



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.*

PROCEEDINGS

of the

WESTERN FARM ECONOMICS ASSOCIATION

Twelfth Annual Meeting

June 14, 15, and 16, 1939

University of California

Berkeley, California

THE FARM ORGANIZATION IN RELATION TO THE GENERAL WELFARE

H. D. Scudder
 Professor of Farm Management
 Oregon State College*

Introductory

As one who participated in the birth of this organization and who several years past has been an absentee side-line observer of its activities, I cannot let this opportunity pass without offering my congratulations to the various officers, program makers, and the cooperating membership on the definite advancement made toward the original objectives of the Association. Those meetings I have not been able to attend I have viewed with interest in the annual reports of proceedings. While this is somewhat like listening to a football game over the radio, depriving me of the satisfaction of seeing the players, witnessing the touchdowns and hearing the "off-the-record" comments, it has served to keep me fairly informed and given opportunity for thought-provoking analysis of the discussions presented.

Certainly while we are still a very youthful organization, we have made lusty growth. We have resisted the gaseous drift toward the airy upper air of the classicist. We have directed our efforts primarily to the applied economics so much needed in current affairs, and for the most part, we have kept our feet on the ground. If we keep on in the direction we have started, it may help to restore and increase the confidence of the public in the value of the findings of economics when applied to the everyday problems of mankind--that condition which the injection of politics into economics the past decade has done so much to destroy. This may make it possible eventually to inject some sound economics into politics.

Probably one of the most interesting periods for students of economics will be twenty years or more from now when the historians throw the screen a review of the present period of economic muddling and analyze how we got that way. It would seem at times that good economic sense has been overboiled, disintegrated, and gravied up with politics until the resultant hash is giving all of us indigestion. On the one hand there is the possibility that this may lead to an unwanted economic and political debacle and that assimilation can function again, or on the other that many will regress back to the old and perhaps well-named "lazy fare" refuge of the unengaged or doubtful.

Owing to the fact that in the beginning our western farm organization had a relatively small proportion of farm management men, it has been a satisfaction to that perhaps somewhat militant membership to note the growing place generously accorded them in the affairs and discussions of the Association by the elders in economic wisdom.

*Mr. J. C. Moore, State Land Planning Specialist, Bureau of Agricultural Economics, Oregon State College.

in the dirt at the grass roots out on the farm as we do, dare we
 that we have now become brothers in the sacred lodge? I believe the
 of plagues and tribulations in agriculture has done much to
 the efforts and thinking and bring together the agricultural
 and farm management men to the advantage of both. Certainly
 best efforts are needed as never before.

The Status of Farm Organization Research

The subject assigned to the Oregon State College staff on this
 and delegated to me is possible, from my viewpoint, of simple,
 and direct exposition, such as is adapted to my simple and direct
 speaking. The simplicity of the subject is doubly fortunate, as
 to others of the busy people on this program, I have had little
 to prepare and dress up a statement for this occasion.

The primary objective of good farm organization is to secure a
 by improving economy in agriculture through better use of the land,
 efficient employment of labor and more effective investment of cash
 and capital, such as will conserve the productive capacity of the
 and secure the best possible living for the farm family.

The relation of the internal organization of the farm to the gen-
 eral welfare is, I believe, identical to the relation of the prosperous or
 prosperous agriculture to the general welfare. The organization of
 bears directly on the success of almost every act of the farmer
 the farm fence, and upon many of his and other activities outside
 the farm. Since the beginning of our present knowledge in this field,
 there has been a time when good farm organization meant so much to
 the welfare of agriculture and to the general welfare as today.

This is due in part perhaps, first, to the fact that our pres-
 ent knowledge of the subject has been definite and usable only over a very
 brief space of years. The pioneer fact finders in this field, such as
 Warren, Hayes, brought forth the first substantial and usable
 knowledge only a little over thirty years ago. Second, it is due to the
 fact that as yet only a fractional percentage of our farmers are definitely
 aware of better farm organization as a vital primary need. To most
 who have heard something about it, it is still only an abstract
 concept. Only a small percentage of the personnel of our agricultural
 agencies are sufficiently versed in the subject to advance its
 study effectively.

Again, only about 10 per cent of the graduates from a very
 number of our agricultural schools are sufficiently trained in the
 subject to have sound command and ingrained usable knowledge of it. By
 properly trained I mean a minimum of 20 semester or 30 term hours of
 farm organization and management instruction added, of course, to
 training in production methods, a reasonable schooling in principles
 of economics and the major phases of agricultural economics overlaid on a
 comprehensive background of actual farm experience. Indeed, there
 are five or six institutions in the United States that offer as much
 as 20 semester hours of straight farm organization and management courses.
 It is a serious defect, I believe, in the present curricula of our
 agricultural schools, particularly in our western states.

