Ag World

Insight into the Forces Affecting Agriculture

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In This Issue:

Can the Family Farm Survive? Does it Matter?

N/C

Definitions Vary. Opinions on Current Status Range from "Alive and Well" to "Virtually Dead."

by Rudolf Schnasse

For reasons cited in Professor Breimyer's opening remarks (page 2), questions relating to family farms, and farm families, are not merely of an economic nature. In fact, they are not even confined to things that can be measured with a ruler or compressed into statistics and projections. Both, observable, measurable facts and value-laden questions were part of an earnest, spirited and candid discussion at a seminar held at the University of Missouri-Columbia in early November.

The seminar was jointly sponsored by that University and the M.G. and Johnnye D. Perry Foundation of Robstown, Texas.

Speakers came from many disciplines: economics, banking, rural sociology, USDA, history, political science, farm organizations with one might add, economists dominating the scene.

Among the audience one could see and hear more economists, yes, but mostly many individuals who back home help to shape local affairs, including farmers.

Answers to the question whether family farms can survive ranged widely between exuberance, resignation and optimism to skepticism and pessimism. A few examples:

• "Our frontiers for the family-oriented farm have never been greater, and the challenges have never been more numerous than they are today." (Drache)

• "... in the last analysis, the decisive consideration will be that old and wise political maxim, 'if it ain't broke, don't fix it.' The family farm, understood in its context, is far from broken. It has survived war, depression, natural disaster and technological revolution, and with a little luck it can survive a political debate as well." (Paarlberg)

• "The family farm is surviving merely by change of definition." (Fischer)

• "The conclusion then, must inevitably be, that without substantial farm price increases within the parameters of previous norms, and an optimum increase in realized net farm income, the family farm can not survive. It is virtually dead." (Rossiter)

Not treading the muddled, yet crucial matter of definition, the fact is that from 1945 to 1977 3.3 million farms, of whatever size and composition, have been given up — a loss of 55%, with 2.7 million remaining.

There is, of course, a different way of looking at the picture. The following was offered by Professor Paarlberg:

"For the purpose of this discussion I define the family farm as a farm on which the majority of the labor is provided by the farmer and his family. Thus defined, family farms constitute 95% of all farms and produce about two-thirds of all farm products for sale. These percentages have not changed appreciably for decades."

As the seminar evolved, the topic was being amended, first somewhat coyly and then quite forcefully by "the most basic of all questions: does it matter?"

Professor Breimyer voiced his disappointment "that we have not been willing to bore into" that question.

Here one has to be careful not to put words into people's mouths, and we suggest the reader turn the pages in search for an answer. It is, however, proper to conclude that the tone of the seminar generally sounded like "yes, it does matter."

Speaking as one versed in matters of federal taxation on access to capital in agriculture, Fred Woods urged his listeners to "make it a conscious, straightforward decision."

"If we want to continue to subsidize the access to capital in a manner which gives the greatest benefit to the large, wealthy farmer and to those who are already established in farming, then fine," he said. But, "let's not continue to bury our heads in the sand and pretend we don't understand what's happening."

Other speakers echoed this sentiment. For example, Professor Barr: " 'What structure is desired?' Stated differently, 'Does society prefer the small family farm, a few conglomerates or some mix between the extremes?' "

Only then can questions of policy alternatives and tools be addressed. And they were. Speakers generally spent the bulk of their allotted time outlining what will be possible, feasible, effective or ineffective.

A more detailed resumé of talks and papers given follows on pages 2 to 9. Those individual articles also note the affiliations of each speaker. Further, single copies of the Proceedings are available free upon request. Please write to Department of Agricultural Economics, University of Missouri, 200 Mumford Hall, Columbia, Missouri 65211; attention Harold F. Breimyer. The title of this year's Seminar on Agricultural Marketing and Policy is: "Can the Family Farm Survive?" It was held on November 9 and 10 in Memorial Union.

Much of the material on the following pages was written by John Geldmacher, information specialist at the University of Missouri - Columbia. Other, initialed, articles are staff written or by the person whose by-line appears below the headline. •

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Can the Family Farm Survive?

The Problem and the Issues

N/C

by Harold F. Breimyer

AG WORLD ABSTRACT

Is the family farm "the daydream of city dwellers"? That's one question addressed in the following remarks by Harold F. Breimyer, Perry Foundation Professor of Agricultural Economics, University of Missouri - Columbia, in his opening talk to the recent UMC-Perry Seminar on Agricultural Marketing and policy.

Dr. Breimyer reviews many facets of the debates and concerns about family farms, including the idealism and pragmatism, the sensitivity of the subject, American traditions, the problems of definition, the current forces at work and the prospects for the future.

He concludes by commenting on family farmers' "political innocence," noting that family farmers "may take steps individually or collectively that fail to take advantage of the strengths of the family farm."

Through two centuries of history the citizens of our nation have had a special appreciation for agriculture and the countryside. An almost idyllic image has attached to the yeoman farmer as a person and the family farm as an institution. This attitude has been called "agricultural fundamentalism." It has its critics, as does any creed, but it remains deeply held.

Whether and how the conviction translates into a national policy for agriculture and the rural community is a separate matter. It is a reason for asking the question that is the title of this essay.

The family farm is in some jeopardy. Evidence shows a trend toward a dual agriculture of many small farms and a comparatively few large ones. The trend is explained not so much by shortcomings in the performance of the family farm as by financial pressures. These are attributed, in turn, less to prices of farm products than to the scramble for ownership of farmland, aided by tax laws, that lifts land values out of the reach of younger operating farmers. Unless younger farmers can enter, family farming cannot be kept as our rural tradition.

Idealism and Pragmatism

All economic policy involves some contention between ideals and pragmatic considerations. This is definitely true of policy for agriculture. In this brief analysis the idealism held regarding agriculture will be taken seriously, without necessarily accepting all the claims of fundamentalism.

Notably, many of those who support agricultural ideals most strongly are themselves far removed from a farmstead. Some years ago the historian Whitney Griswold captured the national sentiment accurately. He suggested that an urban industrial people caught in a swirl of commerce and big business saw in the family farm the epitome of their failed hopes. "The family farm . . . is the daydream of city-dwellers," he wrote. "[For them] it stands for democracy in its purest and most classic form. For millions of Americans it represents a better world, past but not quite lost . . ."

Even though the various pressures of our day must be taken into account when examining the prospects for the family farm, it is always important to remember that in the final analysis policy decisions will be based in large measure on the dreams and aspirations of people, including farmers.

A Difficult and Sensitive Topic

Even though the family farm is fading, the trend is not moving fast. The family farm is not yet in crisis. This fact may inhibit addressing the issue and making policy. The tendency in political circles is to act first on situations that are approaching a crisis, and to postpone attention to others.

For another reason policy questions about the structure of agriculture are often deferred or avoided. They touch sensitive nerves. Even though the majority of Americans favors the family farm, any protective policies encounter opposition. Deep-seated issues are involved — ancient issues of who will have access to land, on what terms and for what reward. To whatever extent one kind of farmer is favored, another finds himself worse off. If the typical family farmer is to be given priority, his competitors for land will lose some advantage.

Some of family farmers' competitors are nonfarmers. If they are foreigners, they can be opposed and excluded comparatively easily. The state of Missouri passed a restrictive law in 1978. If they are U.S. nonfarmers they encounter farmers' frowns but not much else.

Still other challengers to the family farmer come from within agriculture. They are one-time family-size farmers who keep adding large acreages of land. Where this is the contest, it is internal to agriculture. It pits farmer against farmer, an unpleasant relationship.

Makers of farm policy always prefer to deal with issues dividing farmers from non-farmers. They do not like debates matching one part of agriculture with another.

American Traditions

The American tradition has clearly shown favoritism for the family farm. From the beginning the family farm was the national choice except on southern plantations and in the Spanish Southwest. The prevailing sentiment among colonists, many of them refugees from European feudalism, was to make certain that those who work on land in the New World were not to be in servile status. Feudal systems were rejected. Also abolished were hereditary institutions such as primogeniture and entailment. Real property was to be in freehold.

In our freehold system society has retained such rights as escheat, eminent domain, taxation and the police power.

Although the family farm was rooted in idealism, the abundance of open land made it easy to establish the institution. The Homestead Act clinched the national policy by parceling out public lands in family farm tracts.

