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A Thought-Provoking Foray into Family Farming

Family Farming: A New Economic Vision. By Marty Strange University of Nebraska Press, Lincoln and London, and Institute for Food and Development Policy, San Francisco, 1988, 311 pages, \$18.95

Reviewed by Robert F. Boxley

The Center for Rural Affairs in Walthill, NE, has produced a number of investigative reports with such provocative titles as *Wheels of Fortune* (a study of central pivot irrigation) and *Who Will Sit With The Corporate Sow*. Readers familiar with these works will want at least to skim this book by Marty Strange, co-director of the center. Readers interested in farm structure will want to give it serious consideration, although they may be disappointed with the "new economic vision" that Strange describes.

I approached the book with some apprehension, fearing yet another paean to some earlier time, but Strange writes with refreshing candor. He concedes, for example, that the yeoman farmer of agrarian mythology was not necessarily a paragon of virtue, and that the bucolic image of agriculture contains its dark sides.

No tradition is more glorious in its acclamation of egalitarian values than the agrarian tradition, yet none tolerates and even admires the accumulation of wealth more. No tradition proclaims more loudly the value of neighborhood and community, yet few have tolerated and rewarded predatory behavior more. Most disappointingly, no system of agriculture brags more that it respects the soil, yet none has respected it less.

Despite his obvious admiration for the family farm, even with its faults, Strange ultimately is less than fully successful in dealing with the complexities inherent in U.S. agriculture and in devising a coherent perspective for a farm policy that fosters structural goals.

The first challenge in writing about farm structure is to define terms. Strange attempts to sidestep the definition problem, arguing that we can likely agree on the cultural meanings of characteristics of farming systems, even if we might never agree on whether a particular farm fits a system or not. He broadly caricatures two farming systems: family and industrial.

While useful, this approach does not solve the definitional problem since readers must still impose their perceptions of contemporary reality in order to give context to the caricatures. Thus, Strange leaves significant questions about the extent and current health of the present-day family farm system unanswered. If, for example, a farm must be diversified to qualify as a member of the system, as his caricatures implies, then my perception of midwestern agriculture would suggest that the cause is already lost. Urban readers conditioned to dealing with attorneys, accountants, doctors, and dentists as "personal corporations" may need more explanation than Strange offers as to why the corporate business form should be inimical to a family farm system. These are not trivial issues since Strange proposes a farm structure policy that would require society, rather than the market, to distribute access to farming opportunities. Such a policy will require rigorous definitions.

Agricultural economists especially will want to consider chapters 4 and 5. Strange argues that conventional analyses of farm structure suffer from a static, one-dimensional measurement of farms by sales volume (chap. 4) and that this mismeasurement leads to erroneous conclusions about economies of size and efficiency in agriculture (chap. 5). On economies of size, Strange concludes that, rather than declining monotonically with increasing volume of sales, the size-function more likely follows a shallow, elongated "u" shape, with most efficiencies realized at relatively low sales volumes. But, if Strange is correct in large farms having no inherent advantages of scale and in fact being less efficient than moderately-sized family farms, then why should the survival of family farms be in doubt? Strange identifies a number of culprits, including the U.S. Internal Revenue Code, the go-go expansion mentality of the 1970's, and the technology treadmill.

Some of Strange's arguments are victimized by timing. He presents an excellent critique of how the pre-1986 Internal Revenue Code rewarded bigness and attracted outside investors into agriculture. The 1986 tax revisions, however, eliminated the more egregious provisions of the code. Strange identifies some remaining provisions that are possibly hostile to agriculture, but their consequences are relatively modest and they are good candidates for elimination in future tax simplification efforts. The irony of arguing that Congress helped farmers by eliminating laws ostensibly passed on their behalf is not lost on Strange, but it is not clear that he has applied the larger lesson to his subsequent policy recommendations.

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Strange's critique of the expansion mentality of the 1970's is also on target, but, again, I am not convinced he has drawn the most significant conclusions from the debacle of the 1980's. In his policy chapter, Strange defines a "new mandate" for farm policy based on the propositions that farmers 1) should have no motives for owning farmland other than to make a living from it, 2) should have to pay for land from farm income, and 3) should have incentives to farm it in environmentally sensitive ways. These conditions came to be violated in the 1970's because owning land was its own reward. The post-1981 crash in land prices has arguably gone at least part way toward restoring conditions for the mandate. Strange, however, does not speculate about the longer term consequences of lower asset values and, in fact, advocates some policy measures (such as shared appreciation loans) that will work only if escalating land values are a permanent feature of U.S. agriculture.

