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MAXIMIZING RURAL VALUES THROUGH DISPERSED AGRICULTURE

*Roger Blobaum
West Des Moines, Iowa*

In taking the position that we should encourage dispersed agricultural production and maximize associated rural values, I have the task of making the case for an approach that has been praised in public statements and ignored in public policy.

Probably the most-quoted public statement supporting a dispersed system came from Thomas Jefferson, who insisted that "small landholders are the most precious part of a state." Historian Whitney Griswold called the family farm "the daydream of city dwellers." The 1977 Farm Act, like others before it, declared that the family farm system of agriculture "is essential to the social well-being of the nation."

Although these public statements would indicate otherwise, public policies since the early 1950s have been shaped to encourage concentration in agriculture, to emphasize economic efficiency, and to systematically reduce the human resources engaged in production. The legacy of these policies includes the enormous social costs incurred when more than half the farm families were forced out of agriculture, and more than 30 million farm and rural people migrated to metropolitan America. This emptying of the countryside is still going on in some areas.

The majority of our policymakers apparently felt this rural upheaval, even with its heavy human costs, was both desirable and inevitable. Since this is a public policy conference, it is appropriate to emphasize that structural changes of this kind are not inevitable. The question of what kind of agriculture we have has been, and still is, a policy matter. The American people can insist on policies that are consistent with their beliefs about farming, and about dispersed control of economic resources, and can have whatever kind of agriculture they want.

It is important to note, of course, that farm people themselves are unable to agree on which rural values should be emphasized. Statements of hundreds of witnesses at last year's structure hearings

disclose wide disagreement about whether farming is a way of life or a business, for example, or whether farmers should have other choices besides getting bigger or getting out. What we have in American agriculture is a clash of values linked to production systems.

My assignment is to discuss the values associated with dispersed production and to show how maximizing them would be in the public interest. The values I will refer to are not "rural" in any narrow agrarian sense. They are societal values shared by most Americans, farm and city alike.

Many of the assumptions about agricultural policy that had wide acceptance over the last 25 years are being challenged. Don Paarlberg refers to this in his new book in discussing "the new agenda for agriculture." This agenda, which was forced on agriculture by environmentalists and the hunger lobby and others during the 1970s, includes a number of issues with structure and value implications.

The widely-held assumption that production efficiency should be the over-riding farm policy consideration, for example, is being challenged. The structure hearings initiated by Agriculture Secretary Bob Bergland are a response to those who feel traditional measures of efficiency are outdated and an acknowledgment that the general public should have an opportunity to make some farm policy input. People want to have more to say about what should be emphasized in setting agricultural policy, about how the nation's food is produced, and about what kinds of farmers will produce it.

Some of the most consistent demands for a farm policy reappraisal are coming from U.S. church denominations which, one by one, have been issuing statements of concern. These statements question whether farm consolidation is moving further and faster than necessary and suggest that it may be a threat to our basic agricultural structure and the well-being of farm families and rural communities.

A long list of well-publicized statements has been issued by these denominations over the last few years with titles that include "Who Will Farm?", "Ethical Goals for Agricultural Policy", and "Agricultural Ethics—A Neglected Issue."

The traditional concept of economic efficiency, which emphasizes output per hour of labor, also is being challenged. The prevailing production system has been heavily dependent on low-cost and readily-available energy and this, as we all know, has made it profitable to substitute large amounts of fossil fuel for both labor and land. It would be much more meaningful and realistic, now that the era of cheap energy is drawing to a close, to adopt a concept of efficiency that emphasizes output per million BTU's.

The same point applies to other finite inputs like ground water used for irrigation, particularly in areas like the Great Plains where

the Ogallala aquifer is being depleted. Or the highly-subsidized water provided to big farms in California's San Joaquin Valley. Perhaps we should measure efficiency in those areas in terms of output per acre foot of water with the price of the water fixed at its real cost.

The point is that any measure of efficiency should emphasize the return from the scarcest resource used. That makes much more sense than continuing to emphasize output per hour of labor in an economy that can't achieve full employment even when times are good. Can we justify characterizing agricultural labor as a scarce resource in an economy that has one of every 12 workers out of a job and hundreds of thousands of others under-employed? I would suggest that agricultural economists begin the 1980s by providing policymakers with new numbers that reflect real measures of efficiency.

The old way of measuring economic efficiency also is flawed because it fails to consider such externalities as social and community costs associated with farm consolidation. These include the costs of moving and retraining people who quit farming, costs of welfare and other social services of those who do not find alternative employment, and increased per capita costs of services in communities with declining populations.