A lack of qualified farm management men in important positions staffs of many of our new national projects, such as the Soil Conservation Service, the Rural Rehabilitation Service, the Farm Credit Administration, etc., I believe is an unfortunate oversight.

EFFECTIVE AND RAPID EXTENSION OF OUR PRESENT KNOWLEDGE OF FARM ORGANIZATION OUT INTO THE COUNTRY TO THE MEN ON THE FARM WHO HAVE SO GREAT A NEED FOR IT UNDER PRESENT CONDITIONS IS, I BELIEVE, THE MOST USEFUL THING WE COULD DO FOR AGRICULTURE TODAY.

I assume it is no longer necessary to expatiate on the effectiveness of good farm organization in increasing farm income. The first substantial findings in this new field led to country-wide research—slowly because of the lack of funds in many states, then speeded up by the Federal Purnell fund so that now, regarded in retrospect, a great deal has been accomplished in this field in the past thirty years. A body of factual information bearing on principles, practices and relationships has been accumulated, each state and each study corroborating the primary findings of the others, so that today what may be called extension research is no longer much needed except for securing local extension use or in isolated, unexplored areas.

It is true that many of the earlier studies in farm organization and agricultural costs were faulty in technique—due to improper sampling, insufficient number of observations, defective or crude analysis, etc. Early studies justified perhaps the doubts of some of our early workers. A new and sounder technique was learned and developed as the new field progressed, so that later studies have been accepted and have added quantities of corroboration to the first findings with the result that the relative importance of the major factors in the internal organization of the farm and their effect upon income may be said to be established. Such major factors as the selection and appraisal of enterprises, selection and combinations of enterprises or type of farming, amount and distribution of the capital investment, the volume of production and the economic unit, the yield or production factor, the sub-factors influencing yield, such as methods of fertility maintenance, methods of feeding, etc.; the degree of specialization or diversity, the farmstead layout, the economic use of the land, the efficiency of labor, the use of accounting and budgeting, and all other factors involved in varying degree in different farm organization are now well known and their vital relation to farm income established.

How Can We Use Farm Organization Research

The farm organization question before us today, I believe is the use of this knowledge as a tool in both research and action programs. Upon this that I wish to lay emphasis. Since farm management men are not familiar with these applications, I will for the sake of brevity do no more than summarize or list some of the present fields of work where the farm organization approach appears to be insufficiently used, yet is of great or decisive value. The present day pressure and haste in developing our large action programs no doubt is accountable for lack of use of all the many available methods of attack.

The Farm Organization in Research and Action Programs

Obviously the organization of the farm is only one of many involved in these programs. Every department of our federal and research and extension agencies must contribute to the solution and success of these great programs. Please do not think I am unaware of these great programs. Please do not think I am unaware because I confine my remarks to emphasis on the place of farm organization applications in our agricultural activities.

Types of Farming

We have done much in location and description of types of farming but very little in analysis such as would provide basis for shifting from the less to the more advantageous type.

Shifts involve study of inter-regional competition between types with identical enterprises and at the same time, study of the advantage of different types within the same region.

Again, the farm organization as one approach to this problem, is indispensable. Let me use a simple illustration. In both inter-regional and intra-regional comparisons through this approach, we find that in four different regions, that Region 1 clearly has advantage in cost and high quality of production in certain enterprises due, to fixed natural advantages of climate, soils, transportation, etc.

Region 2 is not so good as Region 1 in these same enterprises of farming. From the intra-regional standpoint, however, this type will still be a better income-producer than alternative types, and its existence is justified.

Region 3, on the other hand, can make only a bare living from farming, so that it is marginal as compared with the first type. If there are no better alternative types for this region, it may have to be retained, meanwhile working toward increased productivity and lower cost to improve its position against competition.

Region 4 should never have been started in this type of farming from the standpoint of inter-regional competition, for by comparison it is distinctly sub-marginal. Here is the problem child we should study. (And how many kinds of subsidies of one kind or another type continuing in existence because of subsidies of one kind or another? (And how many kinds of subsidies other than Federal there are we ought to think about it.)

Is not this the region the government is holding an umbrella over its effort to maintain a price level that will sustain the weak? If the region were removed from competition it might help clear up the situation for Region 3, now marginal. Should all regions suffer until this marginal region dies a lingering death at great cost to itself and to the whole society under the policy of "assisted laissez faire" and diagnose and operate. If so, how can we diagnose correctly farm organization and cost research, and operate successfully and application of that research?

