



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

LEADERSHIP FROM THE NORTHEAST
ON FOOD AND AGRICULTURAL POLICY

by

Bernard F. Stanton and Thomas F. Weaver

April 1979

No. 79-7

LEADERSHIP FROM THE NORTHEAST ON FOOD AND AGRICULTURAL POLICY*

by

Bernard F. Stanton and Thomas F. Weaver¹

Abstract

Much of agricultural policy is determined at the national level. The Northeast can have a positive impact in establishing priorities both for agriculture and the use of natural resources. Decisions on land use, tax policy, and the economic environment for farming and related agricultural business are determined at the state and local level. The Northeast should work actively at the federal level to maintain its competitive position and raise questions about public investments in other regions at the expense of Northeast producers. It should encourage regional research efforts, emphasize a positive self image and reconsider ways to more effectively use its limited high quality natural resources.

Introduction

The spotlight in this assembly has been focused on food and agricultural policy in the ten Northeast States. This is an urbanized industrial region with more land in brush and forest than anything else.

Happily it is an integral part of the United States. Pause and think for a few moments what life would be like here if the Northeast were in fact a separate country. The long standing border with Canada would thus be extended so that customs agents and border guards would be on duty as you crossed into Ohio, West Virginia or Maryland. Trade and traffic would be monitored systematically. Most of us would carry passports or standard identification for travel.

Free trade, the easy movement of goods, jobs and resources could not be taken for granted. No doubt there would be more land and farms in the Northeast as well as less people, less jobs, and lower standards of living. The Northeast would be poorer and different -- how poor and different would be largely dependent on how we and our neighbors had decided to live and work together.

* Paper prepared for The Northeast Agricultural Leadership Assembly, Cherry Hill, New Jersey, March 20-22, 1979.

¹ Bernard F. Stanton is a professor in the Department of Agricultural Economics, Cornell University, Ithaca, New York and Thomas F. Weaver is an associate professor in the Department of Resource Economics, University of Rhode Island, Kingston, Rhode Island.

The gains to people of the Northeast from living as a part of a larger, free trade nation are overwhelming. The continuing efforts to develop and improve a national policy for food and agriculture are fundamental. It is hard to imagine the costs that would result if 50 individual states or say eight regions of the country tried to protect their own interests with all kinds of barriers to trade -- duties, quotas, health regulations, and local subsidies.

The Northeast should concentrate its efforts to influence and shape national policy in the best interests of its own resources and people. Individual states can and should influence the economic and social climate for the food and agricultural industries within their own borders. Individual states can assist and encourage productive activity by the actions they take. Creating restrictions, and barriers to free trade will not help agriculture or the people who live in this region.

Situation in Northeast

The ten Northeast States occupy a little more than 5.5 percent of the land area of the 48 states (4.7 percent if Alaska and Hawaii are included). More than 23 percent of the nation's people live here. It is one of the oldest sections of the country in terms of history, farming and industry. About 1880 was the time when land in farms was a maximum -- two thirds of all the physical area in the region.

When the first settlers came from Europe, most of the countryside was in forest. Much of the virgin timber was cut over the years. Large areas were put to the plow. Much of the land has now reverted to brush and forest. In New England well over half the land is in trees; most owned privately and held in relatively small tracts (less than 200 acres).

During the last 100 years cropland has decreased in the region to about one-third of what it was at maximum. Farms have been consolidated and farmers have learned to compete in national markets. Specialization of production is the general rule. Dairying, production of fruits and vegetables, poultry and eggs, as well as pockets of grain production are important.

Nationally, the Northeast is viewed as the old industrial sector of the country. It's a region of high taxes, urban problems, high costs of social services and economic stagnation. The general image is not one of economic opportunity. It is more nearly one of limited growth and economic problems. The Northeast has an image problem, both externally and internally.

Concerns of People in Northeast

In this homeland of Yankee ingenuity, people have a history of being proud and resourceful. They like the countryside, the rolling hills, the blazing colors of autumn, the great centers of commerce, and

the small country churches. While the region has problems, not everyone is ready to pick up and move to the Sun Belt or problems of a different kind somewhere else in the country. There is commitment to the region, to find solutions to its problems.