The Knotty Problem of Definition

Much of the debate on family farming turns on definition. Almost everyone involved in farming calls himself (or herself) a family farmer. Yet the concept is narrow. Deeply seated as it is in U.S. tradition, it calls for giving the operator the status of manager and landowner and not just laborer. Hence the family farmer combines the three roles of (1) labor; (2) management, including financial* and (3) landholding.

By its nature the family farm is of modest size. Size, however, is not defined best by acreage, output, value or sales, or similar measure. More appropriate is the number of man-years of labor. In Extension studies the maximum is usually set at two man-years of family labor and two man-years of hired labor. If either figure is exceeded the farm is not a family farm.

The minimum is a unit large enough to provide an acceptable living for the farm family.

Between the two limits a wide range of farm sizes is found. In fact, a feature of family farming is that it accommodates diverse sizes and types of operations.

Also definitive is that a farm buy and sell in the market. A family farm agriculture is a market agriculture; it is not one of production contracts, as in broilers.

And yet the family farm is more than a statistic. It is an idea and, as suggested above, an ideal. Family farming has always been hospitable to young farmers. It is not a closed sector. Newcomers are not to be shut out by enormous capital requirements nor is landholding to be principally hereditary. Likewise, family farming is pro-operator: more concern is shown that the operator own some land than that the landowner do some farming!

The Present Situation

U.S. farms today can be divided several ways, beginning with the

*Financing of current operations. Financing of ownership of land is included in landholding.

Editor and publisher
Edward L. Jackson

Managing editor
Rudolf H. Schnasse

Contributing art director
John Baskerville

Circulation
Helen Jackson

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smallest farms and ending with industrial-type farms. The categories that follow split up the Census count of something more than two and one-half million farm units.

Smaller-than-family farms. These are one to two million units that are too small to provide an acceptable living for a farm family. Many are part-time or retirement farms. They contribute 1 to 3% of total farm marketings.

Industrial-type farms. At the other extreme are wage-worker farms of very large size. These include commercial feedlots and egg cities but also a number of field operations of very large acreage. Their marketings are probably at least 10% of the U.S. total.

Contractually integrated farms. These are best known in poultry but production contracts are common in processing crops and are scattered throughout almost all agriculture. Their share of marketings is about 15%.

Cooperative farms. These are few and account for no more than 1% of marketings. They are included because they are distinctive.

Family size farms. These fall within the definition given above, with man-years of labor controlling the upper limit.

Larger-than-family size farms. These generally fall between family size farms and industrial farms.

Farms of family and larger-than-family size together account for a little more than 70% of all marketings.

The two categories are based on size alone, and it is difficult to separate them according to size. A further complication is that they subdivide as to tenure. The true family farm is an owner-operated farm, not one on which the farmer is a renter (tenant).

With respect to size, we know that much of agriculture is now concentrated in a relatively few farms and that the trend in that direction continues. In 1977 the 162,000 farms with largest sales, 6% of all farms, provided half or more of all marketings. Perhaps more meaningful are the following data as to relative trends in percent of total marketings:

Quartile	% of U.S. Farm Marketings 1960	1970	1977
First	3	2	1
Second	5	3	2
Third	15	13	12
Fourth	77	82	85

(USDA data. Approximations based on cash receipts from marketings plus government payments and "other farm income.")

In 1977, the top one-fourth of farms sold 85% of all products; and the concentration is greater than before. If net production rather than gross marketings were the measure, the concentration would be a little less: in 1977 the top fourth would show a figure of 73%.

With regard to tenure, full tenancy is on a decline. Fewer farmers than some years ago now have no land of their own. Instead, part-ownership has become common. In this, the operator owns part of the land he farms and rents part from a landlord. Part-ownership is especially prevalent on very large farms.

In Missouri, roughly 40% of all farmland is in part-ownership.

The owner-operator of a family size farm is the epitome of the family farmer. But what about part owners? Are they family farmers? A judgment is that if a family-size farmer owns most of his land and rents a minor part, he can be called a family farmer. But if he owns only a base 40 acres and rents hundreds of acres, he is scarcely removed from tenancy.

Overall, it seems clear from the data that the traditional family farm where the operator owns most or all the land he farms and does at least half the work is now a minority part of U.S. agriculture. Moreover, it is on a decline.

Forces at Work

It is difficult to summarize briefly all the factors that are having an influence on trends in the structure of agriculture ("who will control?" or "can the family farm survive?"). They are generally financial in nature. They begin with the extremely large financial commitments, and accompanying risks, involved in today's highly commercial agriculture.

The terms of financing agriculture, including levering of past capital gains and income tax laws and regulations, have more to do with the structure of agriculture than does the size of operating returns. The problems of survival of family farming in the 1970s cannot be resolved by juggling loan rates and target prices.

Also bearing on the present and future structure of agriculture are the specifications of price and income support laws, the terms of environmental protection rules, the terms of access to irrigation water in irrigated areas, and so on.

Overriding all these factors in the later 1970s are the large speculative gains in value of land. Even though only a fraction of the gains resulting from appreciation of land values are cashed in each year, they are a strong attraction for investors. They account for bidding the price of land above its current earning power. The most penetrating consequences, from the standpoint of the structure of agriculture, are that they crowd out younger farmers who do not have the benefit of a large inheritance of land; and that an influx of investors who are not operating farmers will gradually pry ownership of land apart from operatorship.

"(Family farmers) fail to appreciate that policies which seem to help them individually can hurt them collectively."

We have previously reported that during the 1970s capital gains from holding land have been more than twice the net returns to farmers from farming land. This together with the tax laws goes far to account for the strong speculative element in the land market.

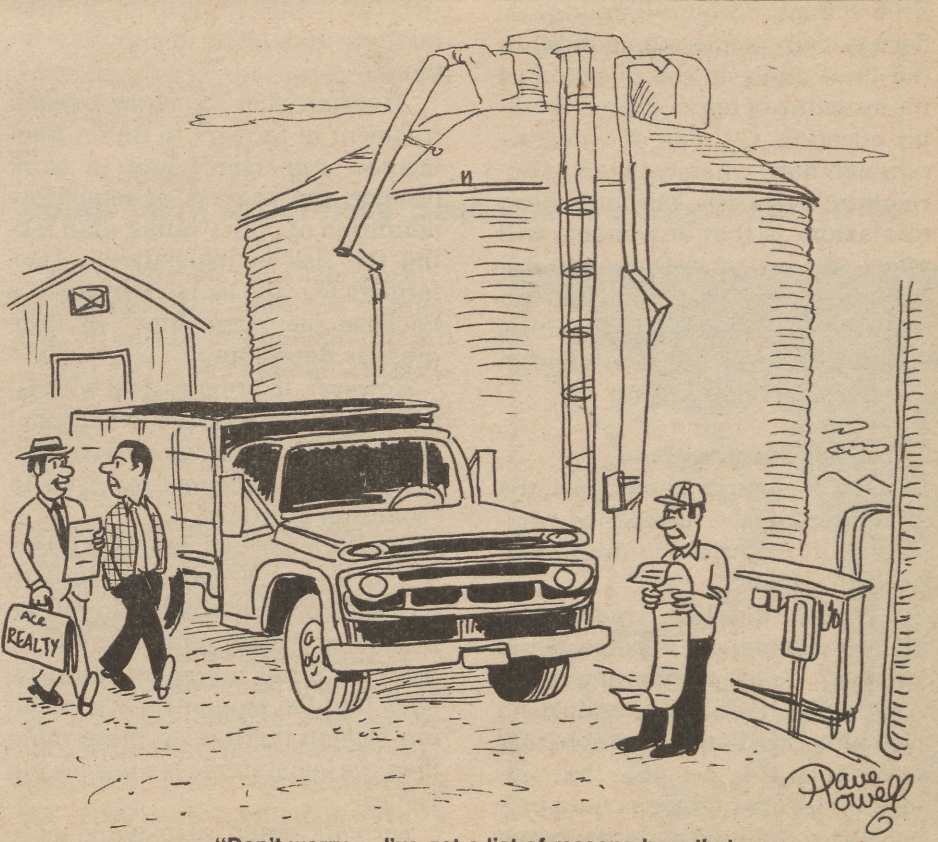
Still another factor bearing on structure is the viability of markets. Broilers can only be produced under contract, because there is no open market. The significance of markets to the structure of agriculture is often underappreciated. Markets for both inputs and products of agriculture are essential to family farming. Contrariwise, and importantly, more than a vestige of family farming is necessary to support markets and keep them in existence. Whenever family farms become so few that marketings from them drop below a critical volume, the markets will wither and disappear. The remaining family farms will then vanish almost overnight.

