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I. Types and Characteristics of Farming Corporations

The term "corporation farming" has become a shibboleth in discussions of American agricultural policy. It has an emotive content out of all proportion to its descriptive value, and it lacks precision as a characterization of a particular form of farm business organization. A first step in the discussion of policy toward corporations in farming is to recognize the existence of at least three types of farming corporations:

1) The closely held family (or sometimes one-man) corporation, engaged primarily in farming

2) Closely held, often family-type, corporations combining a farming enterprise with some other business activity, which may be either (a) related to agriculture or (b) unconnected with farming.

3) Publicly-traded corporations, typically involved in farm production and in an agricultural supply or processing activity, but in a few cases organized explicitly to engage primarily in farming.

Recent studies by the U.S. Department of Agriculture have identified a total of 11,500 corporations engaged in farming in the 47 states (excluding California, Alaska and Hawaii, for which data are as yet unpublished). The total for the 50 states is expected to reach 14,000, or about one per cent of all commercial farms and ranches.[1/]

For the 47 states, 68 per cent of all corporate farms and ranches were family corporations, sometimes involving farming with some other business activity. Some 12 per cent were one-man corporations, and 20 per cent had diversified ownership. Less than 100 corporations producing farm products had their capital stock listed and traded on organized stock exchanges. In total, corporate farms operated an estimated 7 per cent of the land in farms, and accounted for approximately 9 per cent of the gross value of farm products sold in 1967.[2/]

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* In developing this paper I have benefitted greatly from discussions with Robert E. Beck, Dale C. Dahl, Vernon W. Ruttan and Richard Wagner. Responsibility for the presentation is, of course, my own.

1/ William H. Scofield, "Corporate Farm Ownership and Operation," USDA, Economic Research Service, paper prepared for Seminar on Economics of Conglomerate Growth, Kansas City, Missouri, May 1, 1969 (mimeo.).

2/ Detailed data are presented in William H. Scofield and George W. Coffman, Corporations Having Agricultural Operations, A Preliminary Report, U.S.D.A., Agr. Econ. Report 142, August 1968, and George W. Coffman and William H. Scofield, Corporations Having Agricultural Operations, Preliminary Report II, U.S.D.A., Agr. Econ. Report 156, April 1969.

These percentages are relatively small for U.S. agriculture as a whole, but they are large for specific products and in a few states. Corporations accounted for 31 per cent of all land in commercial farms and ranches in Florida, 28 per cent in Utah, 22 per cent in Nevada and from 11 to 17 per cent in the remaining Mountain States, and in Massachusetts, Rhode Island and Connecticut. Among products, corporation farms were especially prominent producers of poultry products, fruits, vegetables, and beef cattle.3/

Percentages of land in farms or value of products sold fail to reflect a principal reason for concern about corporations in farming. Over half of all existing farming corporations have been established since 1960. While the majority of these have been family-type farming corporations, the period since 1960 has also seen the appearance of two types of farming corporations that are new to the American scene: The relatively large corporation engaged explicitly in farm land clearing, drainage and improvement (especially prominent in the Atlantic Coastal and Mississippi Delta States), and the large conglomerate corporation branching out into agriculture. Although few in number, it is these latter types of corporations in farming that give rise to much of the current concern. Are there valid grounds for this concern? Before attempting an answer it will be helpful to review briefly several of the major economic trends of the past decade in which corporation farming has experienced its greatest growth.

It is also importance to note that much of the concern about farming corporations is at root a concern about bigness in farming. Many of the big farms in America are not incorporated. Some are partnerships, others are "joint ventures," and a few are operated as individual enterprises, using land rented from a corporation. If attention is confined strictly to corporations in farming, an important aspect of the issue will be neglected. In the discussion that follows an attempt will be made to deal with both large and corporate farms where this is relevant to the argument.

3/ Scofield and Coffman, op. cit., Tables 1 and 11-14, and Coffman and Scofield, op. cit., Tables 1 and 12-15.

