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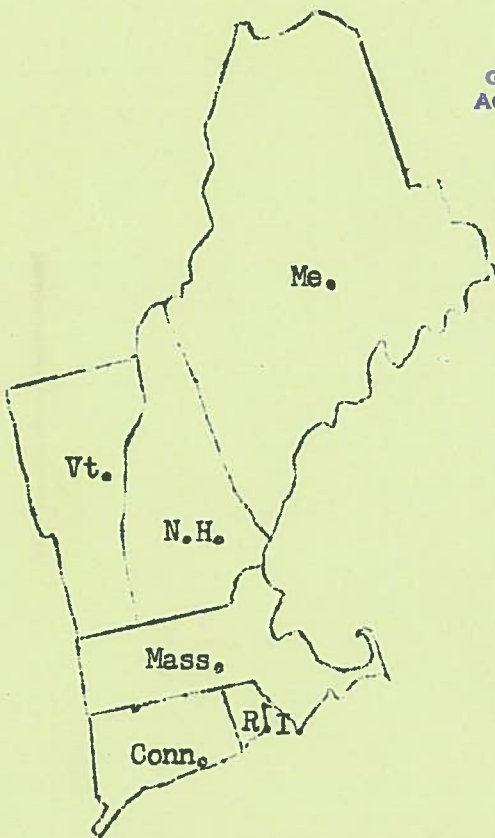
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AGRICULTURAL ADJUSTMENT IN SOUTHERN NEW ENGLAND*

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There has been a great deal of talk here in Connecticut, Massachusetts, and Rhode Island about the fact that farms have to get larger to make profitable units. The point is made at practically every agricultural meeting one attends. I am willing to accept this, and I do not propose to belabor it further. The same goes for the decline in the number of farms and the fact that output, except for some special items has held steady or increased. Some of these relationships are indicated in Figures 1 to 4. I think that, from the point of view of Agricultural Adjustment, one may very well look upon Southern New England as being separate and distinct from the Northern New England states. In fact, in some respects, our southern group has more in common with Southern New York or New Jersey than it does with the other New England states.

Rather than discussing which adjustment will or should take place and when, I would prefer in the few minutes allotted to me to make three points relating to problems that I think are important to the adjustment process in Southern New England. I do not propose that these phenomena are unique to Southern New England, but they are certainly jointly of more importance here than in most other areas.

The first point is this: Interregional competition is one of the most important factors affecting farm income in Southern New England. I am not implying that this is only true of Southern New England, but it becomes particularly serious in a deficit food and fiber area such as this area is.

Take the case of vegetables which historically has been one of the lines of production favored by nearness to market. Local producers have found it increasingly difficult to compete with the shipped-in product. One of the reasons, of course, is the so-called efficiency of large scale production. Although this is a necessary component of the present situation, it is by no means a full explanation of it. The buyers side of the market is also important—that is, the relationship between the buyer and his alternative sources of supply. These I feel are the factors that are giving local vegetable producers trouble and efficiency in production is probably not as important as the characteristics that are built into the product by large scale southern production. I am referring to volume uniformity and year-round delivery.

Milk is another case in point. Currently, dairy income is about 1/3 of total agricultural income of Southern New England farmers. Recently, many of the producers have had to take lower prices because of the new Federal order. New England as a whole is threatened by the sterile concentrated milk from the mid-west. Now, we say that milk will only move here to the extent that differences in cost of production will pay for the freight. But is it possible that local prices could end up being less than mid-west prices plus freight? Is it possible that a handler might prefer to handle bulk shipments from New York or Wisconsin all the

time instead of only when he is short? The answers are typically that milk is a fairly homogeneous product and that, in addition, Federal order provisions take care of this. This last point has been true, but even Federal orders change (and more and more easily it seems). And what about the homogeneity of the product? Increased emphasis is on taste in milk might even change that.