Prospects

Any assessment of prospects is conjectural. A few ideas will be offered, applying to the near and distant future.

For the nearer future, smaller-than-family farms will persist better than family farms. A great many of them are not highly dependent on income from farming. On the other hand, they rely on open markets. In effect, they use the markets that family farms support. If and when open markets disappear, small farms will have to turn to direct-to-consumer marketing, accept con-

Continued on next page.



"Don't worry — I've got a list of reasons here that will convince him to sell his farm . . ."

Pd.

(Can the Family Farm Survive: Continued from preceding page.)

tractual integration, or go out of business.

The present trend toward larger-than-family farms will continue a few years more. It has a "good head of steam up" and will keep going.

For the longer future the industrial farm offers the best promise of survival. There is reason to believe larger-than-family farms will gradually be absorbed into industrial-type farms. This could be called the "Bud Antle syndrome." Within a half century lettuce farms in California moved from family farms to the highly publicized Bud Antle superfarm operation and then, recently, to the sale of the Antle holdings to Castle and Cook, a multinational conglomerate.

The logic underlying this forecast is that larger-than-family farms have the biggest financial risks of all. Many of them are being financed now by monetizing (levering) inflation. This is a shaky economic base. If and when big farms get into trouble, the institution best able to bail them out will prove to be the conglomerate corporation with its diversified risk-absorbing capacity. This is the way it is in the commercial-industrial economy; it will probably be the same in agriculture.

A Policy Choice

Even though economic trends underway carry some momentum, in the final analysis the question of the structure of agriculture is a policy question. Citizens of a democracy can have whatever kind of agriculture they want. The footnote to this axiom is that any choice will affect various interest groups differently — groups within agriculture and those outside agriculture wanting in. The political aspects can become complicating.

Editorial Comment

Because it summarizes a paper, the above contains a number of comments of editorial nature. Little need be added.

Although the U.S. tradition is treated with respect, no advocacy is intended. Scare-mongering is inappropriate. Perhaps an industrial agriculture is both inevitable and acceptable. It is possible that persons who work on farms could protect their living standards better through unionization than by depending on volatile markets. Consumers would get enough to eat under an industrial agriculture, but might pay more.

Not touched on is family farmers' virtual political innocence, as they fail to appreciate that policies which seem to help them individually can hurt them collectively. Rudie Slaughter, Jr., puts it that when family farmers find themselves dissatisfied with their income they may take steps, individually or collectively, that fail to take advantage of the strengths of the family farm. They may instead act, unwittingly, in a way that endangers the institution. •

Family Farms:

One Concern, Many Perspectives

A Political Scientist

Farmers Need "Coalition Politics"

N/C

U.S. agricultural policy is too "fragmented" to deal with large issues such as the survival of the family farm, said Prof. Frances Hill, University of Texas — Austin political scientist. "Farmers I think have a choice now. We can either go on in this kind of fragmented way or take the risk of coalition politics."

"If we simply sum up the policies around the some 120 commodity organizations, what we find is not that these organizations are talking about credit, taxation, widow's tax, land use or energy policy . . . Instead, they are splitting off from each other.

The U.S. has an agricultural policy system, "purposely designed to avoid the large issues," she said. Important issues in U.S. agriculture today include "the quality of life, the nature of farmers and the relation of land to the public interest."

"It seems safer somehow for each fragment of farmers to find a fragmented sub-agency and to work through the process of regulatory definition of policy rather than taking the risk of legislation." Also, farmers fear the legislative process because the "farm bloc" in Congress is decreasing.

However, in order to deal with issues such as whether traditional family agriculture can survive, farmers need to become involved in "coalition politics."

Coalitions of farmers with labor, consumers and "indeed even with the environmentalists" could be formed, and compromises could be made to bring big agricultural issues into the legislative arena. "In our system there is no place other than the legislatures to raise the big issues."

Farmers could also work more closely with state and local governments, the appropriate forum for issues such as land use, zoning and taxation.

She also noted that the "economic crisis of the family farm" is having an impact on the general economy.

"There is a tendency now to use farmers and especially their wives as an immobile labor force in rural industrialization." She said public efforts to increase the number of low-paying, non-union and seasonal jobs for farmers does not really constitute "rural development."

Hill questioned whether farmers and their wives should continue with their off-farm jobs "to subsidize farming, which in a sense cannot support itself under present conditions, or whether we should begin to look for opportunities to raise the larger issues, to take that risk in coalition politics." •

See p. 1

An Agricultural Economist and Elder Statesman

The Past Is a Poor Mold for Policies to Save the Family Farm

N/C

Government programs likely to work in protecting the family farm aren't likely to be enacted, while ineffective proposals will be easier to make law, said Don Paarlberg, professor emeritus of agricultural economists at Purdue University. Dr. Paarlberg also speaks from long-time experience in the USDA.

"There will be a general deploring of the trends toward larger and fewer farms, farming corporations, vertical integration and contract farming. Increased off-farm earnings will be cited as evidence that farmers are in financial difficulty.

"However, public policy will continue to put pressure on the family farm, and politicians will continue to deplore the results," he said.

Effective proposals for stemming the growth of large-scale farming are unlikely to be adopted because "all are resisted by the power elite."

"Also, implicit in all these proposals is the undeniable fact that if the number of farms is increased above what it would otherwise be, average income per farm will be lower."

Programs likely to be effective include: *a progressive tax on farm real estate* which "could quickly remove the attractiveness of super large farms. "It would relate to accumulated wealth in land as much as does the progressive income tax to the annual flow of wealth.

"However, virtually every established farm lobby group would resist this proposal."

Tough inheritance laws and limitations on government payments would also tend to encourage smaller farms, but would meet resistance from the agricultural sector.

Rural development programs, by making more off-farm jobs available, would also allow small farmers to hold onto their acres.

"It means acknowledged status for part-time farming, and means that a part of the resources now devoted to research and extension for production agriculture would be diverted to this new clientele.

"But these developments are looked on with disfavor by the full-time, large-scale farmers. The big operators want an abundant supply of labor and the full services of the research and extension people."

Among the proposals with more likelihood of being enacted, there is a common thread "that they deal with the form of the problem rather than with its substance."

"A major rationale for the big commodity programs has long been that they are needed to protect the family farmer or the small farmer; the rhetoric varies with the speaker. However, virtually all the competent research shows that the commodity programs are regressive, that is, they give more help to those who are already well-to-do than they do to those who are poor. They widen the distribution of income within agriculture." The commodity programs — along with technology — "have helped the big operators take over the small ones."

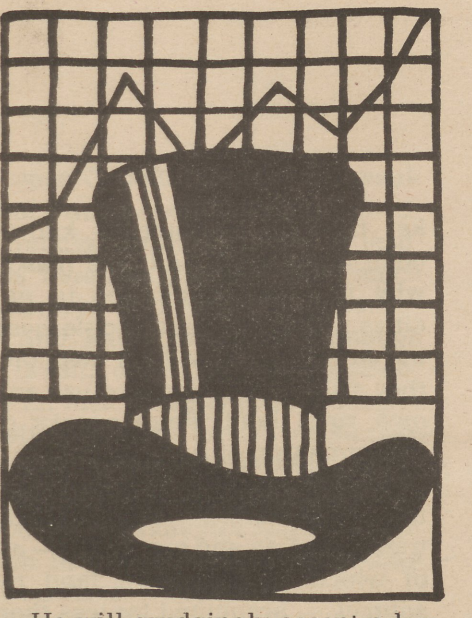
Likewise, acreage reduction programs may be "tolerable" for a large farm, but "crippling for a farm already too small."

"There are proposals to have a two-tier system of commodity programs, with larger benefits for the small farmers. This is based on the supposition that small farmers are poor. Some of them are. But many have substantial off-farm income and are in reasonably good circumstances."

Farmers with less than $2500 in production each, average $11 in non-farm income for each dollar earned in farming. Their incomes average 13% below the all-farm level. "Off-farm income would have to be taken into account in any two-tier program."

