Saving the Modest-Sized Farm
— Or, —
The Case For Part-Time Farming

by Willard W. Cochrane

Part time Farming Means . . . Women on Tractors and in the Fields . . .

In the Premiere Issue of CHOICES, Willard W. Cochrane argued that current commodity programs should be eliminated. However, he urged that medium-sized farmers should be targeted for special support. In this article he tells us what he'd do and why. He first describes "Who We Are Talking About".

There were 323,000 farms in the United States with gross sales falling between $40,000 and $99,999 in 1985. The average gross return of these farms approximated $80,000 and the average net return was some $6,566.

The Office of Technology Assessment (OTA) in its March 1986 report, *Technology, Public Policy, and the Changing Structure of American Agriculture* defines those farms falling within the above mentioned sales class as "part-time farms." OTA also defines those farms falling in the sales class $20,000 to $39,999 as part-time farms. There were 230,000 such farms in 1985. The average gross returns of these farms in 1985 was approximately $37,500 and the net return per farm was -$48.

Defining farms in both of these sales classes as part-time farms is certainly appropriate. Off-farm income in each year, 1980 through 1985, exceeded the net income from farming for the average farm in each of these sales classes—and in most years by a wide margin. But we are interested in such farms, because, as we have seen, the average farm in each of these sales classes does have substantial commercial sales, hence is a legitimate farm, albeit a modest sized one. So for purpose of this article, and, I believe conceptual clarity, I define farms falling in the sales range $20,000 to $99,999 as "modest-sized farms."

I further use the terms "modest-sized" and "part-time" interchangeably, and in tandem.

Our group of modest-sized farms comprise approximately one quarter of the total number of farms in the United States and produce and sell approximately one-fifth of the total product.

Modest-sized farms continued to decline in numbers in the 1980's.

Off-farm Income to the Rescue

In the past I have argued that laggard farmers—laggard with respect to technological and commercial practices—abound among these modest-sized farmers, making them ripe for plucking by their large, aggressive, innovative farmer neighbors. And during the decades of the 1960's and 1970's small to

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modest-sized farmers were devoured in large numbers by their aggressive neighbors who became large operators in the process.

The OTA study, referred to above, projects the number of farms falling in the sales class $20,000 to $99,999 to decline by over 200,000 by the year 2000. Thus, I, by looking at past developments, and OTA, by looking into the future, both reach the same conclusion—the modest-sized farm faces a bleak future.

Modest-sized farms continued to decline in numbers in the 1980's. But these modest-sized farms began to get substantial off-farm income help in the late 1970's and the 1980's. Off-farm income for the average farm in the sales class $40,000 to $99,999 increased from approximately $5,000 in 1975 to $10,300 in 1985. This increase in off-farm income did not fully offset the decline in net income for this class of farms, but it did reduce the decline by about one half.

Off-farm income for the average farm in the sales class $20,000 to $39,999 increased from approximately $5,800 in 1975 to $14,300 in 1985. This increase more than offset the decline in net income for this class of farms over the period.

Thus, we see that off-farm income did much to save farm families in the modest-size grouping during the period 1975-85. And to an important degree modest-sized farmers had become part-time farmers in the 1980's.

Part-time Farmers in Transition

The perspective of many of these modest-sized, part-time farmers had already begun to change in the 1970's, as off-farm income became a larger and larger share of their total family income. I saw this happening first among my modest-sized farmer neighbors in the rural-urban fringe around St. Paul-Minneapolis. I have seen even more evidence of this change in the rural-urban fringe in my retirement area of California. One or other of the family breadwinners begins to view his or her urban job with its steady income flow, as the primary source of the family income, *and the farming operation begins to be looked upon as a sideline.*

Along with this changed income perspective has come a change in the enterprise mix. At first, as the farmer commuted to town to work as a carpenter, or truck driver, or his wife commuted to town to work as a school teacher, or in a food processing plant, they continued to produce traditional crops and livestock on the farm—corn, soybeans, cattle, and hogs.

... Use of Construction Skills ...

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But increasingly in the 1980's we are getting migrants from the city—airline pilots, college professors, construction workers, contractors, and white collar workers of all kinds—who want to farm as a sideline, while earning a major part of their income in an urban job.