II. Climate of Opinion Affecting the Formation of Farming Corporations

Public and professional opinion regarding food surpluses and famine threats has swung through a wide arc in recent years. Concern with agricultural surpluses in the late 1950's and early 1960's shifted to fears of an impending world-wide shortage of food in the mid-1960's. We are now well away from this peak in the belief in an impending food shortage, and surplus threats are again worrisome. The date of this turning-point was probably the summer of 1967. The coming into full force of the European Common Market's agricultural price policy coincided with the appearance of food surpluses in Europe, and the good grain crop of 1967-68 in India removed, at least for the moment, one of the most direct contributors to "threat of famine" fears.

The present concern with corporation farming may be coming to fruition at a time when the attractions of agriculture to non-farm capital are beginning to recede. If non-farm investors have channeled capital into agriculture because they expect world population growth to generate food shortages and higher prices, they are almost surely going to be disappointed. Yet it seems probable that a part of the interest of non-farm investors in farming corporations during the mid-1960's grew out of a belief in farming as a "growth industry," based on a neo-Malthusian view of impending world food shortages.

This belief has been strongly reenforced by inflationary trends in the economy, and especially by rising land values. Farm land values have increased almost without interruption for thirty-five years. This is the longest period of sustained land value increases in our national history. Nationally, the index of farm land prices (1957-59 = 100) rose from 30 in 1940 to 111 in 1960, and to 176 in 1969. In the 1960's, the rate of increase averaged almost 6 per cent annually. In the Gulf Coast and Mississippi Delta States (where corporate land development activities have been prominent) the rate of increase was over 8 per cent annually throughout the 1960's.[4/]

The conclusion is inescapable that an anticipation of continuing land value increases is being built into expected returns from farming. The majority of the U.S. population has never known anything except rising land values. It is difficult to document the impact of this expectation on corporate decisions to engage in farming, but the impact has clearly been great. In the 1960's, farming corporations (and individual owners as well) in about half of the states could have made no additions to net worth from current earnings and would still have had a tolerable rate of gain in asset values.

This inflationary trend has unquestionably played a major role in determining the climate of expectations with which prospective investors or incorporators have viewed the future of farming. In effect, it has meant that annual returns on current account could be quite modest or even zero, while leaving intact the promise of long-term capital gains.

4/ U.S.D.A., Farm Real Estate Market Developments, CD-71, December 1968, Table 2, and CD-73, August 1969, Table ___.

III. Incentives for Farm Incorporation

If policy toward corporations in farming is to be informed, it is necessary to know something about the incentives and goals of corporation farmers. Our data resources in this area are pathetic. There are a handful of studies that seek to determine the motivation of farm families that have incorporated, but data on the motives of non-farm corporations that have expanded into agricultural production are almost entirely anecdotal.

A Missouri study of family farm corporations in 1968 reported that 50 per cent of the families incorporated to facilitate farm transfer and estate management, 30 per cent for tax considerations, and 16 per cent to limit liability. Improved access to credit was cited as a reason in only a few cases.[5/] These percentages are similar to those found in a Minnesota study in 1958 and confirmed in a repeat study in 1968. For family farm corporations, estate planning motives dominated. For closely-held corporations combining farming with a non-farm business activity, the primary goal of incorporation was usually to separate the assets of the principal stockholder's various enterprises, rather than to raise capital by persuading others to share as investors, although there were instances of the latter.[6/]

For non-family corporate farming firms the motives for incorporation are more complex, including continuity of operation, limitation of liability, mobilization of capital, attraction of superior managerial talent, and tax advantages. For the large firm, the mobilization of capital may be virtually impossible without use of the corporate device to limit liability. It is important to note, however, that many large farming enterprises are not incorporated. In a current survey of some 50 large farms in the Midwest of over 2000 acres in size, Kyle found that incorporated farms were a distinct minority.[7/]

This suggests that the emphasis should be shifted from the firm to the individual stockholder, in seeking a more adequate explanation for the recent interest in farming corporations by non-farm investors. With this shift in focus, the importance of tax considerations is highlighted. As Harl has pointed out, with regard to the federal income tax, "at low income levels the individual taxpayer has the advantage; at high income levels, the corporate taxpayer is in a more favorable position...the corporate tax structure does provide strong encouragement for corporate operation by high tax bracket individuals."[8/]

Given the importance of inflationary trends over the past decade, a history of rising land values over 35 years, and a tax policy that favors corporate types of investment for high tax-bracked individuals, it should not

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5/ Joyce Welliver, Melvin Blase, and Leroy Rottmann, "A Preliminary Analysis of Incorporated Family Farms in Missouri," University of Missouri, Agricultural Economics Paper 1969-13, March 1969, mimeo.

