owner farms had less than 1.5 man years of hired labor. By 1964 Nicholich estimated that there were 891,000 family farms (census later showed 768,000) with a value of sales of 10,000 or more and 2.4 million with sales of less than \$10,000. Cochrane suggested that \$10,000 gross sales is the minimum size for an adequate farm operation.(6) If this is the case there were less than a million adequate farms in 1964. Only 24% of the family farms were of adequate size while better than 92% of all farms well more than 1.5 man years of labor were adequate. In a recent report by The Economic Research Service on farm income tax returns, (see footnote 3) 23% of the sole proprietorships had farm receipts of \$10,000 in 1962, 58% of the farm partnerships had receipts of more than \$10,000 and 82 percent of the farm corporations had receipts of more than \$10,000. However, this classification of over or under \$10,000 gross sale judges the adequacy of farm operations only on income received from farming. The 1964 census of agriculture shows that farmers had non-farm incomes totaling 10 billion dollars in 1964 or approximately 2/3 of their net farm income as shown by USDA estimates. Therefore if we continued farm and many more of our "family farms" would be shifted into the adequate size group by doing this however we no longer have a homogenous

classification on farm employment. If we can no longer talk about the farm family as a distinct group earning their income farming it seems a little deceptive to talk about the family farm as the income received^{ing} unit in agriculture.

Impact of Technological Change

Perhaps the most significant cause of the change in the position of the family farm in U.S. agriculture has been in industrial revolution and its spillover into the farm production pattern. Its most immediate impact has been to reduce the number of hired workers employed in farming and therefore on a labor definition as used by Nicholich increase the number of family farms as operators were able to expand the size of their farm with fewer hired laborers or at least with the same number, as capital was substituted for labor. A second significant change is that farm production has tended to become more specialized by enterprises and fewer of the inputs are directly produced in the farm operation. Many operations once carried out on the farm are now part of the ever growing agri-business sector of the economy, thus much of the labor bill is covered up by the cost of input services which do not show up in the labor account. Thus, although individual farms may not hire a larger number of employees, there is a large amount of labor required by the agricultural industry which

if proportioned out on a farm by farm bases would significantly reduce the number of "family farms" under a labor definition.

A third factor which has a significantly impact on the farm firm and on farm management is that of increasing capital requirements. As farmers substitute more capital for labor the price of capital increases along a rather inelastic supply function and new devices for rationing capital get built into the credit system. It is becoming more common for the individual to give up some of his decision making power to the lender when loans are reaching the size of a quarter to a half a million dollars. Thus there tends to be an implicit partnership between the lending institution and the farm operator who has sacrificed some of his individual freedom to gain control of capital resources.

Although a great deal has been said about the efficiency of the family farm in organizing inputs in production and the small scale at which this efficiency can be achieved we forget that efficiency is not the only criteria for a sufficient income. It is possible to produce at a low cost with a low margin and a low volume and not be able to earn sufficient income to maintain an adequate standard of living for ones family.

Much of our cost reducing technology has contributed to the ability of the farmer to achieve these efficiency with

small farm operations. This same technology has increased output to the point where margins between cost and price do not provide an adequate income for the small operator.

What are the Alternatives?

There are basically three alternatives to the family pattern of production in the U.S.; the corporate enterprise, large scale non-corporate production and contract production. Each of these alternatives is at present part of our agricultural production sector at least in some small way.

Corporate farms are now receiving a great deal of attention and a great deal of time is consumed worrying over the possible impact on the structure of the production sector. How much of the output do they control? How large are they? What induces them to enter agricultural production? In most cases these corporate farms are really family farms incorporated to achieve economies in the transfer of property from one generation to another or to take advantage of the tax reductions possible through the corporate structure. In a few cases they are research and development farms for the testing of new agricultural inputs and in a few more they are part of an integrated production and marketing system which is designed to capture economies of the marketing channels not

available to separate marketing and production enterprises.

Large scale non-corporate farms exist in fairly large numbers in the agricultural sector, however we know relatively little about the economies which allow the large firm to exist. It is probable, however that there are significant external economies which make the large scale venture possible and profitable.

Contract production the last of the three alternatives mentioned permits the joint planning of production and marketing without the actual aggregation of firms into one unit. It preserves some of the freedom of each of the participants while smoothing out some of the discontinuity of the marketing channels. The nature of contract production varies considerably and may include everything from direct control of the production process to a simple contract to buy or sell.

All of these alternatives as mentioned before are already in existence in one form or another. What their existence means to the family farm is the nature of our major question in this paper. What is likely to happen to the family pattern of organization in the future?

Implications for the Future

A new class of specialists is replacing the farmer who

provides the land labor and most of the capital used in their farm business. Farm entrepreneurs are becoming specialists in combining resources owned by others and are therefore less dependent on resource ownership. There is considerable evidence that suggest that the family farm is no longer a major policy goal. (7) Since 1961 more attention has been given to the problem of the individual (the rural poor) than to the perpetuation of the "family farm". Changing technology and specialization of the production process have significantly altered the nature of the farm business unit. Thus the family farm is somewhat like cardinal utility analysis. A nice historical concept but ^{impractical} ~~impartial~~ on any application.

We can continue to have the family farm as the mainstay of American agriculture only so long as we are willing to revise our definition of the family farm every few years, to maintain some degree of consistency between what exists and what we believe exists.

The family farm of the future will bear no more resemblance to the original concept than todays Ford car bears to the Model "T".

Footnotes

- (1) Edwards, Everett E., U.S. Dept. of Agriculture.
Agricultural History Series No. 7, 1943, Page 23.
- (2) Ibid.
- (3) Reinsel, E.H. Farm and Off-Farm Income Reported on Federal Tax Returns. ERS USDA 1968, Page 1.
- (4) Nikolich, Rajae, Family and Larger Than Family Farms.
AER No. 4, ERS USDA 1962, Page 3.
- (5) Ibid.
- (6) Cochrone, Willard W. The City Man's Guide to the Farm Problem. University of Minn. Press, Minneapolis 1955, Page 21.
- (7) Hathaway, Dale E. Government and Agriculture Macmillan Company, N.Y. 1963 Page 24.

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