Also ineffective in protecting the family farm are proposals to ban farming corporations. Paarlberg discounted that big corporations will take over agriculture and noted several recent failures of large-scale farming corporations.

A farmer will pay much in dollars and in effort for his farm.



He will grudgingly accept a low return. His pride in ownership gives him "incentive beyond and above the hired manager," and he puts in long hours when he has to, Paarlberg observed.

By contrast, a corporation looks primarily and dispassionately at a rate of return on investment. Corporations also face "unionized wages, harvest-time strikes, limited working hours, unmotivated labor and the need for detailed supervision." Also, he added, a 48% income tax.

"Furthermore, flat prohibition of farming corporations would mean that family farms could not incorporate. This would deprive them of a useful means of dealing with the business problems of modern agriculture."

Paarlberg also noted that:

- prohibiting contract farming would "deprive farmers of an assured home for the product, with known terms of sale;
- "ownership of farmland by nonfarmers and the intelligent leasing thereof to farm operators is a means of preserving the family farm, not endangering it;"
- proposals for cheap credit for small farmers and for government purchasing and leasing of farmland would be too costly and would result in too much government say in deciding who is to farm. •

A Country Banker

Survival of the Family Farm Is Crucial for Small Business

N/C

If the family farm declines, it will bring down with it "the basic business structure of rural America," said V. E. Rossiter, President of the Bank of Hartington, Neb.

"I cannot visualize the United States remaining a viable nation of relatively small and independent — individually owned — business entities, unless we devise a method of preserving the family-operated farm."

If the family farm doesn't survive, then "a vast majority of the some nine million small stores, small banks, most of the professional people and many of the small communities that these people serve will disappear from the rural scene also."

Rossiter said the agricultural sector has been greatly underpaid "compared with the income levels of other equally important segments of the economy."

An underpaid agriculture in times of general inflation puts "unfair economic pressure on the family farm."

To "start from scratch" on a rented farm today would require about $25,000. "Much larger sums than this are available to a young farmer who must buy land on which to farm in existing programs through the Farmers Home Administration.

"The fact is that the availability of credit has never been a major problem in engaging in agriculture. It is also true that there is more credit available at this time than at any time in my recollection, for the purpose of a young farmer entering agriculture.

"Credit, however, in a period of economic imbalance which is unfavorable to agriculture, is a mixed blessing. The repayment of the principal and interest on a large loan can become a very serious problem, and is a very serious problem to many farmers today.

"The fact remains, however, that the traditional family farmer, and

the vast majority of farmers so classified, are not expected to survive much more than another decade.

"It is unrealistic to begin farming from scratch today, and has been since 1973. It will continue to be unrealistic until (1) Farm prices are brought into relative balance with the rise in the cost of other goods and services based on the average prices for the period of 1947-49; and (2) Until realized net farm income is restored to the same relative level, as a share of national income earned annually, that prevailed on the average from 1947-49, and in addition, other income levels in other important sectors of the economy are likewise restored, percentagewise."

"Failing to achieve these corrections, then it is necessary to draw the simplistic but overpowering conclusion that if a young man and his family cannot enter agriculture from scratch with his own limited resources and the help he can get from conventional creditors, *and be successful,* then there is no way to perpetuate the family farm.

"Without an equal number of new family entries into agriculture to counterbalance the loss of aging family farm operators, there will be no one to fill the ranks of the family farm. A vacuum will be created." •

An Agricultural Economist

Agriculture Needs "Encouragement" Toward Environmental Concern

N/C

"The survival or demise of the family farm will almost surely be determined on issues other than the environment," said Loyd K. Fischer, University of Nebraska professor of agricultural economics.

A major public policy concern related to the environment should be to "encourage the operators of farms of all sizes to improve the efficiency of production in terms of increasing the output per unit of stock (non-renewable) resources," Dr. Fischer said in a paper titled "Environment and Farm Size."

Neither family-size nor large-scale farms can be proven to be more beneficial to the environment, Fischer said. Examples of "environmental degradation" — pollution and depletion of stock resources — can be found in both types of farming.

"But only the hopelessly naive can believe that U.S. agriculture can continue indefinitely the current level of dependence on the finite stock resources of the world." American agriculture, characteristic of the whole society, is "profligate" in its use of resources.

"U.S. agriculture tends to have a strong bias toward mechanical and chemical solutions to problems," which is more in tune with large-scale agriculture than with family farming, he said.

Another trend of large scale farming is over-specialization in animal and plant production, depending heavily on chemical and mechanical measures for disease and insect control.

Smaller farms, on the other hand, are more likely to integrate crop and livestock operations and are therefore more efficient in their use of stock resources.

Large-scale farming also deemphasizes use of terraces, and another "environmentally destructive" practice of large-scale farming is the harvesting of corn stover for feed for confined livestock.

"Yet the investment in machinery and equipment, and likely the expenditure of energy per animal, per acre, or per unit of output is often lower on the very large farm than on the family farm.

Large-scale farming also de-emlikely use no more stock resources per unit of output than do smaller farms. Likewise, the wastes produced or introduced into the environment by large farms may be no greater."

Fischer also outlined the developing technology of converting livestock waste into animal feed and methane gas.

"If this technology proves to be as effective as its proponents believe, the large-scale confined livestock system may prove to be more compatible with the environmental concerns than is the smaller system."

Yet, an intangible advantage toward improving agriculture's environmental record may be "the longer planning horizon of those who consider farming a way of life as well as a way to make a living..." •

A Farm Leader

Long-Term Efficiency Best With Family-Size Farms

N/C

"The future food and fiber needs of this country and of foreign customers can only be met if we maintain a strong and broad system of family-size farms," according to Fred V. Heinkel, president of the Missouri Farmers Association.

"The trend of fewer but larger farms achieving record production has been made possible by greater use of new technologies within agriculture.

"But we may well be reaching the point of diminishing returns from our new technologies. We are beginning to learn that what is considered efficient in the short run is not necessarily efficient over a longer period of time.

"In the name of efficiency we have (for example) bulldozed our windbreaks to create fields large enough to accommodate today's large equipment." This has increased wind erosion.

Smaller farms were "conducive" to use of windbreaks and to crop rotation as a means of controlling pests and erosion and maintaining soil fertility, Heinkel said.

"Unless new technologies are developed to overcome problems associated with present-day technology, the only assurance of ample food and fiber in the future is the survival of the family farm."

From a social standpoint, Hein-

kel added that the family farm provides the population and economic base for rural communities. Small towns in turn serve as commercial and educational centers and provide social, medical and cultural services for farmers.

Turning to financial considerations, Heinkel noted that "studies indicate that if artificial (tax and credit) advantages are eliminated, the family farm is more efficient than is the large corporate farm."

Heinkel said, the U.S. "ought to care enough to maintain and protect our proven system of family agriculture in the future." •

An Agricultural Economist

Markets Are Man-Made Institutions And Can Be Remade

N/C

"The decline of viable livestock market alternatives in the Midwest has discouraged sheep and lamb production, is discouraging the small cattle feeder and within a decade or so will be discouraging the smaller hog producers," said Prof. V. James Rhodes, University of Missouri-Columbia agricultural economist.

"If smaller producers fail to maintain their market alternatives, they diminish the probabilities of their survival," he said.

He noted that two-thirds of U.S. beef cattle are fed in 1% of the feedlots. "Most packers are not interested in the smaller feeders among the other 99%."

Turning to the hog industry, Dr. Rhodes said, there is also "a strong trend toward factory production of hogs." This may cause markets to dry up for small producers.

In 1977, about 12.5 million slaughter hogs were sold by operations marketing 2500 head or more, with 8.5 million of that total coming from operations selling 5000 or more per year."

"If this trend continues, the number of hog buying stations and alternative market outlets will decline swiftly. The smaller hog producers — those marketing 500 head or less — will complain, 'What has happened to our markets?' "

Small livestock producers have three alternatives in the face of this trend: (1) develop market mechanisms such as the electronic commodity market (ECM); (2) form cooperatives to provide marketing services; and (3) "drop livestock production, depend on crops and work for high price supports for the crops.

"I'm not optimistic that small farmers will undertake vigorously any of these alternatives. The third one may win out as a matter of default on the other two," Rhodes said. The first two alternatives would require funds and group work from individual small farmers.