It is probably safe to say that in the case of milk competitive pressure is more likely to come from differences in relative efficiency of milk production than the selling factors mentioned above. But physical efficiency will not suffice as a measure. As a matter of fact, available data indicate that there are no particularly striking differences here. There are, however, notable differences in some of the input prices. As a rough estimate one might compare the costs of hay, concentrates, and labor per hundredweight of milk for Minnesota and Southern New England. These are the main input items that would differ in price between the two areas. The cost difference in these items per hundredweight of milk was \$2.42 in 1958. This is enough to transport 100 pounds of milk for a distance of, roughly, 1,500 miles. It is of interest to note that this "partial cost" or "cost indication" was 63% higher in Southern New England than in Minnesota in 1958. But in 1948 it was only 37% higher. Freight rates on milk were similar in 1948 and 1958. Hence, the cost difference would transport the milk less than half the distance in 1948—about 670 miles. A word of warning may be in order here. These costs are, of course, not real costs, but I believe they give a fair indication of the differences in production costs if producers were to realize a return to their resources equal to local market prices. Also, this is not believed to be an analysis of comparative advantage, but merely an indication that some of the cards are increasingly stacked against Southern New England milk producers.

As further examples of this increasing interregional competition one might mention potatoes and poultry products.

To get a little more perspective here, may I remind you that the New London turnpike used to be a cattle trail to Providence and that in Kingston, Rhode Island can still be found remnants of holding pens for cattle shipped out at South Ferry where the University's Narragansett Marine Laboratory is now located. Further, that this part of the country once produced grain and wool in important quantities.

Since I have accepted the need for larger farm units as a very necessary component of any farmer's survival kit, it may be of interest to see how Southern New England is adapting in this respect compared to one area in the midwest. Figure 5 shows average volume of business for Minnesota and Southern New England farms for the period 1930-54. The unadjusted Minnesota data indicate that average farm size increased to a volume of business of about \$8,500 in 1954. The top line indicates, in a rough manner, how well farm size was adjusted to technological change from 1944 to 1954. It is down sloping; hence, farms have not increased as much in size as technology would have allowed. This comparison is made by adjusting the volume-of-business intervals by two indices:

(1) The index of prices received and (2) The index of labor productivity.* By doing this, volume-of-business is made a more nearly comparable measure of size in different time periods. As an example, take \$25,000 worth of farm products in Minnesota in 1954. This would be less physical product than \$25,000 in 1944 when the index of prices received was 78.2 for Minnesota (1954=100). In fact, \$25,000 worth of product in 1954 would be equal to \$19,538 worth in 1944. But price is only one of the factors for which adjustments must be made if one is talking about changing farm size. The index of labor productivity was 61.4 in 1944, and 100 in 1954, indicating that a farm family or a given amount of labor could take care of a much larger unit in 1954 than in 1944. Thus, adjusting for both price and labor productivity, a farm having \$25,000 volume-of-business in 1954 produced the same physical volume with about the same labor force as a farm having a \$11,996 volume-of-business in 1944.* When the intervals of the frequency distribution are thus adjusted, and the weighted average volume of business is computed, it appears that changes in technology and price would have called for average business volume to increase to about \$9,200 in 1954, or 30% above 1944. But average volume of business increased only 20 percent from \$7,070 to \$8,500. Minnesota farms then have not grown as fast as technology would have permitted.

Southern New England has faced about the same changes in prices received and labor productivity as the midwest. As indicated on Figure 5, Southern New England farms have grown less in size than the Minnesota farms; hence, this region has not been adjusting as rapidly as it should or as rapidly as some competitors. As it relates to our competitive position in dairying this could be serious.

The second general point I would like to make is this: Some of the more important agricultural problems of Southern New England are non-agricultural in character. Of importance here are the high land prices, the highest in the nation for any three-state area, and more than double those of Minnesota (Figure 6). One of the serious effects of higher land prices is an increase in the already tremendous cost of expanding a farm unit to achieve a more desirable size of operations. Thus, one would expect that Southern New England farmers would have more difficulty adjusting to the "demands" of modern technology than would farmers in other regions.

High land prices also affect current operating expenses. They do this, of course, through higher taxes which are jointly determined by the tax base, and the mill rate. In 1925 real-estate taxes in Southern New England were double those of Minnesota. Since then, taxes have increased by 233% in Southern New England compared to 141% for Minnesota.