We see three basic sets of concerns that are common to most of the people living in the Northeast:

- (1) How to maintain and wisely use the region's scarce natural resources,
- (2) How to insure that some minimum levels of living and opportunities are available to all families in the region,
- (3) How much local and state governments should be involved in key decisions and how costs of public services should be paid.

These concerns are not unique to the Northeast, but they do undergird policy decisions and actions on most other specific issues or problems.

There are some specific interests about food and agriculture which are especially pertinent to the Northeast and efforts to foster growth and productivity in the region:

- (1) The shrinking use of land for farming, the return of brush and forest throughout the region, the potential loss of open space, grassland, and open vistas which are enjoyed by everyone.
- (2) The resurgence of interest in self sufficiency, a high regard for self reliance and independence, individual craftsmanship, and good husbandry.
- (3) The important segment of society who react negatively to mass production, big business, and big government -- and search for ways to foster small, efficient systems of production.
- (4) The emphasis given to the conservation ethic and desire to reduce pollution and waste, sometimes without regard to time or costs.
- (5) The regeneration of efforts to support local production, promote local products, generate pride and commitment to community programs and projects.

Adversity usually forces people to reexamine what they are doing. The 1970's have been such a time in this region. There is a wide range of views on priorities for public and private actions. But there is a mood to take initiatives rather than wait for the inevitable. That bodes well for positive change within the region.

Reasons for Change in Northeast Agriculture

The amount of land used for farming in the Northeast declined over the past 100 years because it was no longer profitable to use some of

that land for crops or livestock. The opening of the West and the advent of mechanized agriculture had a profound impact on the small fields enclosed by stone walls in much of the region. Few stone walls remain on commercial farms. If the soils were deep enough the walls were buried. Otherwise they remain as historic markers of another era among the brush and forest lands of nearly every state.

The continuation of free trade in agricultural products throughout the United States, relatively cheap and efficient transportation systems, the mobility of both people and capital, and the excellent opportunities for employment off the farm within short distances encouraged movement out of farming. Public investments in research and education and the adoption of new technology aided those with the best agricultural resources. The forces of competition both within the region and outside were at work. Locations close to urban markets were not enough. Croplands wrested from the forest sometimes returned to trees within three or four generations. With jobs in towns or small cities as alternatives, the shift to part-time farming or out of agriculture altogether was a little less painful.

The farms with natural resources best adapted to mechanization and new technology continued in farming often by adding the best parts of neighboring units to their own base for more efficient production. While the number of farms in the Northeast has declined dramatically, aggregate output has actually increased -- more milk, eggs, potatoes, corn, and apples are produced than 100 or 50 years ago. Some of the best agricultural land has been lost to urban sprawl and industrialization. But large areas remain in commercial agriculture and can continue if the people of the region recognize the productive contributions to environmental balance and the region's overall economy from these resources.

In seven out of the ten Northeast States dairy products are the most important agricultural commodity. The important agricultural commodities from these states are significant on the national scene. Taking the three most important (in terms of cash receipts) commodities in each state in 1977 thirteen out of a possible thirty rank in the top twenty for the particular commodity (Table 1). In addition to this, although not top ranked within the individual state, Massachusetts was first in the nation in cranberries, Vermont in maple products, New York was second in apples, New Jersey was fourth in tomatoes and Connecticut was seventh in tobacco.

Advantages of Agriculture in the Northeast

Because Northeastern agriculture and the related food industries face tough competition in national and international markets, the substantial advantages of the Northeast are sometimes overlooked.