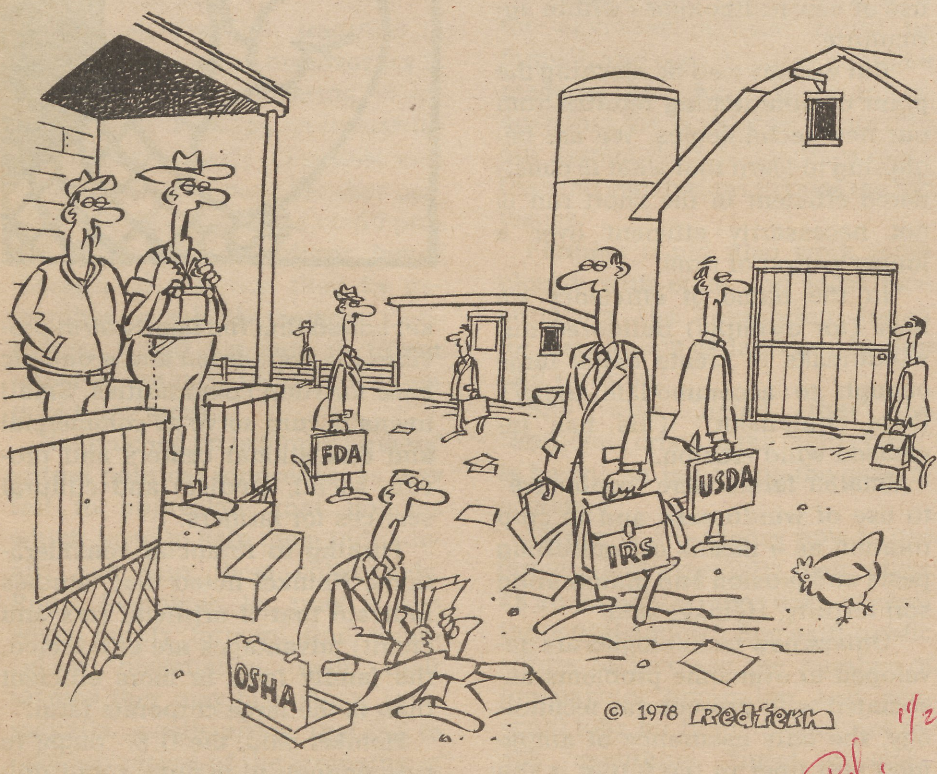
"The very logical desire for a free ride is the reason that many worthwhile group tasks never get done."

He also said that cooperative ventures are often difficult to form, citing the recent failure of Land O'Lakes to find 2400 cattle feeders willing to put $2500 each into a packing plant.

"Here in the lower Midwest, the lessons are in livestock, although I presume that examples of specialized crops can be cited in other areas. I assume that market access for grains and soybeans is not a major problem of small producers, nor is it likely to be in the near future," Rhodes said.

"Farmers have long taken their markets for granted — almost as if they were a gift of nature. They aren't, they are man-made institutions. They can be remade," he said.

"The policy solutions to such problems (discouraging smaller livestock producers) lie in group actions by the farmers involved. Government can be of some help in facilitating solutions but the major solutions will not be made in Washington. If smaller producers fail to maintain their market alternatives, they diminish the probabilities of their survival, Rhodes concluded. •



"They don't seem to have any natural predators, either."

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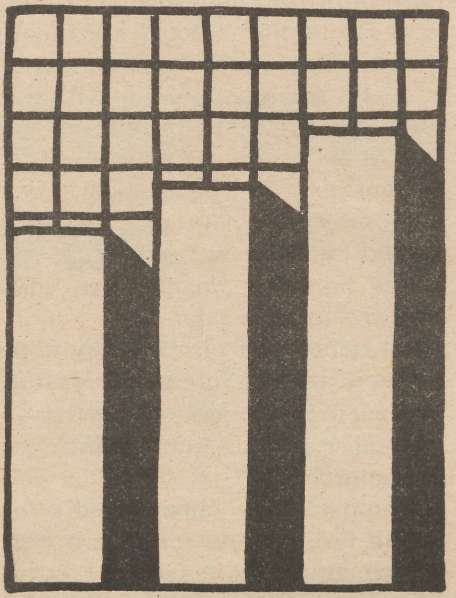


An Agricultural Economist

Taking a Leaf from Other Developed Countries

N/C

"Endemic inflation poses the most serious threat" to an agricultural structure that has harnessed "the desire to own land with the ability to pay for it," said Philip Raup, professor of agricultural economics, University of Minnesota.

And, if certain steps are not taken in some way, "I am forced to conclude that the days of a non-hereditary family farm agriculture in highly urbanized industrial societies are numbered," Dr. Raup said in the conclusion of his paper titled "Recent Trends in Structural Policies for Agriculture in Selected Developed Countries."

Raup arrives at this conclusion and broad possible approaches after evaluating "agricultural systems in those developed countries whose experience seems most relevant to the United States" and by looking at solutions tried elsewhere.

He sees urbanization and inflation as the dominant forces that are reshaping agriculture in developed countries. The city, according to Raup is now the locus of farm policy determination because (1) the majority of voters live there and (2) "in a less visible sense, . . . that is where the capital-accumulating capacity resides . . ."

"If it can control output and markets, and be a price giver instead of a price taker, agriculture can secure this capital from consumers through the price system . . . as is now increasingly the norm in non-farm industries."

Two choices are open, according to Raup, "if output and markets escape agriculture's control:" (1) Needed capital must come from a suppressed level of living of farm owner-operators, or (2) farmers must surrender equity in their . . . land in exchange for operating capital."

"But why," he asks," should it be necessary for farmers to surrender equity in their land for operating capital?"

That the system does not function according to competitive market theories is common knowledge, Raup said, and "the reason why it cannot work lies in our cities." Wheras most people need not grow their own food anymore, they still have a desire to use and own rural land. Raup speaks of "consumption of rural land."

In 1939, expenditures for housing, household maintenance, transportation and recreation — all of which are based in land resources — accounted for less than 30% of total consumer expenditures. In 1977, that package of expenditures constituted half of the total.

"Every time you buy an airline ticket, you buy a piece of an airport. Every time you drive your car out on the road, you buy a piece of a highway. Every time you take a trip, you buy a piece of a wilderness area or park."

"In economic jargon," he says, "the demand curve for rural land has shifted sharply to the right, for reasons that have little to do with the demand for food and fiber."

"Variations of this trend can be observed in all developed countries," he said.

Raup's second principal thesis of this paper is that "inflation has lifted this long-term trend of increased urban interest in rural land to levels that threaten to destroy the existing agricultural structure," and he gives three reasons why this inflation is different in its consequences for agriculture:

- Lengthened life expectancy;
- The rural-urban balance has shifted so drastically;
- The balance between operating and fixed capital in agriculture has undergone so radical a transofrmation, shifting "the incidence of inflation within agriculture by putting a penalty on slow-maturing enterprises and a premium on fast turnover."

Raup then discussed some early impacts of inflation on agricultural policy, citing Sweden as having had "the most concentrated experience with the force of urban-industrial capital seeking shelter from anticipated inflation . . . during the First World War."

Outlining the challenge and the search for solutions in considerable detail, he likens the Swedish practice to "what might loosely be called 'rural renewal,' not unlike that practiced under the heading of 'urban renewal' in the urban core sectors of American cities."

This Swedish legislation was debated in other European countries in the 1950s, and Professor Raup discusses adaptations and implementation that occurred in France with particular reference to SAFER (Sociétés d' Aménagement Foncier et d'Etablissement Rural) or Land Improvement and Rural Settlement Companies.

This "dramatic break with French tradition (the Napoleonic Code) . . . received wide coverage in the French-language literature outside France, including the press in

French Canada . . . with the result that a number of Canadian agricultural associations and policy leaders were familiar with the French approach in the middle 1960s."

And, Raup continues, "Although it is difficult to trace the genealogy of an idea, there is good reason to believe that this French legislation, and its Swedish predecessor, had a significant influence on legislative action in Saskatchewan in the creation in 1972 of the Saskatchewan Land Bank Commission."

Further, "A fourth chapter in this institutional migration is provided by the Minnesota Family Farm Security legislation of 1976." (See also Ag World, May 1976, page 1 and March 1978, page 12.)