In addition to high prices for land, the physical limitation on availability of land is a serious problem in an agriculture where the individual units must expand. In many cases there is no land to buy, and even the combination of farms can be cumbersome if the Massachusetts Turnpike runs between the two units.

A third problem caused essentially by non-agricultural considerations is the matter of labor costs. Qualified labor is probably more difficult to get in an area where there is reasonable industrial employment available, and the wage rates are somewhat higher. In 1958 Southern New England farm wage rates were 20% higher than was the case for Minnesota; in 1948 they were only 3% higher.

The last point I would like to stress is this: The Agricultural adjustment that is taking place in Southern New England is not going to be as painful and agonizing an ordeal for farmers as is the case in most other areas. There are two main reasons for this: First, high land prices cease to be a curse when the question of leaving the farm arises. Many of our farmers have found that by merely "hanging on", and through no particular virtue of theirs, they have accumulated a fair sum of money on which to base their retirement or change to another occupation.

Secondly, farmers in states with a strong industrial orientation have a somewhat easier time finding employment should they decide to leave the farm for other work. Indeed, in many cases they would not even have to "leave the farm" in the traditional sense, but could often continue to occupy the farm home after perhaps selling or renting some of the land. But this feature of Southern New England agriculture should not be taken for granted. For if an industrial area is depressed, or one might even say if an industrial area is not growing, the advantage disappears. The employment opportunities are no longer there. In fact, a relative disadvantage may exist since the local costs of unemployment will have to be shared by the farmer members of the community.

One last problem should be mentioned. Farmers will have some important decisions to make in the future. In a sense, farmers on the urban fringe are going to need more and better advice. But as their numbers decline, it is going to be more and more difficult to justify politically the need for the Federal and state service organizations that now exist. This is one of the reasons that it is of great importance that we review carefully the work we are doing in Agricultural Economics Departments in this region. For one thing, we should realize that much land is moving out of agriculture (Figure 4), and that more will follow. Next, we should realize that that land will be used for something, and that the particular way it is being used will have some far reaching affects on the kind of place Southern New England is going to be in which to live, work, and play.

*Paper presented at the annual meeting of the New England Agricultural Economics Council, University of Massachusetts, Amherst, Massachusetts, June 15, 1959.

*For a more detailed discussion of similar adjustments see: Jackson V. McElveen; "Family Farms in a Changing Economy"; USDA — A.R.S.; Agricultural Information Bulletin No. 171; March 1957.

*"Report of the Governor's Study Commission on Agriculture", Minnesota, 1958, pp. 150-153.