Sub-marginal lands

It seems logical that we should attempt to bring aid first to those areas in greatest distress. Several years ago during the "problem area" mapping stage of our land-use studies (the state wasn't large enough to map all the problem areas in it), we selected from our new wheat land classification map our most distressed sub-marginal wheat area.

From every available source, a dozen or more different agencies, we gathered all the data bearing on the past history and present situation in this area. Most valuable and convincing of all data were our earlier cost and farm organization studies. We were able to support two recommendations; (1) a land purchase project with conversion of the area into range livestock ranch use--a use several grades above the present sub-marginal wheat use, or (2) a recommendation under which, by expenditure of several additional millions of dollars now, it would be possible to bring irrigation water to the area and thereby convert it into its best eventual use, at a saving of much human misery and great loss to the present occupants of the land and the associated loss to the community. We could support the second recommendation strongly only because we had made previously a farm organization study of an adjoining irrigated area and knew what debt burden it could carry. Fortunately it was possible to get the money for irrigation and this recommendation is now being carried out.

The point, of course, is this. Any solution of the grave problem of the best permanent use of a sub-marginal area involves not only large invested capital sums but also the human problems of hundreds of the area occupants. The decision as to best land use and the process of conversion to that use, must be based primarily, it seems to me, upon very thorough studies of the present farm organization of the area, if we are to reach sound conclusions as to the comparative value of the alternative choices which, in the end, determines the final best use of the area. The farm organization and cost attack seems the surest way to determine sub-marginality itself as well as to solve the problem of conversion to better use. I believe there are few areas that will not, under this method, more or less reveal their own solutions.

Finally, the results of the research definitely must be applied in the action program that follows.

Land Reclamation

After thirty years of trial and error in financing land reclamation (mostly error) can we find a place for the farm organization approach to this problem before we set sail on further adventures? This is a cogent question in the Northwest where we have the gigantic Columbia basin project taking shape before our eyes.

The story goes somewhat like this. Long ago, after the good land was all filed upon, the government continued to offer the homesteader larger and larger acreage bets that he couldn't make a living on a homestead, until finally, after years of losses and hardships, the homesteader himself became convinced of this.

This homesteading period was followed by government and private land owners combining to bet the reclamation project settler that he could not pay the land and construction cost, and again nearly always the settler lost his wager.

Today, after the engineers have made their surveys and estimates, we classify the land according to its productive capacity and fix a price on it which more or less eliminates the land speculator, but we still bet the construction costs against the settler. These costs have become so high on our remaining reclamation land that the fate of the settler who undertakes to pay them is more or less a foregone conclusion.

Perhaps the losses to settler, bondholder and general taxpayer, in the aggregate a great sum, may be justified as the price we pay for the development of the West, but the unfairness of this procedure to the individual never can be justified. Why should we continue on this basis?

We can measure today with fair accuracy the productiveness, under reclamation, of our remaining land. We can determine on a conservative basis the income from different adapted farm organization setups and declare what price the settler can really pay for all he gets in land and reclamation. Why not charge off the rest of the cost as an outright subsidy? Why not face the accounting and the subsidy before the project is voted? If the benefits to society as a whole justify the subsidy, why penalize the settler and delay project success by trying to collect a prohibitive charge from the settler first? Under the present scheme the general taxpayer pays the subsidy in the long run anyway.

The farm organization approach and application, I believe, would be useful in the study and in the successful settlement of the great new project now being initiated in our region.

Soil Conservation

The pressure of heavy appropriations have necessitated such speed in the development of our soil conservation program that this alone should relieve this program of much present criticism.

Ultimately, will not the success of soil conservation depend upon the permanent inclusion of its recommended practices in the organization plan of the individual farm? Unless the farmer himself becomes convinced of the physical and monetary benefits of soil and water conservation, will he incorporate and retain the essential practices in his permanent plan after the novelty of the idea and the initial monetary assistance has ceased?

What are the costs, and can it be proved that these costs will be repaid in increased production? If so, how can the new practices be woven into the farm organization pattern so smoothly that they will not seriously interfere with the labor program, the production setup, the field layout, the rotation plan, etc., so that the added costs will not reduce the present income return?

This is a complex farm organization problem not easily solved. It is disturbing to find so few trained farm management men on the large farms engaged in this service in our region.

Rehabilitation

In our state, at least, this project has proved a surprise. It is a pleasant surprise indeed in the low percentage of delinquencies. This service, instead of being just another relief agency, can stand on its own feet, it provides a service that no other agency can supply.

A recent elementary study we have made in Oregon indicates the strong correlation between good farm organization and repayments of rehabilitation loans.

Only this year, however, has the conviction been reached by this study that a farm account book must be kept and an annual statement prepared by each client.