Raup concludes that "this brief survey of four variations on a common theme derives its unity from a common problem: The preservation of freedom of entry and flexibility in a system of owner-operated farms when confronted by the superior strength of non-farm capital propelled by fear of inflation."

"If we desire to maintain (a motivational structure that can harness the desire to own land with the ability to pay for it), "the four programs surveyed in this paper provide the broad outlines of a possible approach, with the following features," says Raup:

- A non-profit public law corporation with authority to buy land, hold it for appropriate intervals, and lease or resell it.
- A decentralized system of screening committees to ensure that regional differences would be respected in selecting among farming applicants.
- Continued reliance on conventional credit sources, with the role of government limited to risk sharing and not risk assumption.
- An expanded alternative availability of installment-purchase or land-contract methods of land sale, running for a term of years that would enable annual payments to approach the level of long-term cash rents.
- Economic resources sufficient to permit participation in the land market in rural but urbanizing areas, or in situations involving land purchases by investors of non-farm capital. This should be supported by a system of agricultural districts or exclusive agricultural zoning, to provide guidance in the provision of long-term financing at favorable rates to beginning farmers.
- A commitment on the part of government to use these devices as a supplement to, and not a substitute for, the normal working of the land market.

It should be clear that this approach would succeed only if it was designed to perform a monitoring or measuring-stick function in the total agrricultural system. It will fail if it adds rigidity; it will succeed only if it adds flexibility to the system by increasing the alternatives available to beginning farmers. (RS) •

A Professor of History, Farmer, Consultant and Guru of Financially Successful Farmers

Corporation Farms Are No Match for Family Farms N/C

Admitting to a bias, Hiram Drache, professor of history, Concordia College, Moorhead, Minnesota said, "I have never feared a corporate takeover of American agriculture. I have defended the right of corporations, either Wall Street or family-controled, to farm, and feel that all activity to the contrary is like spinning wheels."

Further, he related what many successful farmers had told him: " 'Let the corporations come in. We can use the money and when times get tough they will go back to Wall Street,' " because "unfortunately for corporation agriculture, investors insist on dividends."

Delving into history, Dr. Drache struck a chord which he later plucked again. Bonanza farms, "which used cost accounting, could produce wheat at less per bushel than the smaller family farm. But when the drought and low prices of the late 1880s and early 1890s hit, the bonanzas started to fail while the homesteader somehow managed to endure."

He added that "one farmer from north central North Dakota commented at the time of his retirement in 1966 that the entire profits of two generations of farming (since 1900) equaled the unpaid labor of the 14 children raised on the farm. Land appreciation was exclusive of operating profits."

And to this day " 'farmers have a unique ability to tighten up and live with very little cash flow when the times demand."

Launching into a discussion of "certain noneconomic and nontechnological factors that in the future, as in the past, will continue to influence types of farm ownership structure," Drache said he was not evading the assignment given on the significance of technology. (His talk's title is "Farming to Fit Today's Technology.") Rather, "I want to establish some other relationships to the success of farm enterprises." They are, according to Drache — in order of importance:

- *Mate* — She is the attitude setter in most households and must be risk oriented. "If not, the farm will go nowhere."
- *Motivation* — If the wife is risk oriented and understands the business and is part of the management process . . . motivation becomes almost automatic."

Among several examples, he cited the efforts of "a young farm couple who started in 1970 with absolutely no family funds who now have a fully automated mechanized dairy farm and in 1977 did 3.7 man-years of labor when judged by Minnesota Farm Accounting Records. I am sure a corporate farm would need five people to do the job of this couple."

- *Management* — "Motivation constantly challenges better management. The rapidly increasing use of consultants and other professional aids to farmers is a reflection of the more alert and inquisitive type of manager among the new generation of farmers. This type of manager attends seminars, reads widely, is in regular contact with universities, extension people, financiers, and agribusiness, and

travels extensively to gather the best information on ideas and innovations in the industry. He is a book farmer who uses computers, business radios, airplanes and laboratories in his search for knowledge."

- *Money* — "A husband-and-wife team who are well motivated and manage properly are able to get money . . . The obvious overexpansion of the industry is proof of that."

"I believe money will be available for our basic industry. Our country cannot have it otherwise. If our free enterprise financiers cannot do the job, federal legislation will make funds available . . . the finance people I am familiar with have little difficulty in talking $100,000 and up operating loans and million-dollar and up real estate loans, so hopefully the transition is in process."

- *Marketing* — "The progressive farmer spends much more time marketing than the average farmer and he considers it his most important work."
- *Mechanization* — This sixth M "is inevitable" with the others in order.

"Many farmers have been criticized for spending far too much for technology, probably because of their fascination for the big power units. The old saying that the only difference between men and boys is the price of their toys does not apply to the people I have worked with. To them large-scale machinery and automation are a matter of economy for technology is far more reliable and less of a problem than labor. Besides, machinery depreciation is more economic than the ever increasing cost of pensions. Technology is cheap by comparison.

"Technology or mechanization has the lowest priority of the six M's, yet it may have the greatest economic impact . . .

"There are farmers today who have six, eight and ten times as much invested in technology as they have in land. They are cash flow minded individuals who do not rely on land appreciation for eventual profits . . .

"Technology is the key to the survival of the family-oriented commercial farm, for it is the soundest way of developing an adequate scale of business." (RS) •

An Agricultural Economist

No Immediate Crisis and Therefore "hard to transmit to the political arena." N/C

The last speaker on the program was Professor Wallace Barr, agricultural economist, Ohio State University. Noting some of the advantages and drawbacks of that position on the agenda, he commented that much of what he was going to say had already been well said during the seminar.

His paper is titled "Can the Family Farm Survive? The Decision Process Takes Over!"

Chapters within the talk include: farms and farm sizes; farm structure; alternative structures; Policy Tools — continue the present trend; accelerate or decelerate it and consequences of the choices.

Professor Barr concludes his paper with these words:

"Can the family farm survive? Yes, because the structure of agriculture is changing slowly — though more rapidly than some realize — and there is sufficient time to act. But, enough people must decide soon that they want the family farm to survive and must mount a campaign to secure the legislation necessary to ensure 'survivability.' To succeed, a coalition of farm interests and representatives from the consumer movement and organized labor might be necessary.

"Will the family farm survive? Not likely; though the demise may take decades. And the time factor is a major reason for the demise. There is no crisis and therefore the case for the family farm is hard to transmit to the political arena.

"If a political campaign is mounted to slow the trend away from the family farm, conflict and oppositions will arise within the agricultural sector; passage will be difficult. Policy issues within agriculture are divisive: They pit farmer against farmer, neighbor against neighbor, region against region and family-size farmer against larger-than-family-size farmer. Politicians try to avoid issues matching farmer against farmer.

"In the final analysis, some blending of the policies discussed earlier seem likely. The policies probably will achieve a diverse farm structure — providing some help to the family farm and its survivability — without isolating farming from changes in the economy." •

An Extension Public Policy Specialist and Agricultural Economist

Access to Capital in Agriculture: The Federal Tax Issues

N/C

Agreeing with the opening remarks of Professor Breimyer, W. Fred Woods says in the introduction of his paper that "the pressures of our time (on farming) are largely financial in nature." From that basis, he discusses incentives and disincentives of federal taxation having impacts on access to capital of farmers and non-farmers, as well as inequities among those who depend on farm income for their livelihood. Further, he delves into provisions, applications and likely results of the Tax Reform Act of 1976 and the Revenue Act of 1978. These include a graduated corporate income tax, investment credit, capital gains treatment, depreciation, use valuation for farmland, carryover basis revision and deferred payment of estate taxes.

Dr. Woods is assistant to the deputy director for Extension, Science and Education Administration, USDA. His paper "Access to Capital in Agriculture: the Federal Tax Issues" is printed here without the introduction and summary.

Public Policy in General

... I believe it is fairly evident that public policy has, in fact, affected the structure of farming in many ways. More frequently than not the direction of the effect has been the opposite of the policy's stated intent. For example, although most public programs for agriculture are allegedly designed to help family farms, a major conclusion must inevitably be that federal policy on the whole has discouraged small farm operations and, since benefits are usually distributed in direct proportion to volume of output, led to greater concentration in farming.