6/ Philip M. Raup, Hal Routhe and Robert Beck, "Corporation Farming in Minnesota," Minnesota Farm Business Notes, No. 416, April 1960, p. 4, and Philip M. Raup, "Some Issues Raised by the Expansion of Corporation Farming in Minnesota," Summary of testimony presented to the Minnesota Legislature, University of Minnesota, Dept. of Agricultural Economics, March 1969, ditto.

7/ Leonard Kyle, Dept. of Agricultural Economics, Michigan State University, in Seminar on Economies and Diseconomies of Large-Scale Farming, University of Minnesota, Dept. of Agricultural Economics, August 28, 1969.

8/ Neil E. Harl, "Do Legal Tax Rules Favor Large Scale Agricultural Firms?", Journal Paper No. J-6368, Iowa Agricultural and Home Economics Experiment Station, August 1969, mimeo, pp. 9 and 15.

be surprising that there has been a recent expansion of interest in corporation farming. For similar reasons, there has been a parallel increase in corporate investments in real estate of all kinds. Farm real estate, in fact, has lagged behind other types of real estate, in the extent to which it has attracted the attention of wealthy investors.

This attention has been stimulated in the past two decades by rapid advances in agricultural technology, an excellent press which has given wide publicity to the miracles of modern agriculture, and by the growing professionalization of management in agriculture. The national stock of scientifically trained farm managers has increased in absolute numbers, and because of the sharp decrease in the farming population, it has experienced an especially rapid increase as a proportion of the farm labor force. A part of the explanation for the growth of corporations in farming must thus be credited to the success with which our agricultural training institutions have combined training in traditional agricultural sciences with the more recently developed techniques of modern management. Farm managers of high quality are available for hire. But this is still only a part of the explanation. There are peculiarities and defects in our institutional structure that contribute to the expansion of corporations in farming. In view of the policy focus of this paper, it is necessary to review these with more care.

IV. Differential Advantages of Large or Corporate Farms

A land owner with a non-farm income, or an investor in a farming corporation, will usually find it rewarding to convert as much of his farm income as possible into asset values, which can ultimately be taxed at the capital gains tax rate. Since this rate never exceeds 25% of the gains, this opportunity is especially attractive to individuals in high income tax brackets. For taxable incomes of over $52,000 (1968 rates for married taxpayer filing a joint return) the advantage of converting all possible annual income into capital gain increases sharply.

The nature of the farm business makes it especially attractive for the wealthy investor. Assets eligible for capital gains tax treatment are a large fraction of total assets, and the bulk of his investment is represented by the most durable asset of all--land. The classic illustration is the beef cattle ranch. With most of the investment in land and a breeding herd, opportunities are maximized for appreciation in capital value, and subsequent taxation at not more than 25% of the gain.[9/] Similar attractions characterize orchards, groves and vineyards.[10/] This is undoubtedly a major reason why Florida, California, and the ranching states of the West have so large a fraction of total farm land in corporation farms.

When there are a few big farms and many family-type farms, a market for used farm equipment exists. This expands the options available to large or corporate farms in taking full advantage of rapid depreciation of machinery and equipment or in turning it over every two years, or less. Because of their size and capital position, large farms can make greater use of this advantage than can smaller farms. It is not necessary to be incorporated to enjoy this advantage, but it is an advantage that the large corporate farm can utilize. This particular advantage would disappear if there were only large farms. Where large farms predominate, there is usually a poor market for used equipment and big farms have to bear more of the total cost. This is in fact the case in the Soviet Union.

Expenditures on soil and water conservation and related improvements to land can be deducted as current expenses even though expenditures of this type would usually be depreciated or added to the cost of the land in determining its base value. These land improvement expenditures are subject to a limit of 25 per cent of gross income derived from farming for soil and water conservation expenditures, and 25 per cent of taxable income from farming for land clearing expenditures.[11/]

9/ Hoy F. Carman, "Tax Shelters in Agriculture: An Example for Beef Breeding Herds," Am. Journal of Agr. Econ., 50:5, December 1968, pp. 1591-1595.