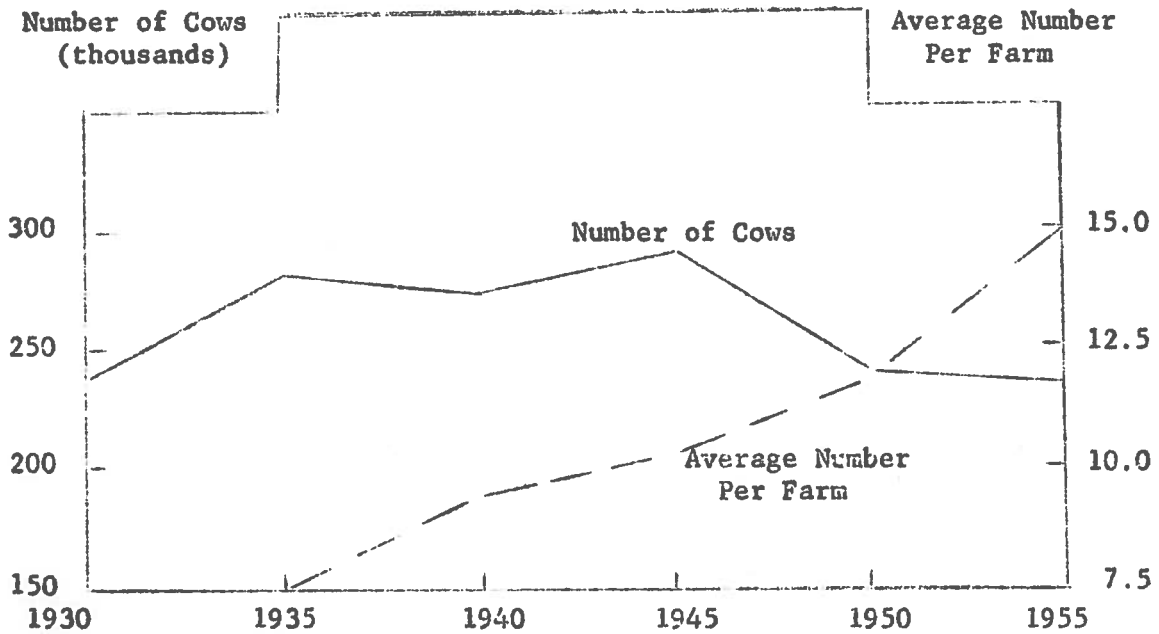


Figure 1. Number of Cows and Heifers and Average Number Per Farm, Southern New England, 1930-1955.

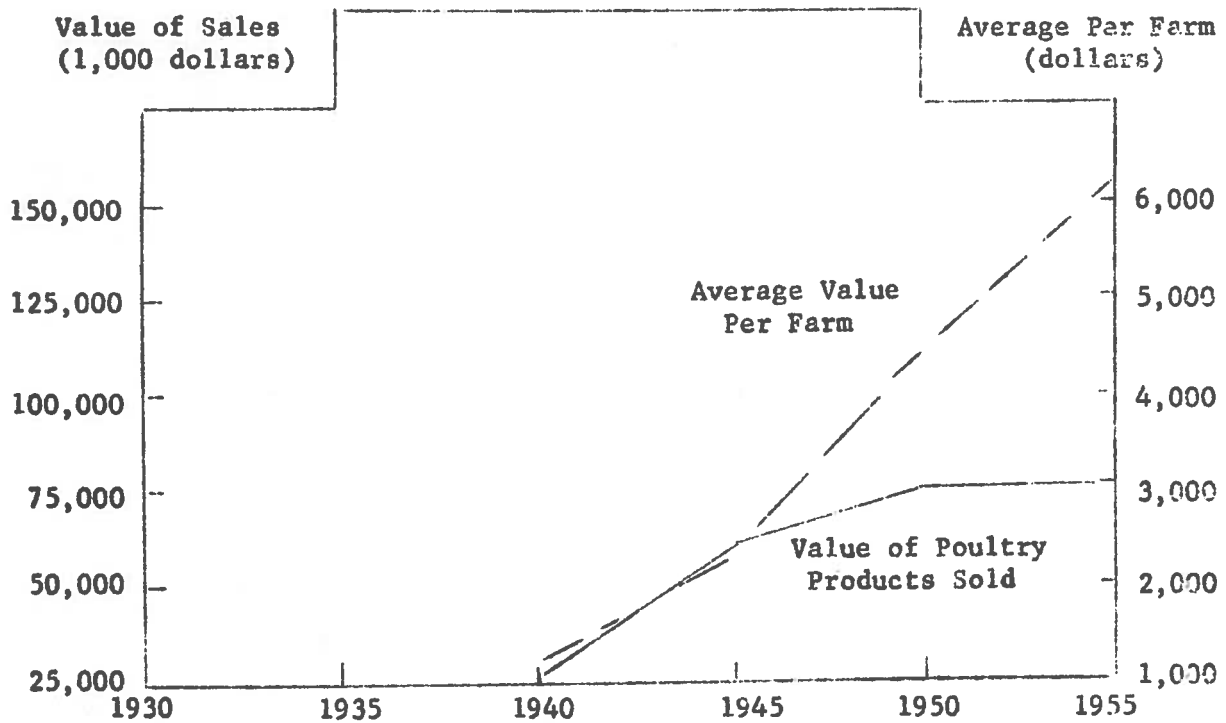


Figure 2. Value of Poultry Products Sold and Average Value Per Farm, Southern New England, 1940-1955.