Small farms have undoubtedly been helped by certain public programs, but most programs have advanced the trend toward larger units. Within the farm sector, the greatest benefits have consistently gone to those farmers with the motivation and resources to use commodity programs, income and estate tax laws and low-cost credit to expand their acreage and size of business.

Tax Policy and Financing Agriculture

Federal income tax laws have historically granted preferred treatment, not only to those directly engaged in agricultural production, but to all those with agricultural incomes (and some other businesses as well. Ed.) One of the major benefits, the privilege of using the so-called "cash accounting method," allows accelerating or delaying certain income and expense items. This departure from basic accounting procedures was first justified, and still defended, on the basis of providing a simplified method of accounting to farmers. This development, combined with regulations and specific legislation permitting the current deduction of developmental expenses, allow deduction of costs before the income derived from the expenditures is realized.

These tax preferences, plus the availability of capital gains treatment for sales of livestock held for draft, breeding, dairy or sporting purposes, create a strong incentive for the entry of capital from outside agriculture. This incentive to individuals with large non-farm incomes who seek farm investments to reduce their effective tax rates and delay payment of taxes has been widely publicized. And, to be sure, these tax shelters have contributed to the rising demand for agricultural land and create a decided advantage in the access to capital for tax shelter investors over those individuals who depend on farm income for a major portion of their livelihood.

What is not generally considered, however, are the inequities in the access to capital among those who depend on farm income for their livelihood. While among individual farmers, tax considerations are only one of the factors affecting decisions to increase size of a farm operation, these considerations are nevertheless an important factor in the access to capital. Although special tax provisions are available to virtually all farmers, the ability to benefit is directly related to the farmer's marginal income tax bracket.

Tax provisions such as investment tax credit and accelerated appreciation encourage the shift to mechanization in farming and to increasingly larger sizes of machines by effectively shifting a portion of the machinery cost to the public. What better access to capital than to have the public at large share a portion of your investment cost? This amounts to a subsidy on capital inputs relative to labor inputs, and the subsidy is most readily available to larger farmers who can afford the expensive equipment.

When farm income becomes high enough, the farmer may also realize a substantial additional tax saving by incorporating and gaining access to subsidized capital through retained earnings. Through this process, current income is transferred into additional real property, and land ownership tends to become more and more concentrated. The most recent federal tax legislation may be expected to accelerate the trend toward incorporation. The Revenue Act of 1978 provides, for the first time, a graduated corporate income tax rate. The first $25,000 of corporate income will now be subject to a tax rate of 17%. The next $25,000 of income will be taxed at a 20% rate; the third $25,000 increment will be subject to a 30% rate; and the fourth increment to a 40% tax rate. Taxable income over $100,000 will be subject to the 46% rate. This change may be expected to provide a considerable incentive for smaller and medium-size farms to incorporate. It will also increase the access to capital, the public-subsidized access to capital, under the corporate income tax provisions.

Not only is there the positive incentive, but under the corporation there is in fact a disincentive to use farm income for consumption purposes since under the regular corporate income tax provisions, income paid out as dividends is, of course, subject to the so-called double tax.

Other provisions of the Revenue Act of 1978 also affect access to capital within the farm sector. The 10% investment tax credit is made permanent and also extended to structures or enclosures used for single-purpose food or plant production. This includes structures used for poultry, eggs, hogs, other livestock or plants.

This provision effectively reduces the price that farmers pay for machinery and other eligible equipment. When combined with the accelerated depreciation deductions and additional first-year depreciation, tax savings of up to 50% of the purchase price can be realized in the first year of purchase.

The preferred capital gains treatment was further liberalized. Under old law, the individual taxpayer could deduct from gross income 50% of any net capital gain for the year with the remainder included in income and taxed at ordinary tax rates. Under the new law, individual taxpayers may exclude 60% of net capital gains from gross income and include the remaining 40% in income to be taxed at the otherwise applicable ordinary tax rate. The intent of this liberalization is to speed up the rate of economic growth by making more funds available for investment.

But what is the effect of this provision on U.S. agriculture? Certainly there is no general shortage of investment capital in American agriculture and since the major capital asset in agriculture — farmland — exists in limited supply and is already under considerable inflationary pressure, the inevitable result of increasing its attractiveness as an investment will be further and substantial upward pressures on farmland prices.

Nationwide, USDA economists had forecast, under the old tax law, increases in farmland values on the order of 6 to 10% for the next 12 months. Under the provisions of the Revenue Act of 1978, these price increases may very well be on the order of 8 to 12% for the same period.

Federal Estate Tax Impacts

Three provisions included in the Tax Reform Act of 1976 could have considerable impact on access to capital and changing farm structure. These are the special use valuation for farmland, the carryover basis provision and the liberalized extended payment of federal estate tax liability.

The use value assessment feature, even though it cannot reduce a gross estate by more than $500,000, provides its benefits to all farm estates which qualify. Thus, the real size of this apparent half-million-dollar benefit is directly proportionate to the marginal tax bracket of the estate. The benefits from the use value assessment feature may be expected to reduce farmland valuation for estate tax purposes from 35 to 50% on the average. While on the one hand, this is an apparent advantage in financing, the benefit will quickly be capitalized into increased land values, thus adding further pressures to the already inflationary farmland market.

The primary beneficiaries of this tax shelter will be existing farmers who have family heirs desirous of continuing the farming operation. One effect may be to encourage older farmers to shift capital investment into land and away from non-land assets.

It is difficult to predict the extent to which wealthy non-farmers will enter agriculture to take advantage of the sizable tax shelter, but there is a definite incentive for movement in this direction — making it all the more difficult for the young, beginning farmer to become established unless he is fortunate enough to be born into a land-owning family.

The real financial boon comes under the liberalized deferred payment of estate tax liability provision. Under the new 15-year installment provision with its 4% interest on up to $345,800 of federal estate tax (less the allowable credit) attributable to a closely held business, the economic benefit relates heavily to the expected net return on the deferred taxes.

At a 5% net rate of return, compounded earnings reach 14.4% of the tax bill over the payment period. At a 10% net rate of return, the compounded earnings pay all of the tax and more than 80% of the interest. With such benefits flowing from the deferred payment provision, substantial incentives are generated to qualify property for the election.

Since disposition of more than one-third of the estate's assets will trigger termination of the tax deferral, there is a sizable disincentive for disposition of the property prior to expiration of the installment payment period. Continuation of farms in the same family is thus encouraged.

And finally the carryover basis revision. The former "stepped up" basis at death tended to "lock in" appreciated assets into estates of elderly persons since their heirs would receive a tax-free stepped-up basis. The carryover basis provision ends this lock-in and, in the short run, may be expected to substantially reduce the incentive to hold the appreciated assets in estates. In the longer run, particularly if farmland continues to appreciate as it has over the last decade, a different kind of lock-in may well be created: a permanent disincentive to sell appreciated assets, particularly land. However, we may never know what the impact of this revision would in reality be. For the Revenue Act of 1978 postpones the effective date of carryover basis until January 1, 1980. Thus, the old rules will continue to apply until that date. We may expect a strong effort to rescind carryover basis permanently some time between now and that time. It may, at this moment, be effectively dead. •

Soviet Crop a Record, But Feed Grain Still Needed

400= per invoice

Dairy Goals Demand Better Feed

by Alexander M. Derevanny

Mr. Kosygin's announcement of a 230-million ton grain crop in 1978, the highest on record, was welcome news to the Soviets after the discouraging crop reports that came, day after day, from the rain-drenched grain fields of northern and northwestern European Russia for the last three months. If the 230 mill. t figure is accurate — some usually well informed observers of the Soviet agricultural scene think it may be even a few million tons higher at the end — the composition by type of grain according to USDA would be as follows: wheat, 118 mill. t; coarse grains, 105 mill. t; pulses, groats, etc. 12 mill. t.

As to the geographic origin of this bonanza, as anticipated by this writer in the November issue of Ag World, it is Kazakhstan and the West Siberian crop regions of the USSR which are mainly responsible for this large addition to the 1978 grain crop. In the case of Kazakhstan, our figure of 24 to 25 mill. t turned out to be too conservative. The most recent estimate is 27 to 28 mill. t. One of the Kazakhstan oblasts (Tselinograd), originally thought to have been bone dry from the middle of June throughout the rest of the crop season, actually came through with a 2 mill. t crop, a record.