10/ Hoy F. Carman, "Some Effects of Taxes on Agriculture," University of California, Davis, Dept. of Agricultural Economics, November 1968, mimeo.

11/ See Secs. 175 and 182, Internal Revenue Code, 1954. One of the best current reviews of Internal Revenue Service rulings and court cases relevant to deductions for land improvements is by J. Dean Morgan, "Section 175 and 182: Farmers' Deductions for Capital Improvements to Land," The Hastings Law Journal, 19:2, Jan. 1968, pp. 446-461.

Expenditures on soil and water conservation can be deducted up to 25 per cent of gross income in any one year, and carried forward to succeeding years until exhausted, subject to the 25 per cent limitation each year. In effect, the whole of soil and water conservation expenses can be deducted from gross farm income, over time. Expenditures on land clearing or improvement are limited to $5000 deducted in any one year, or 25 per cent of the taxable income derived from farming in that year, whichever is smaller. There is no carry-over provision. Any part of land clearing expenses exceeding $5000 or 25 per cent of taxable income in any one year must be capitalized and added to the cost basis of the land. The benefits from the deduction of land clearing expenses are of principal value to those who have taxable income from farming of up to $20,000 in any one year. This deduction is of little value to a small farmer with a low taxable income.

One of the most important forces that has stimulated the growth of large and corporate farms is the way in which our graduated, progressive income tax has been devised and administered. The Congress, the Bureau of Internal Revenue, and the courts have often enacted, administered, or interpreted income tax laws in a way that they thought would aid farmers. Instead, almost every type of lenient or preferred treatment under the income tax laws has helped the big farm, or the corporate farm, and hurt family-type farms.

Permission to use a cash basis instead of an accrual basis for accounting is convenient for the small or medium-size farm, but of very little value in terms of reduced taxes. It is of monetary value to the large farm, ranch, or orchard, and especially to the very large non-operating owner.[12/] Allowable deductions for expenditures on soil and water conservation or land improvement are primarily useful to farmers with large incomes. The taxation of capital gains at not more than 25 per cent is of significant value only for those with very large incomes. A bonus for bigness has been unintentionally built into our tax system. One of the ironies of our agricultural policy is that these institutional arrangements were not adopted as aids to corporate farms or large farms, but this has been the net effect.

12/ Ben F. McClinton, "Capitalizing Raising Costs For All Section 1231 Animals: United States v. Catto," The Hastings Law Journal, 19:2, January 1968, pp. 462-475.

V. Possible Consequences of a Structure of Corporate Farms

Debates about the merits or evils of corporation farming are inextricably combined with questions about the appropriate size of farming enterprises. The presumed advantage of the large farm has usually been argued in terms of relative efficiency, lower unit costs, and ability to achieve economies in factor and product markets. Current concern about the accelerating trend toward corporation farming is due in large part to the fact that some of the farms are larger than is necessary in order to achieve desirable levels of efficiency in resource use in farming.

With the exception of poultry enterprises, beef-cattle feeding, and some types of orchard and vegetable crop production, virtually all research studies have shown that two-man farms are large enough to achieve most of the production economies to be gained from size of firm.[13/] With the exceptions noted, the economic argument for larger farms is not an argument for larger-than-family-size farms. Why, then, is there concern about corporation farms? Primarily, for three reasons:

a) A fear that many of the incentives leading to large corporate farms do not result from greater efficiency or superior management, but are the result of institutional defects, particularly in the tax system, in market structures, and in agricultural extension programs.

b) A fear that the trend toward corporation farming is reenforcing a trend toward the centralization of economic power and decision-making in a few hands and places, with a resultant loss of flexibility and diversity in our national economic life.

c) A fear that a rural social structure dominated by a small number of "company farms" will yield a deadening conformity and a restricted environment in which to develop the full potential of the quality of rural life.