1. Access to capital - No region has better access to major capital markets than the Northeast. Agriculture and the food industry has a wider range of institutions and private individuals from whom to borrow, obtain venture capital, or seek as financial partners than most areas. Agricultural real estate is generally viewed as a stable and

Table 1.
THREE LEADING AGRICULTURAL COMMODITIES
Northeast States, 1977¹

	Commodity	Rank ²	Cash Receipts Millions	Commodity	Rank ²	Cash Receipts Millions	Commodity	Rank ²	Cash Receipts Millions
CONN.	Dairy Prod.	37	67	Eggs	19	51	Grnhse. Nsry.	12	46
DEL.	Broilers	8	146	Soybeans	25	25	Corn	25	21
MAINE	Potatoes	4	115	Eggs	10	99	Broilers	12	84
MASS.	Dairy Prod.	38	66	Grnhse. Nsry.	14	42	Eggs	32	20
N.H.	Dairy Prod.	42	36	Eggs	39	12	Apples	19	7
N.J.	Dairy Prod.	40	57	Grnhse. Nsry.	9	56	Eggs	31	22
N.Y.	Dairy Prod.	3	998	Cattle	34	99	Grnhse. Nsry.	5	87
PA.	Dairy Prod.	5	809	Mushrooms	1	153	Cattle	32	115
R.I.	Grnhse. Nsry.	29	9	Dairy Prod.	49	6	Potatoes	27	4
VT.	Dairy Prod.	16	213	Cattle	41	23	Eggs	43	7

E.S.C.S. State Farm Income Statistics - supplement to Stat. Bul. No. 609, USDA Sept. 1978. Table 2, p. 9.

¹ On basis of cash receipts.

² National rank in the particular commodity.

strong investment base. Agricultural leaders have been aggressive and actively interested in the health of the farming community.

2. Adequacy of water resources - This is a well-watered region. Rainfall is regular and usually adequate for most crops. Supplemental irrigation can be obtained at relatively low cost for high value crops in a number of locations. The abundance and quality of water has been an important asset, too often taken for granted at all levels in the food industry.

3. Location to markets - A favorable location relative to consumer markets does not guarantee that all production, regardless of its quality, will be sold. But it does allow direct marketing. It encourages communication with processors, retailers and those who buy. It provides incentives to local producers to respond to regional interests and loyalty. Because commercial buyers require consistent supplies of uniform quality it demands specialization in production and joint efforts in marketing in many cases.

4. Capacity of human capital and institutions - Over the years there has been strong leadership among farmers, farm organizations and agricultural industry in the Northeast. Divergence of views has been fostered. Young people have found their way to membership on Boards of Directors or as spokesmen for programs. The "establishment" has not become so entrenched that new organizations, consolidations and dissolution could not result. The rest of the country generally views the agricultural leadership of the region as lean, hard-nosed and competent.

5. Experience with Adjustment - Adjusting to change is simply part of living in the Northeast. Rural people of this region do not look to big government or big corporations to solve their problems. Self-interest and self-reliance are important to most farmers, processors, wholesalers and retailers who live and work here. They have learned that living with the urban majority is in their own interest. Participation in public decisions with respect to the nature and cost of local government services, land use planning and taxation is a part of doing business. The capacity to respond to challenge and change is well developed.

When all is said and done, the physical resources of the Northeast, taken as a whole, cannot compare with those of the Corn Belt for agricultural productivity. But the human resources, the people and their institutions, from the Northeast are as strong as those from anywhere in the country. This is evident in part from the net farm income being derived from the farms of the region. Based on a 1976/77 average, five of the ten Northeast States rank in the national top twenty for net farm income. Three ranked in the top ten, Delaware was third, Maine seventh and Connecticut eighth. With changing costs of transportation now favoring local production and a new awareness fostered for supporting regional efforts, Northeast agriculture has many positive features. With appropriate state and national government policy, these features can maintain and encourage agriculture within the region.

State Policy Affecting Agriculture

State government has had a historical involvement with agriculture and agri-business. State departments of agriculture have collected and disseminated information about the type and quantity of agricultural activity within the states. State regulatory agencies in conjunction with federal agencies have been responsible for monitoring health and safety of production and processing activities. They have acted to insure safe and reliable products for consumers through licensing, inspections and the enforcement of grades and standards.

In addition, state governments, along with the federal government, have provided funds for research on agriculture and agri-business industries at their respective land grant universities and State Experiment Stations. The State Cooperative Extension Service serving producer, processor and consumer alike is an arm of these same institutions. Their education and service programs are, in part, funded by the towns and counties which are served and through local participation on boards and committees. The citizens of each state have a voice in determining programs and services.