For several years we have urged a farm organization and management supervisory field service directed particularly to the assistance of clients who face delinquency. The expense would not be large, no doubt perhaps, than the cost of fire insurance, and serving much the same purpose. What group could profit more from good farm organization than the farmer?

Resettlement

No doubt we are not alone in surveying with alarm this somewhat rash adventure in idealism without any visible balance wheel.

Someone on the project in our locality managed to secure a good selection of land and subdivided it into fairly satisfactory economic units. Someone else made a good selection of project settlers. Another forward step has brought about a re-appraisal of all the units such that we can write off much of the original over-investment. Still another step this year in this project, I believe, is putting the settler on an individual account book basis which will permit analysis of his farm organization and more accurate budgeting.

But these resettlement units are still without definite individual farm organization plans and an inspection of the units reveals the need for such plans and the eagerness of the operators for them.

Reduction

As much as we may object to the subsidizing of agriculture or of other classes at the expense of others or to the attempted application of the law of scarcity, as permanent policies, we must admit that we have had an economic emergency to meet in recent years. Faulty as the methods were, they helped in that emergency.

Certainly, some permanent values have been secured--the inventory of surplus-producing lands and enterprises, more complete analysis of

rice structure, the strengthening of the ability of farmers to their group interests through cooperation, and last, cloak for though it may be, the forced introduction of soil-conserving crops thousands of farms that had resisted or been lethargic to such progress more. Some of these things are bound to stick.

When the emergency passes (when we cease trying to lift ourselves boot straps by pulling very, very hard) and the plan is discontinued, what permanent benefits other than those mentioned might we derive this adjustment period? Are we doing now all that we might do the crop reduction program, viewed from the farm organization each, in introducing changes that will improve the farm organization recently? It seems to me there is an opportunity here awaiting us.

Cultural Credit

The tremendous extension of federal credit facilities to culture in recent years, while one of the outstanding benefits brought as a result of the depression, has also brought new problems as to the use of credit. We need to know more as to how much it is safe the lender to lend and the borrower to accept and the best system for ment. Study of the serious situation as to farm indebtedness dis- the faulty methods of the past in appraising and lending.

Many years ago our state college began giving courses in cultural appraisal and enterprise costs and returns. When the federal ment at last began underwriting the farm loan business, the Land appraisal methods were revised and the accumulated data in appraisal and on the relation of the farm organization and costs to income of critical value. Yet we do not begin to have all the data needed evaluate land. We need something similar to actuarial tables, based on of enterprise costs, prices, and income on different types of soil from different farm organization setups on the same and differ- soils. Our station is now engaged, in cooperation with the Federal Bank, in making a preliminary study of this kind on farms where the experience of the bank will add interesting correlations.

A farm management advisory service, it is believed, should be of value in forestalling delinquencies in Land Bank Commissioner's loans taken early enough.

Farm Organization Opportunities

Your patience should be no further strained by continued recital.

As a result of the long overdue range grazing control act, we logically expect extensive changes in the organization of our range ranches. Some of our western states have already made valuable farm organization and cost studies in this vast (Vass-ed) area for research and will do so. High capitalization, credit loads, introduction of improvement techniques, distribution of rights, rental charges, relative uses, economic unit--what a complex of organization problems solve.

Again, changes in the organization of our wheat farms in the dry areas seem imperative. Who is going to tell us what these changes be?

Finally, is there not a relationship between the farm organization, reduction of unemployment or migratory labor, or in aiding part-time, or even between farm organization and price stabilization?

Backwoods Philosophy

Well, folks, this has been pretty long for our economist friends. I close by telling them about Colonel Bush, an old philosopher, who lives high up in the hills of Oregon. He doesn't like the theory of supply and demand. He says the abundant life can be had by all, including the poor, by applying one of the few theories not yet tried in this period—what he calls the theory of abundance.

The old Colonel puts it simply. He says, remove all restrictions on every man produce his most; agricultural goods, manufactured goods, energy, etc.

Let the now defunct law of supply and demand be resuscitated and free competition reign.

Result—prices fall, everybody can buy, everybody can eat. Wages are low with low prices everybody still can eat. Because wages are low, capital ventures forth, industry comes to life, so everybody gets a job.

Because prices are low, surplus can find larger export. Taxes are paid because everybody is working. The budget can be balanced because taxes are paid and government can cease spending. Taxes will cease because government spending stops. Everything is fine and dandy.

But, alas, there is one fly in the ointment. The Colonel doesn't know exactly what to do with the politicians who would be out of a job. In the simple way he just grunts and says, "shoot thirty every Thursday." The Colonel always was a rough and ready character. He says this is a free country, why should all the theory be promulgated from high places?

Maybe this backwoods philosopher has a right to think. No matter how foolish it may be, he still earns his own living and stands erect on his own hind legs.