There are grounds for these fears. We have already noted examples of distorted incentives generated by the tax system. Institutional defects that favor large or corporate farms are also apparent in the agricultural marketing structure, both for inputs, and products. Farmers themselves are to blame for some of this weakness. They have often resisted the market discipline needed to make them competitive with large farms in product quality, uniformity, and stability of supply. There is abundant evidence that small producers can compete with large firms in fields where product quality is critical. To do so, the small producer must surrender some of his sovereignty in farm management and marketing decisions to his suppliers, or to marketing or processing agencies. These may be cooperatives, or private businesses operating under contractual arrangements with the farmer. But in any case they must have power to impose production and marketing standards on their farmer members or contracting partners. If farmers are unwilling to accept this discipline, they are in a weak position to complain if the large corporation farm takes over.

13/ Philip M. Raup, "Economies and Diseconomies of Large-Scale Agriculture," Paper No.7044, Minnesota Agr. Experiment Station, Scientific Journal Series, August 19, 1969, mimeo.

A related institutional defect concerns the increasingly complex nature of agricultural technology and the need for a greatly expanded agricultural extension effort if this complex technology is to be made effectively available to all farmers. It is at least arguable that our national investment in research and development of agro-chemical technology has not been matched by a comparable effort in extension education aimed at the smaller-sized farms.

Much of the effort at user education for fertilizers, feed additives, farm chemicals and animal medicines is supported by private industry. It is understandable that suppliers prefer to concentrate their sales effort on large-volume users. The costs of user-education programs or after-sales service rise sharply if many small users are involved. In theory, agro-chemical technology lends itself to almost infinite subdivision into small units that can still be effective in application. This is often cited as an example of a type of technology that need not be applied in large, "lumpy" units. But in practice, it may have developed the other way around. Agro-chemical technology is physically capable of subdivision into small doses, but the technical and managerial skills needed to use these small doses effectively are often beyond the reach of the average farmer. If the advantage in using this technology seems to lie with the large farm, it may be a measure of our inadequacy in agricultural extension rather than an example of true economies of large-scale production.

Smaller farms have in many cases been written off as production units, by agricultural specialists and technicians. Their operators are classed as a welfare problem, not an agricultural potential. There are many instances of productive interaction between agricultural scientists, experiment station staffs, extension workers, and the operators of the larger commercial farms. It is more difficult to find instances of concerted efforts to perfect agricultural technology in "small packages," suited for use on the nation's smaller farms.

The second fear generated by the rise of corporation farming concerns the consequences for the national economy of concentration in agricultural production. Our existing structure of agriculture has facilitated the transfer to consumers of the benefits of cost-reducing technology in agriculture. It seems unlikely that the benefits to consumers of agricultural modernization will be as direct or as significant if the structure of agriculture is characterized by a small number of large producing firms. The history of large firms in other industries has involved the capture of a considerable portion of the rewards of technological advance for the benefit of individual firms. We cannot judge the performance of large agricultural firms by this test, since we do not have adequate statistics nor a long enough period of time in which to study their performance record. We do know that large firms in agriculture must commit capital in large quantities to slow-maturing production processes. Unless the firm is large enough to control markets and practice a form of internal self-insurance against weather, these large capital investments will be high-risk. The understandable desire for risk-reduction may lead to a degree of rigidity that can retard technological progress, viewed in the long run. At the moment, the rapid adoption of new technology is thought to be a characteristic of the large firm. This may not be true if only large firms dominate the production field. It is this fear that lies behind some of the concern about the spread of corporation farming.

Another concern relates to the structure of marketing and distribution systems that would be associated with a structure of large corporate farms. In the past, at the farm level, agricultural products have largely remained undifferentiated. There have been almost no "brand names" that carried back to the producing farms. With large corporations in the farming business, this is almost sure to change. We can already see the development of large-scale expenditure on advertising campaigns designed to create the illusion of differentiated products produced by large farms. If the trend toward bigness in agriculture is accompanied by increasingly heavy expenditures on non-functional advertising, it will be the consumer who pays. In this sense, it is not only farmers but also consumers who have a direct interest in the trend toward corporation farming.