Don Reeves of the Agriculture Policy Work Group of the Inter-religious Task Force argues that cost of production figures for larger farms would be considerably higher if all farm consolidation costs were added in. He contends that this would result in optimum farm sizes smaller than those now defined by traditional measures of efficiency.

But even if we were to accept a narrow economic definition of production efficiency, it would not provide the rationale for moving to larger than family-size farms. There is ample evidence that most of the economies of scale, if measured in cost per unit of output, are achieved in fully mechanized one-person and two-person operations. Added size, for the most part, merely adds more income from having more acres.

The pressure to consolidate comes, to a considerable extent, from efforts of policy makers to encourage development of proficient farms. These are units large enough to provide incomes comparable to the incomes of urban people. It rejects the notion that people may want to be small or part-time farmers and has no direct relationship to whether or not an operation is efficient in terms of cost per unit of production. It does, however, promote the trend toward larger and fewer farms.

There is no evidence that consolidation will make our production system more reliable, bring us cheaper or better or more varied food, or enhance the quality of life for people living in rural communities.

There is increasing evidence, in fact, that it leads to depletion of the natural resource base needed to sustain agricultural production, limits entry opportunities for young and beginning farmers, reduces the quality of rural life, leads to less competition and higher food prices than would be the case otherwise, and reduces agriculture's ability to adjust to changing world market conditions.

A recent study by the General Accounting Office, the investigative arm of Congress, suggests that a shift to fewer, larger, and more specialized farms may not be an appropriate course for an agricultural system that is so important in world trade.

The GAO, in a report on the changing character and structure of agriculture, warns that reducing farm numbers further and concentrating more sales in the largest farms may reduce the resiliency of American agriculture to deal with commodity price variations caused by unpredictable changes in the world economy.

Although no direct relationship has yet been shown, soil losses have increased to alarming levels during the period that farm size has more than doubled. Losses total about 4.2 billion tons a year and up to 50 tons per acre in some places. It seems clear that this is related to the large increases in row-crop acreage over the last 25 years and to the steady reduction in acreage protected by crop rotations, contour farming, and strip cropping.

There is evidence, however, that large farmers are tearing out terraces, shelterbelts, hedgerows, and other soil-saving improvements to make it easier to operate large machinery. We know that most large operations specialize in either crops or livestock and are less likely to be diversified enough to utilize forages from crop rotations and similar systems. We also know that an increasing number of large operations are owned by non-farmers seeking a hedge against inflation, a tax shelter, or a chance to convert ordinary income into capital gains.

A recent Harris Poll indicates that most Americans are concerned about soil losses, support soil conservation programs, and are willing to share some of the costs with farmers. We don't know enough about the relationship between soil losses and farm size to be able to say whether or not it is size-neutral. There is reason to believe, however, that a greater effort will be made to conserve soil and water on diversified farms closely held by families than on large units acquired by investors, speculators, and others seeking short-term economic gains.

Agriculture is beginning to adjust, as it must, to changing energy conditions. Conservation opportunities, including minimum tillage, are readily available in all major classes of energy use. On-farm renewable energy sources offer another way to reduce fossil fuel consumption. Solar energy applications are being demonstrated on hundreds of small and medium-size farms.

On-farm production of alcohol has the greatest potential on diversified farms with both grain and livestock. This makes on-site utilization of the mash possible. The solar applications with the most potential at this time are low-cost retrofits that farmers can construct themselves. Diversified operations that have both grain and livestock also have manure to help reduce the cost of fertilizer, which accounts for about 32 percent of all farm energy use.

Although one study suggests that small farms are less energy-intensive than large ones, the data are not considered conclusive. Much more information is needed on the relationship between farm size and energy-related production costs and on the difference, if any, in the impact of energy price increases on large and small farms. I would submit, however, that a diversified production system is better able to adjust to changing energy conditions than one that is highly mechanized and concentrated.

A diversified system will provide more opportunity than a concentrated system with larger and fewer farms for individuals to become independent operators. Individual entrepreneurship, a cherished American institution, is highly valued by farmers. Their interest in being their own boss is seen in their willingness to accept a lower return in order to fulfill this and related personal needs.

A series of interviews with 141 farmers reported by Sociologist William Heffernan suggests that farmers place a high premium on being their own boss and making management decisions. Having an opportunity to do things to increase their income and their security also was important.

It is ironic, as Heffernan suggests, that we encourage concentration in agriculture when it is clear that it leads to urban work organizations that include an increase in task specialization, separation of management from labor, and separation of home and community from the workplace.