Concurrent with this development the mix of enterprises on these part-time farms is changing—changing in the direction of specialty enterprises. The sideline farm operation may now take the form of a small winery, or an apple orchard, or the production of goat's milk, or a "you pick'em" berry patch, or an organic vegetable operation, or a fish farm or a "you cut'em" Christmas tree farm.

Part-time farming has taken on important new dimensions since the middle 1970's.

The specialty products that can be and are being provided by our new breed of part-time farmers for affluent, special segments of the urban population are too varied and too unique to be listed in full here. But the point that I wish to make here is that part-time farming has taken on important new dimensions since the middle 1970's.

Problems and Prospects

The data suggest that modest-sized farms in the 1980's, even with the aid of increased off-farm incomes continued to decline in numbers. This is the case because they face formidable obstacles or problems.

With respect to the cost of credit, the modest-sized farmer producing such traditional crops as corn, soybeans, and wheat has long been at a disadvantage to his large, aggressive, innovative neighbor. The big farmer goes to the big city and negotiates with big bankers for special credit deals. The little farmer must accept local merchant credit, and/or presumed higher risk credit from his local banker.

And since the modest-sized farmer has become a part-time farmer with crop production as a sideline, the local banker is even more inclined to look upon him as a high credit risk. As a result the bank charges him even a higher rate of interest. Bankers, of course, are happy to see a stable flow of off-farm income on the part of a prospective part-time borrower, but they become very skittish about lending on a farming enterprise that is running at or near a loss, and is being subsidized by off-farm income. Thus, all along the line the modest-sized, part-time farmer pays a penalty in the form of non-existent to high-cost credit.

The modest-sized, part-time farmer engaged in producing specialty products such as melons or organic vegetables is likely to find the cost of credit in his local community even higher than that for the producer of traditional crops. The local banker is likely to view this part-time specialty producer as an unknown quantity, hence a very high risk borrower. And the city man who becomes a part-time farmer without substantial financial backing of his own, may find it impossible to obtain production credit in his new rural setting at any price.

Access to credit for the modest-sized farmer at rates and under conditions equal to those available to his large, aggressive, innovative farmer neighbors has not been a reality in the past, and gives no promise of being so in the future. Thus, we have one important reason why the modest-sized farmer is a high cost producer.

The modest-sized producer of traditional crops is typically a laggard with respect to the adoption of new and improved technologies that are appropriate for his size of operation and for his area. His business practices are also likely to be antiquated to down-right bad. And as a small operator he is likely to be over mechanized, with machinery that is often in poor repair. This is the second reason why the modest-sized farmer is usually a high cost producer.

The need for technical and business assistance by the modest-sized, part-time farmer just getting into specialty product production is overwhelming. First, he, or she, needs technical assistance simply to learn about the product—where it can be produced, how it can be produced, and what to do with it after it has been produced. Second, he or she will need assistance in putting together a production organization that has any chance of surviving in the competitive climate of commercial farming. And third, and probably most important, he or she will need assistance in finding the means—the marketing procedures—for placing his or her specialty product before that special, but narrow urban segment, that has a demand for that product.

Off-farm income can offset the high costs of credit and the technical and business mistakes of this class of farmers for a while—and probably for a longer period for the producers of traditional products than for producers of the specialty products. This is the case because the opportunities for technical and business mistakes are greatest for the specialty product producers. But without help, most of our modest-sized, part-time farmers, are going to bite the dust. The business-production-marketing obstacle course is just too difficult for them.

Their problems could also be compounded from another direction. Once asset values have bottomed out in the current financial crisis, and the large, aggressive, innovative farmers get rolling again in a climate of rapid technological advance and a set of favorable price and income supports under the Commodity Programs, those aggressive farmers are going to pick off the high-cost, modest-sized farmers in rapid succession. Once again off-farm income will protect some of these farmers for a while. But given the policy climate and technological climate postulated above, our modest-sized farmers will be cannibalized by their larger, aggressive, innovative neighbors. It is only a question of time.

3 Program Possibilities

From the discussion of the problems which plague modest-sized, part-time farmers the areas in which they need help are clear: (1) business management and organization, (2) modern technical know-how, and (3) low-cost credit. There are several program possibilities for delivering this help.

The most economical possibility would involve the Extension Service taking the lead, with a few additional manpower resources, in forming Part-time Farmer Program Committees in each county with a significant concentration of part-time farmers. The Committees would be comprised of representatives from federal, state and private organizations that could possibly make some contribution in assisting part-time farmers to become more productive, hence more economically viable.