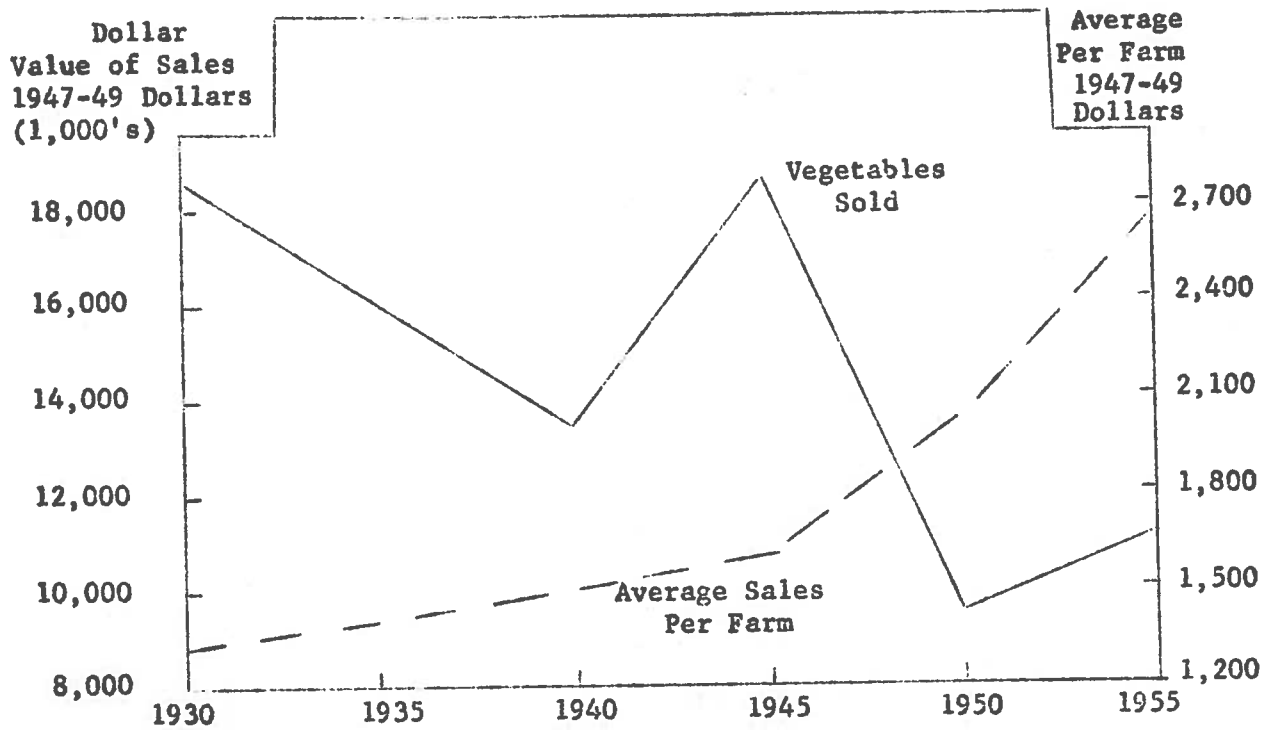


Figure 3. Vegetables Harvested for Sale and Average Value Sold Per Farm, Southern New England, 1930-1955. (Adjusted to 1947-49 dollars by using the New York Index of Farm Prices.)