This comes at a time when industry is moving back from task specialization and separation of work from decisionmaking because bored and alienated workers have become less productive and more prone to absenteeism. Surely this, and other problems associated with an industrial work force, is not what we want for agriculture.

A production system dominated by small and moderate-size units also will provide more entry opportunities for young and beginning farmers who often are long on ability and short on assets. One reason is that there would be more farms. Another is that the start-up capital needed, even for a beginning tenant, can be as high as \$200,000 for a one-person operation with both crops and livestock. It would be considerably more, of course, if a land purchase is involved.

Finding ways to help start young and beginning farmers to replace those who retire is increasingly perceived as a public policy issue.

Bills that provide favorable long-term credit for young farmers have been before Congress for several years and Minnesota has become the first state to implement a young farmer loan program. The main rationale is that the opportunity to farm should not be limited to those fortunate enough to marry a farm or to inherit one.

Another policy area that is receiving increasing attention, particularly in the Northeast, is the development of regional food systems. This is an area that also has implications for food production on the urban fringe and the need to develop better ways to preserve farmland that is under development pressure.

As long as farmland increases in value beyond the point where it pays to farm it, farmers will continue to sell to developers. That point is reached fairly soon for grain, livestock, and dairy operations. The challenge is to encourage small farm operations that require much less land, utilize intensive production methods, specialize in high value crops, and capitalize on opportunities to market locally.

I would submit that smaller diversified farms have a definite edge in this kind of production. They can compete with the large specialized farms that now provide most of the produce that is shipped into urban areas and, as energy prices continue to go up, will be able to do it better.

Although the number of studies carried out is not large, they have established that there is a direct relationship between the quality of life in rural communities and the shift to larger and fewer farms. The classic study of this relationship was carried out by Anthropologist Walter Goldschmidt for USDA's Bureau of Agricultural Economics in the 1940s. It involved Arvin and Dinuba, two California farm communities that were comparable in nearly every way. The main difference was that one was surrounded by family-type farming units and the other by large corporate farms.

The study concluded that the town surrounded by family-type farms was superior in a long list of quality of life indicators. These included total income, small business opportunity, level of living, social and physical amenities, social and religious institutions, and the degree of local control of the political process.

Goldschmidt reported that the high correlation between large-scale farming and the proportion of the population made up of landless workers and other low-income and transient residents offers evidence in support of the agrarian thesis that family farms are conducive to democratic rural communities.

A followup study involving several California towns, which was completed by Sociologist Isao Fujimoto in 1975, confirmed Goldschmidt's earlier findings. Fujimoto concluded that residents of communities with smaller-scale cropping patterns had much greater access to a wide variety of services, including medical facilities

and schools, than those who live in areas where larger than family farms predominated.

A new USDA report projects that the number of farms will continue to decline until it reaches 1.8 million in the year 2000. It predicts that large farms will increase in number and dominate agriculture production and that farm production, farmland ownership, and farm wealth will become more concentrated.

It is highly likely, in view of these projections, that political support for agriculture as an industry will continue to decline. This may well extend to the entire agricultural establishment, including the Department of Agriculture and the land grant system, as the number of persons directly involved in agricultural production declines. The public does not support a special system of research and extension for executives and workers in the steel industry, for example, and it may well ask why this is necessary in an increasingly concentrated industry like agriculture.

It would take an enormous political effort to reverse the trends discussed in this new USDA report. I would submit, however, that further concentration of agricultural production is not in the national interest for the many reasons I have discussed. It will lead to increased social and resource costs for the general public while the economic benefits accrue to a small number of very large farms and industrial corporations.

There is some evidence to suggest that many people are not fully aware that this kind of change is taking place and that we may be drifting toward a degree of production concentration that few thoughtful people, either in or out of agriculture, really want. And we may be doing it with little awareness of what the consequences will be.

I would like to close by quoting from Phil LeVeen's paper on the advantages of large crop farms in California, in which he looks at many of the issues we are raising here.

"There are obvious costs of limiting farm size. . . but there may also be less visible benefits from controlling the growth of farm size in the form of a more even distribution of farm income, greater economic opportunity for self employment, greater overall employment, and healthier rural communities," he suggests. "However, there is very little research available to assess these possible benefits. This research must be done if those who support the idea of limiting the growth of farm size and the concentration of agricultural production and incomes expect to generate sufficient political support for the policies needed to achieve these goals."

I hope that you will do more to make both farm and city people aware of the costs and benefits of agriculture structure alternatives. As pointed out earlier, they have the opportunity under our political

system to choose any kind of agriculture they want. About all we can do is help them make an informed decision and hope they make the right one.