State government also affects agriculture through its development programs and natural resource policies. It does this through its acquisition of lands for public use, development of park and recreation sites, construction of roads and rights of way for utilities. All of these may remove land from agriculture or make agricultural lands more accessible for other uses.

The power to plan and control land use has historically rested in town and county governments by way of state enabling legislation which allows for zoning and land use control. More recently there has been interest in exercising some of these powers at the state level given that local exercise of these powers in pursuit of narrowly defined local interests has resulted in conflicting and sometimes inefficient patterns of development. Often a principal concern is the manner in which such development has affected agriculture.

State government also has a significant impact on farming and agri-business interests through tax policy. The reliance on the property tax to fund local government has sometimes created financial conditions which have made it very expensive to farm in a given town or county. Exemptions or reductions in real estate tax authorized through state legislation have, dependent on roll-back provisions, sometimes only created favorable conditions for land speculation. In states where the granting of tax exemptions or reduced assessments has been left to the discretion of local tax assessors, implementation has been highly variable. Most observers agree, however, that real estate tax reductions through use value taxation have at least delayed subdivision of agricultural lands in areas in which the land is under urban development pressure.

Business taxes and state and local income taxes also affect the financial condition of the family farm and of agri-business. Government has considerable power through these tax mechanisms and by regulatory fees to affect the business climate of farm communities. State

government and local government are also able to affect farm business through building codes and standards and the permit process necessary to modernize and expand farm operations.

Federal Investments

Since the end of World War II federal policy has had a very significant effect on the development of agriculture in many parts of the country. On a nationwide basis federal investment in infrastructure and services for agriculture appears to favor other areas. There have been no public investments in agriculture in the Northeast comparable to the sums which have been spent on irrigation development in the West and Southwest and on flood control on the delta farmland in the southern states.

Other federal policies have had their influences. Minimum wage legislation has affected most agricultural enterprises which are labor intensive, for example the orchard, vineyard and nursery operations in the Northeast. Environmental protection regulations have increased the costs of farming given the need to control run-off from animal barn and feedlot operations. Operators of aquaculture systems and hatcheries have also had to change their practices to conform with current regulations. Worker health and safety regulations also have increased the cost of farm business.

The impact of these regulations has certainly not been less than in other areas. Given the relatively modest natural resource endowment and the tax position and high land cost generated by overall development in the Northeast, the region's agriculture appears to have experienced a deterioration in its competitive position with other regions.

State Actions

There are, however, a number of activities which can be carried out at the state level which will strengthen the region's agricultural sector. Many of these activities can be facilitated by federal policy. First among these is a continuation of the work which historically has been part of the state government's service to agriculture. Information collection and its dissemination is a key service. Support for individual land grant universities including funding for research, teaching and extension is another. It is still important that agricultural technology be tested and adapted to the circumstances of the individual states. This requires a continuous research program at the state level. In the Northeast, there is a special need for individual states to share research and extension resources. Special, ear-marked federal funding would encourage such cooperation.

It is important for state government to recognize its role in setting a favorable economic climate for farming and agri-business. This can be accomplished with a comprehensive tax policy which recognizes the total farm tax burden including real estate. Care must be taken that such a tax policy not be used to encourage inefficient operators. Primary production from agriculture has an important

multiplier effect to other sectors. Moreover, the environmental value of open space and natural beauty is enhanced as well.

State government can also affect the business climate for agriculture by its approach to the regulatory function. Regulation is best approached as a service to both producer and consumer. It should not be primarily a punitive activity. This is the difference between government which works for the people as opposed to government of penalties and fines. Federal government may act as a catalyst for achieving this type of cooperation by providing funds for training programs for state regulatory agencies and by adopting a similar attitude in carrying out their own regulatory functions.

State governments can make a substantial contribution to agriculture within the region by recognizing and promoting the positive aspects of the existing industry. There are numerous successful farm operations in all of the states of the region for which the individual states and the region as a whole can take pride. Existing farm operations and, in some states, newly emerging small scale agricultural operations are examples of traditional farm values and much valued Yankee ingenuity. The farm sector and rural communities with which it is associated are important resources to the region. A positive approach by state government which enhances and improves the self-image of the area can be a substantial contribution to confidence with which the agricultural community faces the future.