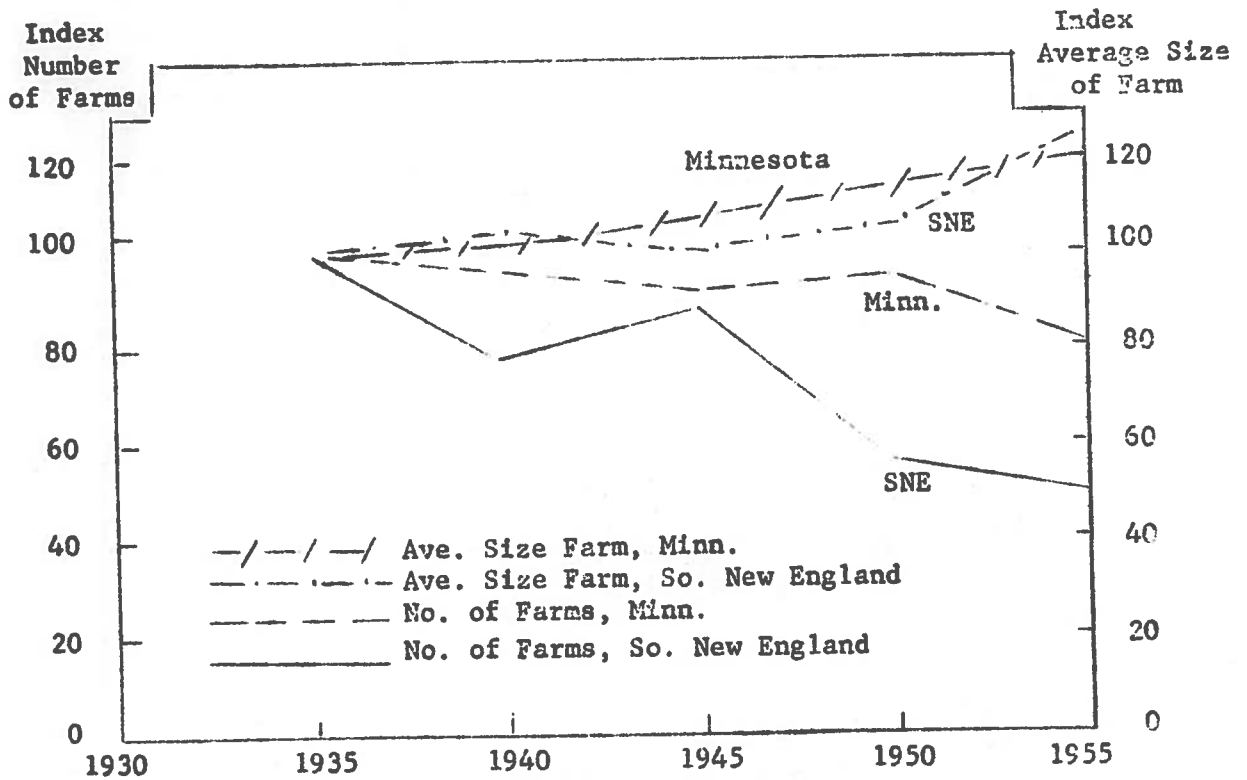


Figure 4. Number of Farms and Average Size of Farm in Acres, Southern New England and Minnesota, 1930-1955. (Index 1935 = 100.)