For many people, the least tangible but most worrisome aspect of a trend toward corporation farming lies in the field of social policy. Absentee ownership has traditionally been associated with a lack of attention to the amenities of life in rural areas and with an inadequate rural social infra-structure. Schools have often been poorer in areas characterized by a high proportion of absentee-owned land. The local tax base is impaired if a significant part of the income earned in the community is spent outside the community. Public recreational facilities suffer, community centers are poorly equipped or lacking, and in other dimensions the quality of rural life has been lower in areas of absentee ownership than in rural areas characterized by a predominance of owner-operators of adequately sized farms. This conventional wisdom has been generated by the past history of share-cropping regions of the U.S. South, and by a comparison between areas of high tenancy and areas of owner-operation in the Mid-West.

But it is not clear that a rural structure dominated by corporation farms must inevitably lead to a deterioration in the social quality of the rural environment. If corporate ownership is absentee, if profits are not reinvested in the community, if management success is judged solely in terms of corporate profits, then the corporation farm may pose a social threat to the rural community. This is not necessarily a condemnation of all types of corporation farming. If the corporation is predominantly a family affair, and its officers and stockholders are resident in the community, there is no clear reason why this form of farm business organization should pose a social threat to rural life.

The least desirable situation may be one in which farm corporations are larger than family-size and are absentee-owned, but not national in scope or scale of operation. This could lead to a type of "petty-corporatism," comparable with the petty-landlordism that has been the curse of slum-areas in urban centers. It is quite possible to have farming corporations that are too small, as well as to have individually-owned farms that are too small. It will be a tragic error if we exchange a structure of family farms, thought to be too small by economic tests, for a structure of corporate farms that prove to be too small by social tests. We can have the worst of both worlds if we emerge from this period of change with a structure of medium-sized corporate farms, financially weak, and socially irresponsible. Some of the recent growth in corporate farming points in this direction.

VI. A Policy Posture Toward Corporations in Farming

One of the most serious limitations in the formulation of policy toward corporations in farming is lack of data. In the process of farm incorporation, there can be a point of no return. If farm incorporation takes place on too vast a scale before we have thoroughly studied whether or not incorporation will be in the best interests of the nation, we are heading toward an irreversible step. We need expanded state legislation requiring the identification and registration of corporate farming enterprises, and the disclosure of more data regarding their corporate structure and behavior than are now available from public records.

The argument is sometimes made that it is unfair to single out farm corporations for special attention or regulation. The answer to this argument is that the nation's land resource base is still one of its most precious endowments. The broad public interest in this land base has not diminished with the decline of agricultural employment. The danger today is not that we will overstress the importance of agricultural land policy, but that we will fail to safeguard the public interest in how our private lands are held.

Much of the recent debate over corporation farms has centered on proposals to outlaw them. Outright statutory prohibition has been proposed, and now exists in a few states. Alternatively, attempts have been made to distinguish between "good" or family-type corporate farms, and "bad" types, in which the stock is owned predominantly by non-farm individuals. These attempts at statutory prohibition or classification may not achieve the goals that are uppermost in the minds of those who urge this solution.

The alternative approach that seems most defensible is to insure that corporations in farming are not given intended or unintended advantages in the competition among sizes and types of farms that is now acute in American agriculture. Occasionally by design but largely by accident, our institutional structure now yields advantages for large and corporate farms. For competition among firms to result in an economically and socially desirable structure of agriculture, it is necessary that the rules of the game be fair. Insuring fairness in this sense is a highly subjective undertaking, but it is the overriding goal of public policy. The steps that can be taken in pursuit of this goal include:

1.) A reform in tax laws and practices, to remove existing and largely unintended advantages for the large or corporate farm.

2.) Modernization and revitalization of agricultural cooperatives, to include a much greater element of managerial assistance to farmer members.

3.) The strengthening of research and extension programs, to focus more sharply on insuring the availability of agricultural technology and management services to medium-sized farms capable of achieving gross sales of $20,000 to $100,000 annually.

4.) The expansion of environmental protection, waste disposal and pollution control programs to include the whole of agriculture.

5.) The active extension of labor and welfare legislation to cover the entire farm labor force.