State government must find ways for controlling land use which encourages agriculture and the maintenance of open space and natural resources. Use-value assessment, with sufficient roll-back provisions to discourage land speculators, should be encouraged. This policy should recognize that agriculture should be required to pay its own way within the context of the benefits which are derived by society. State land use policy must recognize the diversity of development pressures within each of the states of the region accounting for both high development pressures and situations where agriculture or forestry is the only competing use for the land.

There is a considerable opportunity for state government to promote state agricultural products and to facilitate direct marketing methods for the mutual advantage of both producer and consumer. State regulatory agencies can also seek ways to insure consumer protection without acting as barriers to direct marketing. As a part of this effort, urban consumers need to learn more about the total food system on which they are dependent and the state, regional and national linkages of farms -- the component parts of the food industry. Special federal education programs might be developed to provide such programs.

States in the Northeast need to oppose efforts of special interest groups to erect barriers to trade. There have been efforts in the past to use health standards, licensing and other mechanisms to impede the free flow of agricultural and food products. Our food and agricultural industry must be able to compete in the market place on its own merits. This is in the national, and consequently, the regional and state interest.

National Legislation

It is important for the Northeast to influence national agricultural legislation to insure that the self-interests of the region are not pushed aside by federal funding of projects which are for the benefit of major competitors. For example, publicly funded large scale irrigation developments in the West improve the competitive position of these producers at the disadvantage of Northeastern potato, vegetable, and fruit producers. The rail-transport needs of Northeast agriculture should be identified by and aggressively pursued in the best interests of the region and the nation as a whole.

It is particularly important for the states in the region to insure that the food and agricultural sector is actively involved in land use planning activities at all levels of government. Leaders in the agricultural community must be encouraged to represent their interests when land use planning decisions are made. The federal government may assist in these efforts by insisting that such interests be represented when they provide funds for planning and development.

Individual states should be actively involved in finding ways to insure good quality working conditions providing for health and safety in the food and agricultural industries like any others. They should accomplish this through national legislation. The individual states should not disadvantage their own agricultural or industrial sectors by imposing regulations not required in competing areas.

Individual state efforts should support national efforts to encourage a strong, commercially viable agriculture and as well they should promote and support efforts to assist those seeking self-sufficient life styles on smaller farms in rural communities.

Research can potentially contribute a great deal to the viability of agriculture in the Northeast and more effective use of our natural resources. Research directions which appear particularly appropriate at this time include:

1. Agricultural Lands and Land Use: High priority should be given to the definition and location of prime agricultural lands in the Northeast. Information is required on what is the value of agricultural and forest land in the Northeast to provide an accepted basis for use-value assessment. Research is needed for determining the total benefits to society from agriculture in the Northeast including the value of agricultural production, open space and recreation value.

2. Institutions and Agriculture: Research is required on an acceptable rail-truck transport system to service the region's agriculture and rural business structure. Research is needed to monitor the quality and availability of the agricultural service industries including banking, production inputs, veterinary, and machinery. Research is also needed on ways to more fully involve the entire agricultural/agribusiness community in land use planning in the region. Special research attention needs to be directed to how mechanisms currently available for maintaining and preserving natural resources can be more fully utilized

in agriculture such as conservation easements and matching contributions from current federal programs.

3. Alternative Agriculture: Investigations into ways in which organic farming systems have commercial application should be encouraged. Research on enterprise combinations which will fully employ the resources of the small farm operator and research on the development and economics of appropriate technology for small scale enterprises including integrated alternative energy systems should have some priority. More should be learned about the reliability and capability of hand operated, power equipment available on the international market.

4. Forestry: How can farm woodlots be best managed to contribute to the farm income? In particular, what are feasible multiple use forest management systems; what are the related benefit and cost streams?

The states of the Northeast can have a positive impact on agriculture and natural resource policy for the benefit of both rural and urban citizens. We need to make our influence felt at the federal level. New and continuing initiatives are needed in each state.