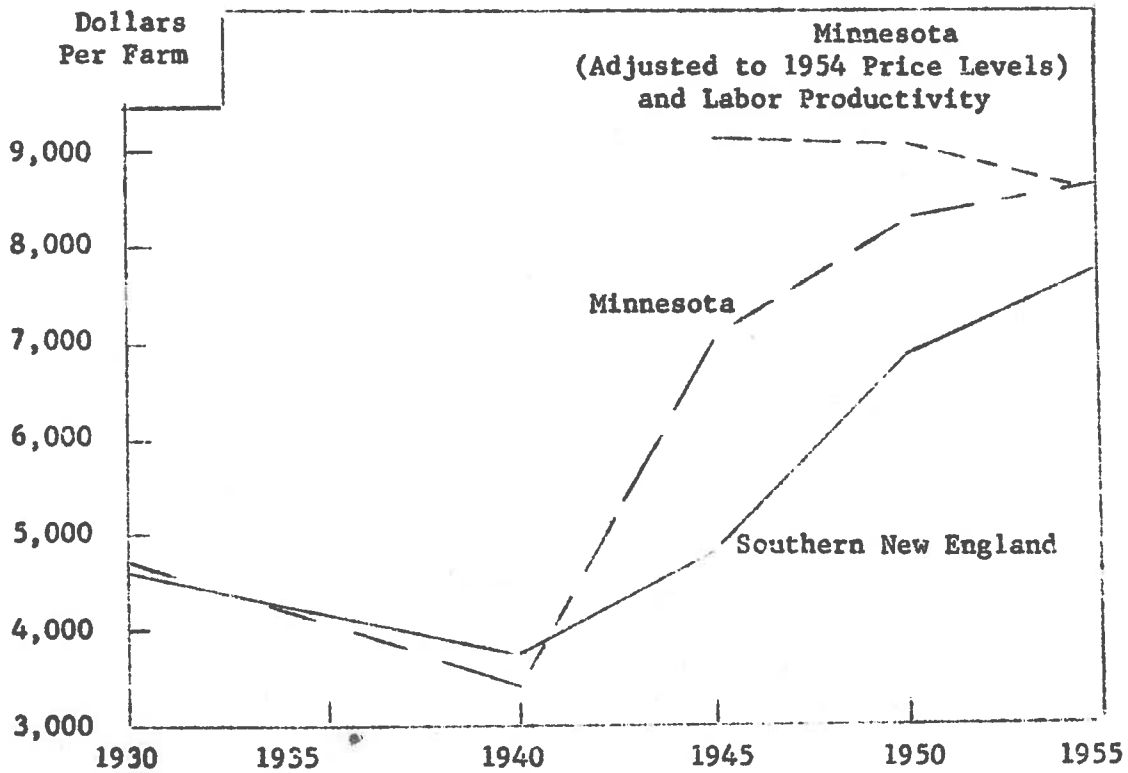


Figure 5. Average Volume of Business Per Farm, Southern New England and Minnesota (Weighted According to Economic Class) 1930-1955.

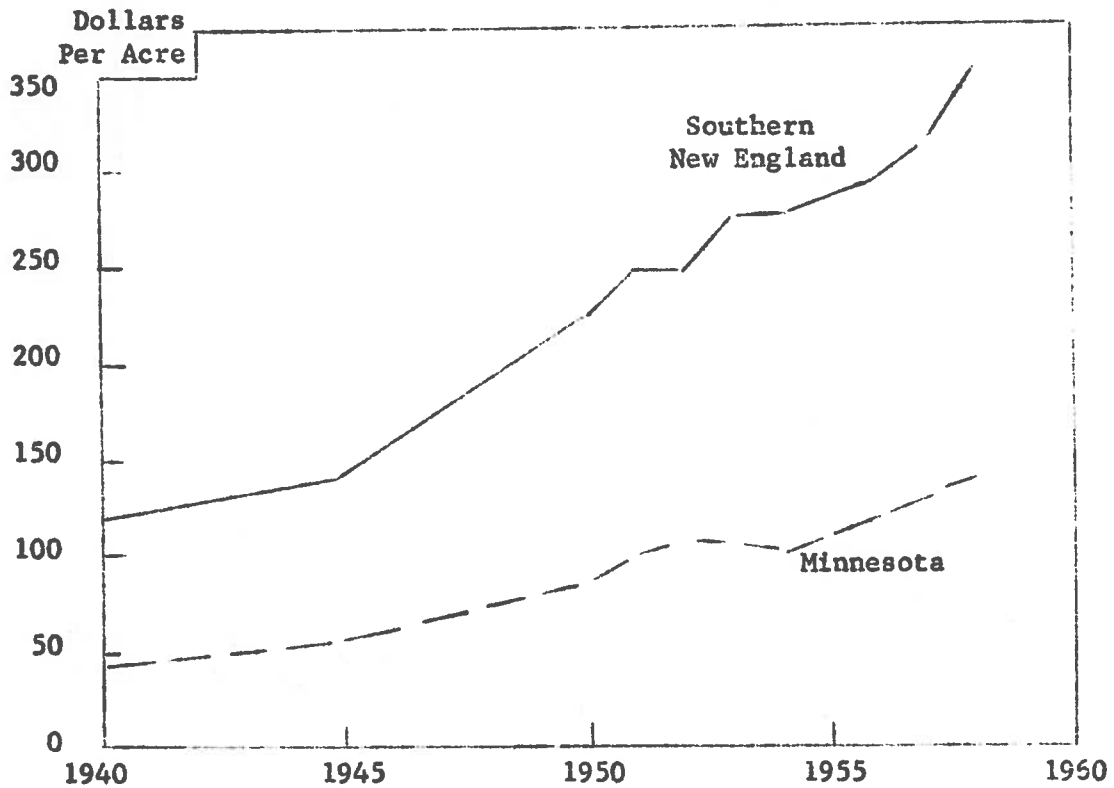


Figure 6. Farm Real Estate—Average Value Per Acre, Southern New England and Minnesota, 1940-1958.