From both ecohomic and social points of view, the last two points are the most important. We have ample evidence that waste disposal and pollution control costs are high for large-scale, concentrated agricultural firms. It will be unforgivable if we permit high degrees of both spatial and economic concentration in agricultural production only to find that a part of the reason for this concentration was a failure to take into account external diseconomies of size in environmental protection. Our price system does not now guarantee that these costs are included in reckoning the profit potentials of large scale or corporate farm firms. A high priority in public policy should be given to the extension to agriculture of the full range of pollution control and environmental protective measures. If family-type farmers oppose this extension, they will make a major contribution to their own destruction.

This argument applies with even greater force to labor and welfare legislation. Over time, the extension of labor legislation to cover agriculture is virtually inevitable. We will experience one of the most inexcusable sequences of events in American agriculture if we shift to large-scale or corporate units of production, generated in part by the incomplete coverage of farm labor under collective bargaining laws, only to find that the resulting large units are peculiarly vulnerable to labor problems and high and rigid wage structures. That discovery could come after the agricultural structure has been recast in a mould so rigid that it will be extremely difficult to reform it. To insure constructive competition among large farms, corporate farms, and family-type farms, it is essential that all of the probable economic and social costs of alternative types of farms be taken into account. One of the biggest unknowns concerns the probable pattern of future wage costs and labor relations. The time to subject this to test is now, while the structure of American agriculture is still relatively flexible. To refuse to extend labor protective legislation to agriculture is one of the most irrational agricultural economic policy decisions possible. The refusal does nobody good, and the family-type farmer seems likely to suffer the worst injury.

To accomplish these needed policy changes, a change of attitude is needed. It will be ironic if American agriculture evolves a corporate-industrial structure exactly out of phase, at a time when that structure is under increasing attack in the non-agricultural world. It is difficult to predict the future of American industrial society. We see the recent growth of giant conglomerate corporations. We see the dissatisfaction of our youth with the structured nature of their lives, as students and later as employees. This suggests strongly that the evolution of our industrial structure and the emerging goals and values of our youth are on a collision course.

The students who are demanding greater participation in decisions that affect them in the schools and universities are unlikely to accept the domination of 50 to 200 or 500 corporations over American economic life. It may or may not be true that the British empire was forged and maintained on the playing fields of Eton. But it seems increasingly likely that the future of the corporation in America is being moulded in the forge of student protests in our universities.

The key issue is the devolution and decentralization of power--economic, social, and political. We have a relatively decentralized power structure

in American agriculture. The majority of the farm labor force is still composed of men and women who can legitimately regard themselves as participants in decisions and processes that shape their lives. This sense of participation is being eroded away, but it still has vitality. The corporate form of organization can accelerate this erosion, or it can regenerate a sense of effective and rewarding participation in productive processes and in community life.

As a legal device, the corporation should be essentially passive in the process of change now underway in agriculture. Whether or not this change will be beneficial or harmful is dependent on what we do to alter the other dimensions of our institutional sturcture. How we change our tax laws, whether or not we can revitalize our cooperatives, what we do with our resources of agricultural research and extension, the immagination with which we innovate in the field of agricultural credit, and the speed with which we extend environmental protection and labor legislation to cover all of agriculture--these will be the determinants of policy toward corporations in farming.

The most discouraging aspect of much of the response to the expansion of corporation farming, large farms, and vertical integration, is the manifestation of "technological determinism" that underlies the argument. Technology is accorded the status of an elemental force--an "act of God," in the ancient terminology of the courts. It is not analyzed as a product of man, or as capable of alteration by his institutions. We seem to stand transfixed before the advance of technologically-induced change, like a rabbit before a snake.

Technology introduces an element of magic into our lives. It almost seems that we demand an inexplicable element in the organization and direction of our world. We cannot tolerate explanations of change that put the responsibility for change on man. Far too often our research efforts are devoted to the prediction of technological change, and not to an analysis of the relative costs and benefits of change induced by conscious acts.

We need to recall that not all growth is good, and not all change is progress. And we need, above all, to recall that the goal of our endeavor is not the production of goods, but the development of human beings. The ultimate test of a structure of agriculture, or of any sector in our society, is the quality of the people it produces. This is the goal that can give a durable and defensible order to our priorities in shaping policy toward corporations in farming.