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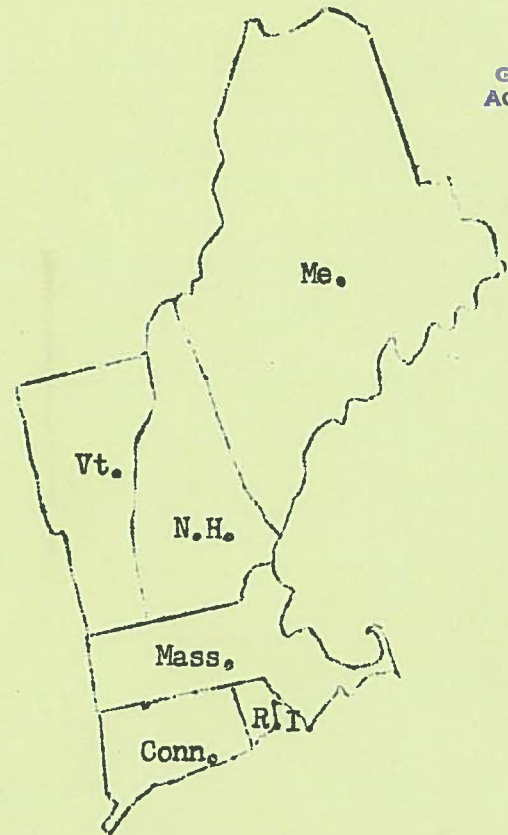
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A.E.A. (pd.)

# NEW ENGLAND AGRICULTURAL ECONOMIC COUNCIL



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## PROCEEDINGS JUNE 1959

AT THE  
UNIVERSITY OF MASSACHUSETTS  
AMHERST MASSACHUSETTS

## MEETING THE CHALLENGE OF A CHANGING AGRICULTURE BY FARMERS

Frank Reed  
Extension Poultry Marketing Specialist  
University of Maine

The challenge in its essential is meeting the need for efficient production, and coordination between the production and marketing functions. Or, putting it another way, it is a problem of efficiency, volume, and integration.

As a farmer I have two courses or roads I can take: (1) Tie-in with an integrated operation—become a contract farmer as the broiler growers have done; or (2) Continue to operate as an independent producer making the adjustments necessary.

The choice is not a simple one. "Tell me the contract price, and I'll tell you whether I'm interested" is an oversimplification of the problem. For the farmer may be in the position where he is forced to accept an unfavorable contract just as he now is forced to accept an unfavorable market price.

Nevertheless, as a farmer I must make a choice; in making this choice I need some assurance that I do really have a choice, and that the cards are not stacked against me should I choose the road of an independent. By and large agricultural economists as a group have not given me this assurance. They could be right, but I am wondering if they may not be guilty of jumping on the band wagon, and rationalizing a trend, and forgetting that trends can change their direction just as the American automobile industry has found out with respect to the small car.

If my choice is to become a contract farmer I must assess my gross earnings under the time of the contract. This may be relatively simple under flat-fee contracts, or complex under other types of contracts. Secondly, I must know my overhead costs, and be able to determine my true earnings for my labor and the return on my investment. Large numbers of contract farmers, unfortunately, do not know these things.

To meet the challenge as an independent producer I must:

- (1) Be a good businessman—know how to handle money; how to buy and how to sell.
- (2) Be soundly financed—my capital debt must be in line with the earning capacity of my business. I must have sufficient operating capital to take advantage of all cash and volume discounts.
- (3) I must be a good poultryman—have the technical know-how and ability to reach accepted performance standards.
- (4) I must operate to capacity—both physical facilities and labor.
- (5) Have a large enough unit in order to buy and market in volume, and in order to develop maximum labor efficiency. (Specifically for egg producers: 3000 layers plus replacement or 4000 layers with conventional equipment. More with automation.)

- (6) Coordination or integration with market outlets. This may be a simple marketing agreement with volume and quality specified.

This in my opinion is not an impossible assignment. The well-managed, soundly financed family type farm operated to capacity can produce at costs competitive with any other type of organization. What is needed is imagination, and not a defeatist attitude in the approach to the problem of the independent farmer.

It has been said that farming is a way of life, and that cooperatives are a means of preserving it.

This may have been partially true in the past, but it will not be true from here on out.

Today farming is a highly specialized business operation which requires the service of cooperatives geared to service it in a highly competitive market.

These changes in farming methods have brought about marked changes in attitudes on the part of farmers towards his cooperative. This is particularly true of the younger farmers.

Thus, the opportunities for conflict of thinking where the cooperative ranks is more likely in the future. Therefore, it is most important that the lines of communication between the cooperative, and the membership be developed to a point where the problems and needs of each are more thoroughly understood by the other.