AGRICULTURAL ORGANIZATION IN THE MODERN INDUSTRIAL ECONOMY

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Columbus, Ohio

NCR-20-68

FOREWORD

This volume contains papers and discussions presented at a seminar on changes in the economic organization of American agriculture. Organization alternatives were examined in terms of workability, acceptability, consequences, and implications for public policy. Seminar participants included members of two North Central Research committees, NCR-20 and NCR-56, and selected other individuals whose experiences and areas of interest qualified them to contribute in unique and valuable ways.

The contents herein should be of particular interest to agricultural leaders who are formulating policy proposals bearing on agricultural organization, to educators who are dealing with issues of changing industry structure in their research and teaching programs, and to students of agriculture who are seeking greater comprehension of the kinds of changes and problems likely to be faced by agricultural people in the years ahead.

The seminar was planned by a Subcommittee of NCR-20 consisting of Peter Helmberger, University of Wisconsin; R. J. Hildreth, Farm Foundation; James D. Shaffer, Michigan State University; and Paul L. Farris, Purdue University, Chairman. The subcommittee coordinated arrangements involving NCR-56 with Dale E. Hathaway, Michigan State University. Manuscript preparation and publication arrangements were handled by Thomas T. Stout, Ohio State University.

Paul L. Farris
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THE RELEVANCE OF PRESENT PRICE AND INCOME PROGRAMS FOR THE FOOD AND FIBER INDUSTRY OF THE FUTURE

Discussion

Dale E. Hathaway
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Implied, but not quite stated, in Professor Stout's philosophical discourse is the assertion that there have been no social goals in our three and a half decades of farm price and income policy because of the obsession of economists with narrow economic goals. I would argue that this is not true, that indeed there has been a strong social orientation to these policies, although I would not necessarily agree that the social goals implicit in the policies have been the proper ones.

These social goals are bound up in the overtly expressed goal of fostering the family farm in American agriculture. And these goals were acceptable because of the widespread belief that family farms were the way to both the good life and to efficient production. These policies, then have been policies that have built a credit system to facilitate the ownership of farm resources by the operators and have through design and accident maintained a relatively low return to human effort in farming.

And why not? What difference does it make to the owner-operator what the marginal value product of his individual resources are if, through a combination of current income and capital gains, he can live reasonably well and retire relatively wealthy dispite economists chronic concern about low returns to labor in farming? We should not forget that it was the representatives of these family farm operators who developed and shaped the price and income programs of the past and present.

It has been largely an accident that these farm programs, by removing price uncertainty, have contributed significantly to the industrialization of agriculture. Without the introduction of new technology -- largely developed to help the family farmer -- these programs might have had continued to serve the interest of those who developed them. But, I seriously doubt that they serve the interests of the potentially powerful in an industrialized agriculture.

There is little question that the worker in one of our large retail food chains had better relative and absolute earnings than his counterpart in the old "Mom and Pop" stores. One of the aspects of industrialization is the relative improvement in the returns to labor, which must come as a great shock to Marx. Indeed, the low wage areas of our economy are in small retail stores, laundry and dry cleaning, and in restaurants -- all areas that have thus far escaped industrialization. The high wages areas are the most industrialized, both because the marginal productivity of labor is higher and because once the returns to labor and resource ownership and management are separated labor just will not be available under less favorable conditions.

In addition, industrialists do not generally push for progress that increase the price of their major resource inputs, and therefore, I doubt that the owners and managers in an industrialized agriculture will have the interest evidenced by family farmers in programs that continously push up land prices. Industrialists make their profits producing--not by capital gains on plant and equipment. Real estate operators, stock market speculators, and family farmers make theirs on capital gains.

All of this is to say that I doubt that our present farm price and income policy will prove compatible with an industrialized food and fiber industry. And, if I am correct, the policy is likely to change rather than the industrialization process.

I believe that this division is indicated in the division of opinion evidenced in the recent report of the Commission on Food and Fiber. It appears that the majority views the present policies as viable, with modest changes, because they believe the family farm structure will persist. The minority, I would guess, have a different view of the future structure of food and fiber production and the policies consistent with the new structure.

I think that a distinction needs to be maintained between the landbased commodities (crops) and the conversion products (livestock, poultry and dairy products). We may have mechanization but not industrialization of the farmer with the present policies not seriously at odds with structure. Industrialization may be more rapid in the latter, and therefore, greater and more rapid policy adjustments may be necessary.

I have neither the time nor forethought at this point to suggest what directions I believe government price and income policy should take to adjust to these sweeping changes in farming. This would appear to me to be the worthwhile subject of another entire conference. In the meantime several things do appear quite evident. Our present policies were designed under another structure for the food and fiber industry. They will not serve to protect the old structure from change nor are they likely to prove compatible with the evolving structure.

Thus far our policies have been a mixture of economic and social policies designed to achieve multiple social and economic goals. Possibly they have not served either purpose well, but even if they have they are less likely to in the future. Therefore, it behooves us and our social science colleagues in other disciplines to turn major efforts to the development of and appraisal of new social and economic policies to deal with the new industry which confronts us.