This, it will be noted, is essentially the pattern followed in the past in rural development work. It is a cheap approach, and it was never highly productive in the rural development area. I doubt that it would be productive in the part-time farming area. The kind of business, technical and credit assistance that part-time farm families need is not likely to be lying around loose at the local level to be picked up free of charge.

Part-time farmers have been short changed by their government.

The second possibility would involve Congress appropriating additional funds for employing additional resources and developing new programs in (1) the Cooperative Extension Service and (2) the Farmers Home Administration so that these agencies would acquire the capacity to reach out and meet the needs of modest-sized part-time farmers. With adequate funding this second program should, it would seem, be able to deal with the problems confronting our part-time farmers in an effective manner.

But, both of these agencies are old and tired, and reluctant to take on new policy directions. Thus, in my judgment both agencies would undertake new programs to work with part-time farmers reluctantly, hence ineffectively.

The third possibility would involve creating a whole new agency to deal with the special problems of modest-sized, part-time farmers. This would be the most expensive approach, because it would involve hiring all new people, acquiring the necessary physical facilities, and developing from scratch the kinds of programs that are required to enable these modest-sized, part-time farmers to cope with the business management, technical and credit problems that confront them.

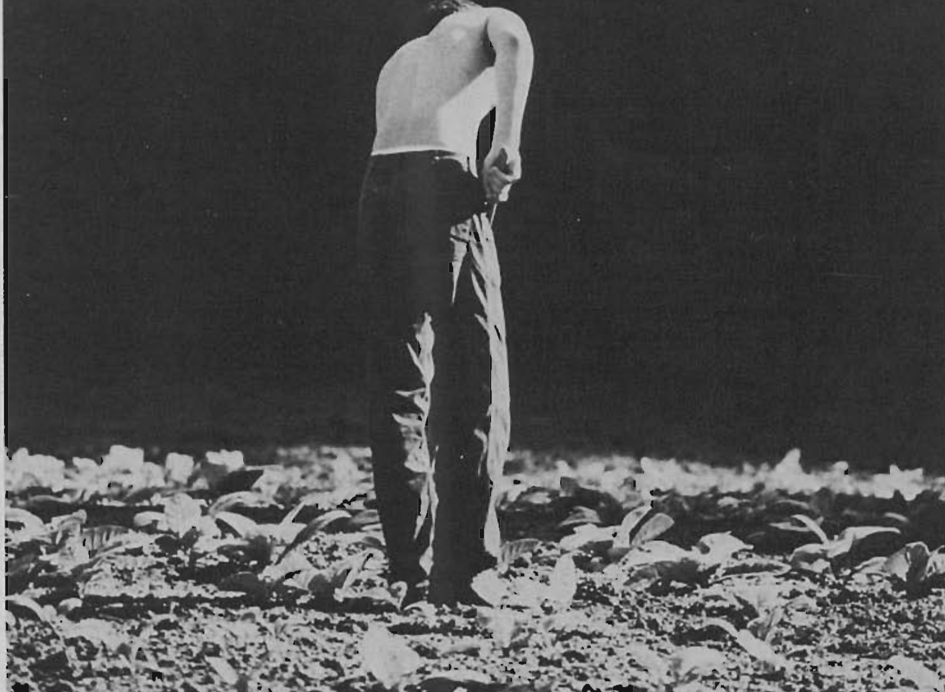
But a new agency with new and specific program objectives has one great advantage over old agencies. *It has verve.* Its staff will undertake its program objectives with enthusiams. And the chances of this new agency reaching out to the part-time farmers in need of help are greatly enhanced. Thus, I would argue that if the nation decides to reach out to the 550,000 modest-sized, part-time farmers in need of new technical and business practices, and competitive credit, it should do it through the creation of a new agency—a Part-time Farmers Agency—which has been directed specifically to assist this group of farmers.

The question may be asked—Where would the money come from to underwrite such an agency? One place it could come from is the elimination of the Commodity Programs. Recent estimates put the governmental costs of the Commodity Programs at $26 billion in fiscal 1986. If that money, which for the most part is being capitalized into higher land values for the benefit of wealthy land owners, could be saved, we would have the funds to underwrite the Part-time Farmers Agency recommended above and several other badly needed specific farm programs such as an emergency credit program, and still save the federal government some $10 to $15 billion.

Why a Part-time Farmers Program?

