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ECONOMICS OF THE SMALL FARMS COMPARED WITH
FULL PRODUCTION AND SOCIAL COSTS OF THE LARGER FARM UNITS

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The formidable and awe-inspiring topic assigned to the writer for discussion in connection with Dr. E. G. Peterson's paper on the subject of "The Small Farm" presents difficulties of interpretation--difficulties which the writer admits an inability to unravel. However interpreted, it suggests a topic with so many ramifications that no adequate treatment of it could be made in any short space; and as Alfred Marshall is reputed to have proclaimed - "In economics, no short statement is correct.", the writer feels constrained to limit this discussion to certain questions suggested by Dr. Peterson, relating in some small measure to the topic in question.

We are indebted to Dr. E. G. Peterson for an interesting and informative resume of the general situation with respect to the "small farm" in the western states as exemplified, in particular, by the conditions thereof in selected areas of Utah. There is little doubt but what similar conditions prevail elsewhere and that the problem of the small farm exists in greater or less degree in each of our respective states. Furthermore, the universal trend toward an increase in not only the absolute but also in the relative numbers of small farms presages a continuance and perhaps an intensification of problems arising out of their operation for some time to come.

Certainly is this the case in California where during recent years the subdivision of lands into small units has proceeded at a rapid rate with the result that, at present, approximately 22 per cent of our farms

have rendered many large holdings unmanageable or uneconomic under the changed order of conditions. Their subdivision into parcels more nearly approximating an optimum size operating unit for the classes of labor and management available has naturally followed. The relatively high prices of agricultural products, particularly of the specialty crops produced in the west, tended toward the development of relatively small farms which, at the time of settlement were conceived to be economic units; but which under the changed price/cost relationship of more recent times have since proved to be too small to provide a satisfactory living for the operators and their families. These and other forces have all contributed to the present relatively large number of small farms of various types operating under a variety of conditions in different parts of the state with varying degrees of success. Even casual observation in many areas would evince the fact that many of these farms are not financially successful, and investigation would reveal that many more were virtually "being supported" by income obtained from other sources.

Influenced, perhaps, by what he terms his "wishful thinking" on behalf of the small farm and the small farmer, Dr. Peterson appears to contend that the contribution of the small-farm population to the welfare of the commonwealth is of sufficient value to warrant the conclusion that the small farm must be preserved--almost at any cost. Admitting the contention that the American farmer--and he, typically, has been a small scale operator--has contributed much to the stability and otherwise in the development of our democracy, I wonder if he would retain his same independence of spirit, stability of thought and action, his "rugged individualism" which characterized him in the past, if he is preserved by protective measures except of the very remote sort. Recent experiences

With various types of "subsidy" would perhaps indicate to the contrary and, if such were resorted to, we might readily find that we had not preserved an admirable character but rather that we had contributed to the development of merely another "pressure group" ~~change~~ ever willing and ready to raid the treasury. Such may be only a remote possibility, but at the same time, the tendency of the times appears to be in that direction.

I do not wish to convey the impression that I believe the small farm is doomed to extinction nor that I do not favor measures which will tend to rectify the present dilemma of the small farm operator, but it is my belief that these measures must be designed to and result in standing these farmers upon their own economic legs unsupported by strings suspended from the Treasury. In addition to such remedial measures in the matters of credit, marketing, taxation and others suggested by Dr. Peterson, there will be need, in some areas, for drastic and far-reaching reorganization of individual farms, not excluding changes in acreage to larger units in some cases and smaller units in others, as well as in the types of farming adapted to conditions of the farms and to abilities of the farmers who are to operate them.

Even if such adjustments were brought about, the question might still be raised as to whether or not the small farms could compete with the larger farm units. Without endeavoring here to definitely define small, large or larger farms, for they will vary in size with time and place, but merely distinguishing the small unit as the family size farm and the larger units as those of sufficient size to necessitate hiring all the labor and all or part of the management, it is my firm belief that small farms can and will be able to compete with the larger units--at least until

time as agriculture can be almost completely mechanized; and this seems to be a remote possibility at present. I say this with conviction, because I, for one, have never been convinced that the economies of large scale operation, so apparent in industry, are necessarily forthcoming in agriculture; and second, because recent technological developments and improvements in production processes and in mechanical devices coupled with cooperative effort have, or can recover for the small farmer many of the alleged advantages of large scale operation. My conviction in this matter may be influenced by "wishful thinking", but at the same time it would appear that large-scale farming in general has not proved to be as successful as the claims made for it by its proponents.

The developments in large-scale farming during the war and early post-war years gave rise to much conjecture and speculation as to its future. Proponents gathered and publicized accounting data demonstrating, supposedly, the great economies effected through large-scale operation. Yet, strangely enough, when the acid-test of adverse economic conditions was applied, these large-scale farms appeared to be no better able--in many instances not as well able--to withstand the blow as the well planned small farms. Wherein lies, then, these great economies in production? Perhaps they are more apparent than real. Some, of course, have withstood the test of time and circumstances. Of these, our observation locally, indicates that the more successful seem to possess one or more of the following characteristics:

- (1) peculiar or unique environmental conditions providing especially favorable conditions of production;
- (2) unique institutional connections providing advantageous sources of supply, marketing outlets, or other advantages;

- (3) exceptional entrepreneurial ability--e.g. exceptional managerial ability backed by ample capital.

These conditions can not be duplicated easily or perhaps at all; certainly not in such quantity that there is immediate danger of a marked increase in the number of plants which can operate under like circumstances. Thus, if only under exceptional circumstances, the large-scale farms are likely to succeed and if, as indicated, these circumstances cannot easily be reproduced so far as is known at the present time, the small farmer need have little fear of the competition which may be expected from them. From the standpoint of our national economy, what is desired is neither small farms nor large farms as such but operating units permitting the combination, in proper proportion, of the various factors of production including that of management. So long as we have different "sized" farmers, we will and should have different sized farms and none, either large or small should necessitate subsidy for the continuance of their existence.

The so called part-time and self-sufficing farms provide distinctly different problems from that of the commercial farm types. Their success cannot be measured in the same terms and is dependent upon many factors outside of the realm of agriculture. If their subsidy is necessary to provide havens of refuge for elements in the population forced into part-time employment, for the temporarily unemployed or unemployables it may be socially desirable to do so. Their existence creates problems in rural areas, part of which are agricultural in nature, but the balance are so intermingled with industrial conditions, institutional connections and the personal characteristics of individuals as to require the special consideration of other groups for their solution. The sooner recognition is given to these facts and the sooner people in high places dispense with the notion that agriculture is the logical and ultimate haven for the lame, the halt and the blind, the sooner will progress be made toward the betterment of conditions for those elements in the population with which we are concerned.