Strange concludes with the obligatory policy chapter, although he downplays its significance because "what has been missing in American farm politics is not legislative initiatives, but clarity of purpose." Despite his appeal for clarity, substantial logical gaps exist between Strange's critique of failed policies and his recommendations for new ones. Strange draws extensively from USDA's "Structures Project" of the Berglund tenure (See titles at the end of this article.) But, the procedure used in those projects was to list and analyze all factors that might be expected to affect structure. Of the 31 chapters in the 1979 report, 27 dealt with causative factors, ranging from credit availability to transportation policy. I submit that it is nearly impossible to design a coherent, consistent program when everything, directly or indirectly, affects everything else. Strange's chapter on tax policy is a perfect case of this difficulty, but there are many examples of unintended second- and third-order effects from well-meaning programs and policies. Yet, Strange proposes further social intervention into credit, land, and commodity markets. With enough tinkering, a foolproof structural program could possibly be designed, but the track record is not good.

Although Strange argues that the family farming system is the most robust and resilient system extant, he frequently betrays that confidence in his analysis of policy options. Take the "public policy dilemma" of when government should intervene in falling land markets.

[If] land prices are buoyed intentionally to prevent further deterioration in the financial conditions of farmers, people trying to buy their first piece of land to start farming, or trying to reenter farming may be denied that

chance. On the other hand, if land prices fall to rock bottom, wealthy investors will probably snap up most of the bargains.

This reasoning suggests that the trick for program managers must be to intervene in land markets with precisely the right amount and at precisely the right moment. I submit that this is an impossible standard. If the family farm system is as sensitive to timing or price levels as Strange suggests, then perhaps it is too much of a hothouse flower to be worth the effort.

The true public policy dilemma to me is the contentious political choices that must be made if a specific farm structure is to be preserved. One of the book's more telling passages revolves around a short discussion of inheritance and estate taxes. Strange poses the dilemma: Do you tax inheritances in order to break up large landholdings and prevent the accumulation of landed wealth, or do you allow wealth accumulation and transfer in the interest of intergenerational continuity? Strange discusses the pros and cons of both positions without taking sides. Although the passage is matter-of-fact, its poignance grows from the revelation of the social conflicts inherent in the choice (in a subsequent discussion, Strange opts for progressive estate taxes). In truth, there simply is no objective way of deciding on a "correct" level of estate taxation.

The subjectiveness of so much of the debate about farm structure is crystallized in Strange's central policy recommendation for a "two-price" system tied to marketing quotas. Marketings within quotas would qualify for guaranteed prices. Quotas would be assigned to individuals according to various social criteria and would be non-negotiable. When a quota holder dies or retires, the quota would return to a pool to be reallocated by some (not specified) political process. If society is to maintain a specific number and distribution of farms, it clearly must regulate entry in some way. Strange's proposal would accomplish this, but at what cost to the social psyche?

If the test of a book is its thought-provoking quotient, Strange's must be given high marks. I offer two examples.

Education—The Great Depression indelibly marked a generation or more of farmers as financial conservatives. Although the 1981 farm crisis was not accompanied by an economywide depression as in the 1930's, the loss of asset values within the farm sector was proportionately greater than in the 1930's. Thus, there should be a window now open for educators, extension advisers, and financial consultants to reinforce upon the next generation of farmers the merits

of fiscal conservatism To date, however, much of the attention to asset markets seems focused on questions of whether a market "bottom" has occurred, or speculation on optimum entry strategies for new investors Even Strange implicitly assumes that farmers, landowners, and would-be land speculators learned little from the loss of over \$220 billion in asset values this decade Agricultural economists, many of whom were cheerleaders for leveraged growth and expansion strategies during the boom years, are hardly in position to say "I told you so," as Strange points out But, even if we have to eat some crow, we need to make sure messages are not lost in the haste to return to how things were

Why Federal Agricultural Programs?—I finished the book asking "Why any farm programs"—not, I hope, from a lack of empathy with the family farm concept or a conviction that an unregulated market is demonstrably better, but one of an unwillingness to embrace obviously flawed alternatives Strange does not directly address the prospects for the family farm system under a free market alternative He only briefly discusses the need for commodity programs,

noting that there may be a role for public actions to reduce commodity price instability, and suggesting that stable prices tend to favor large-scale farms Ideology largely drives our faith in, or distrust of, markets Even so, I think the first step in assessing the need for a structural policy would be to determine the need for any market intervention in the sector It would be useful, for example, to refresh our collective memories of why the Nation decided to intercede with the first Agricultural Adjustment Act and to ask whether those conditions or similar conditions still hold The answers would be useful for establishing not only a rationale for structural policies but for other contemporary issues as well, such as trade liberalization and GATT negotiations

References

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