I am sometimes asked—why do you bleed for these modest-sized, part-time farmers? I don't bleed for them, but I think that there are some very good reasons why we should save as many as possible, or better still increase their numbers.

First, in terms of equitable treatment, the modest-sized, part-time farmers have been short changed by their government. The large to very large farmers have received large to huge payments under the Commodity Programs, and preferential treatment from the service and research agencies. The modest-



. . . *Working Late At Night*

sized farmers, on the other hand, have received minuscule payments under the Commodity Programs and short shrift from the service and research agencies. For government programs in agriculture the biblical adage (Matthew XIII, 12) holds true: "For whosoever hath, to him shall be given, and he shall have more abundance: but whosoever hath not, from him shall be taken away even that he hath."

Second, the 21 percent of the total commercial product produced and sold by the 550,000 modest-sized, part-time farmers does provide a competitive yardstick against which the prices and quality of the products of the large producers can be judged. The large producers working through their commodity trade association and their relationships with large processors. But they cannot ignore product quality or manipulate product prices—at least they cannot do so easily—so long as 21 percent of the food supply is forthcoming from many, many relatively small producers.

The competitive argument would be stronger, if these 550,000 modest-sized, part-time farmers, or perhaps 650,000, such farmers, produced and sold 30 percent of the product. But contemplate what happens to the competitive argument if through farm business failures their share of the total product should fall to 10 percent.

Third, increasingly the modest-sized, part-time producers are satisfying a real economic need. This is the case, because increasingly we have affluent consumers in urban areas who demand high quality, fresh, tasty fruits and vegetables, and who seek to acquire fruits and vegetables that are free of toxic chemicals. They also seek meat, poultry and fish that they either know, or believe, to be free of toxic chemical contamination. And these consumers are willing to pay more and drive long distances to get those food products which they deem superior to the products which are available in the supermarkets. We see this phenomena in operation all over the State of California.

To the extent that modest-sized farmers are able to produce these specialty products demanded by nutrition conscious, affluent consumers, they are fulfilling a true economic need. And this is a need that the large to very large producers in most cases cannot meet, and in even more cases, are not interested in meeting. But as pointed out earlier, one of the big problems confronting the modest-sized specialty producer is locating the urban market for his or her specialty products and placing those products before the consumers in that market.

Fourth, every sociological study that I have ever seen sets forth the facts and the argument that the production of farm products in the setting of "factories in the field" employing imported stoop labor results in rural communities with high crime rates, poor housing, poor to nonexistent social services and a poor quality of life, however, measured. Whereas a rural community with a heavy concentration of medium to modest-sized farmers with a high degree of land ownership by the farmers involved results in a rural community with a high quality of life: good housing, good schools and a good network of social services.

Thus, it seems axiomatic to me that the more we can dot the rural communities of America with modest-sized farms in which the families involved are the beneficiaries of good and stable off-farm incomes the higher the quality of life in those rural communities will be. This is the way to build strong rural communities in the 1980's and 1990's.

Some Concluding Thoughts

Part-time farming has become an important part of the rural scene in the 1980's. It should no longer be viewed as a temporary expedient for saving the "family farm." For many part-time farming families the farming operation has now become the sideline operation. The important and the stable source of income is urban employment.

But I prefer to consider this family phenomenon as a "family producing unit" in which some members of the family are engaged in a farming operation and some members in some kind of an urban employment operation. The family lives in the country because the family wants to live in the country. The family members jointly decide how to combine their farming operations and their urban employment operations to realize their income objectives. This "family producing unit" now combines farming operations and urban employment operations in a fashion comparable to the way a farm family once combined crop operations and livestock operations.

Since one of the operations in this "family producing unit" is a farming operation, the author of this article has an interest in this family unit, as presumably do the readers of this article. He would like to see the unit produce a farm product for which there is a real economic need. He would like to see the product produced efficiently. And he would like to see the family unit earn a reasonable return for its work and enterprise.

But as we have noted there are important obstacles confronting this "family producing unit" as it seeks to conduct a successful farming operation. This is where government policy enters the picture. It makes sense to me that government should develop programs to help these "family producing units"—all 550,000 of them and probably a good many more—overcome those obstacles in its farming operation, or operations.

If we can help the big guys survive, grow rich and at some future date try to gobble up the farming operations of these "family producing units"—why can't we help this new kind of family enterpreneural unit organize and operate a successful farming enterprise? ■