As these lines are written (middle of November), grain is still being bought by the RSSR Purchasing Monopoly and moved to government elevators and grain bins. These delays may be interpreted as a renewed sign of the already earlier reported grain storage deficit. Estimated to be 30 mill. t originally (based on an overall figure of 220 mill. t), this deficit has undoubtedly widened by now.

What with record crops reported from almost all of the world's grain crop areas, the big question being asked today, is: what policy are the Soviets likely to follow in order to make the best use of their abundance?

For the Russians, this is not exactly an unpleasant task. In past years, come December, they have been mostly preoccupied with the figuring of how to make ends meet until the next harvest. This year, though by no means troubled with grain surplus problems of the magnitude experienced by most of the large western producer countries, they are essentially confronted with two problems:

1.) Storage, as already mentioned. Either this burning issue has somehow been solved by now or some of the grain will have to spend the winter under canvas on railroad and other platforms, exposed to the rigors of the Russian winter, or on barnfloors readily accessible to rodents and insects.

2.) What to do with the exceptionally large tonnage of low-quality food and feed grains, stored with a moisture content that may be as high as 25%, some even say 30%. Now livestock and poultry numbers have been increasing rapidly, especially hogs of which there are 59 million, 3½ million more than last year and chickens, both meat and egg type, which number 659 million, almost 15¾ million more than last year. All this on government farms, with the private farm sector not counted.

At this time we wish to devote a few paragraphs to the Soviet dairy industry frequently overlooked by observers of the Soviet farm scene, mainly because it is difficult to tabulate cows in milk, heifers, dry cows (of which there are many) and beef cows (of which there are few). Soviet statistics do not provide for this breakdown.

Soviet dairy production deserves our attention, because standard or better grade feed grains (U.S. corn?), of which the Soviets do not have a large supply this year, may and probably *will* play a major role in the attempt of Soviet planners to increase annual milk output by 19% not later than 1980.

The main complaint of the industry's economists is not so much that the total output did not increase — it did; to 94.8 mill. t in 1977, a record — but rather *per cow* production is making only slight progress (1977 average per cow production: 2291 kg).

Evidence that the Soviet planners are losing patience with unbalanced conditions in their industry and lagging cow productivity can be furnished quite easily. One only needs to open a few pages of Russian farm and livestock papers. The emphasis on better management, better feeding methods and especially better compounded livestock rations is overwhelming. There are good reasons for this insistence.

So far this year, cow numbers on government farms increased again ½ million head — the third time in a row. This means that, including the private sector for which no census data will be available before sometime early next year, total numbers must be close to 43 million head by now.

Yet, total milk production for the first eight months remains unchanged. The "dairy" republics of Latvia and Estonia, even registered a decline (Latvia, -5%; Estonia, -3%), compared to the same period in 1977.

An unmistakable sign of Soviet concern with lagging dairy productivity and output is a recent resolution of the Communist Party Central Committee to increase government purchase prices for milk and dairy products by 14%, starting January 1, 1979, and leaving at the same time prices at the retail level unchanged. The Soviet Treasury is footing the bill for the difference, of course.

"... the hard corn crop — figures not yet available — is expected to sink to a new low."

Another move of significance connected with the dairy picture is the recent import of 95 U.S. Holstein-Friesian bulls to upgrade the many native dual-purpose cattle breeds; for better dairy performance, no doubt. This, after 1976 imports of 5518 head of dairy cattle breeding stock from the U.S., the U.K., Canada and the Netherlands. According to cattle breeding organization officials more of the same is to come. It shows that despite the late date, the Soviets still mean business with transforming, before 1980, their dairy industry into something more closely resembling the dairy industries of Western Europe or North America than is the case right now.

Not by coincidence, this brings us back to the weather-damaged cereals and feed quality wheat in particular.

As a rule, the Soviets feed out some 40% of their wheat. This year the 40% of that type wheat may constitute more than they can use unless the lowest grade is made palatable by mixing it with top quality feed grain. This would have to be imported in any case, especially however this year, when the expected hard corn crop — figures not yet available — is expected to sink to a new low.

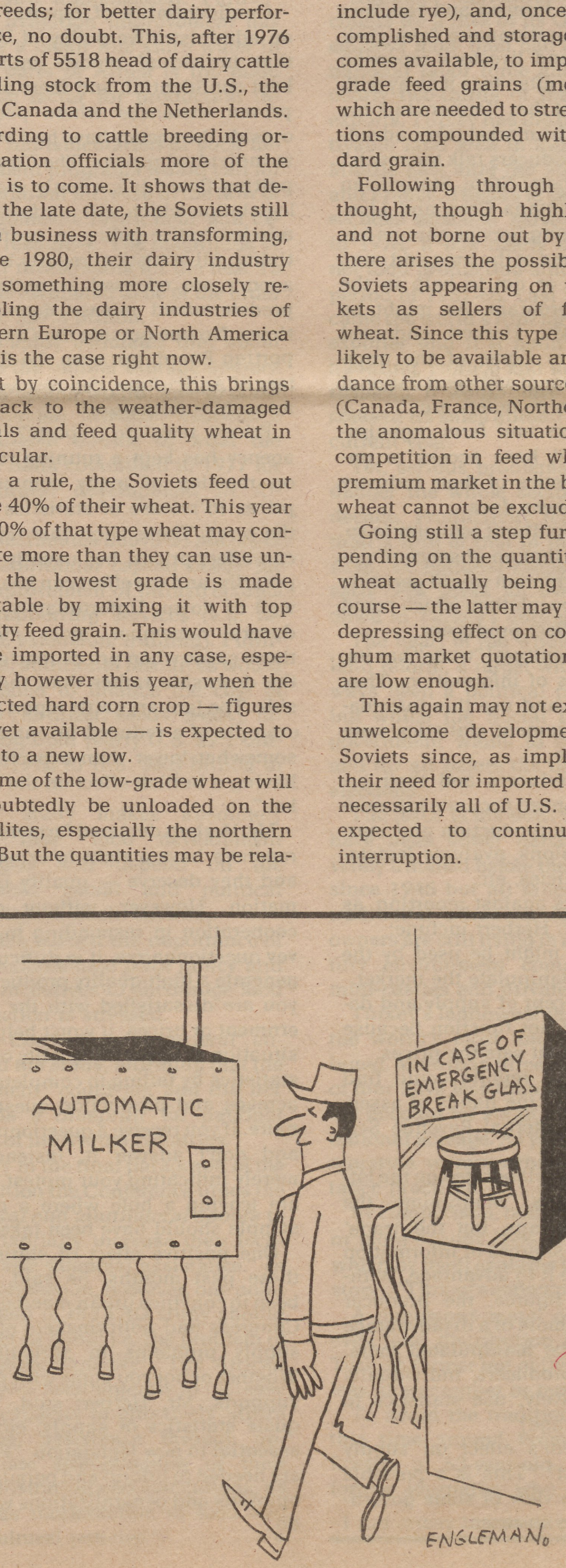
Some of the low-grade wheat will undoubtedly be unloaded on the satellites, especially the northern tier. But the quantities may be relatively small, since most of these countries have plenty of weather damaged grain themselves.

Thus, the whole aspect of the Soviet bumpercrop boils down to a question of logistics: how to get rid of the surplus of low-quality food grains (which, incidentally, also include rye), and, once this is accomplished and storage space becomes available, to import the top-grade feed grains (mostly corn) which are needed to stretch feed rations compounded with substandard grain.

Following through with this thought, though highly unusual and not borne out by precedent, there arises the possibility of the Soviets appearing on world markets as sellers of feed-quality wheat. Since this type of wheat is likely to be available and in abundance from other sources this year (Canada, France, Northern Europe) the anomalous situation of fierce competition in feed wheat and a premium market in the better-grade wheat cannot be excluded.

Going still a step further, — depending on the quantities of feed wheat actually being offered, of course — the latter may even have a depressing effect on corn and sorghum market quotations if prices are low enough.

This again may not exactly be an unwelcome development for the Soviets since, as implied earlier, their need for imported corn — not necessarily all of U.S. origin — is expected to continue without interruption. •



Observation Points Here and There

News and views from listening posts around the world

Do Farmers and Ranchers Talk too Much?

100

by Dick Hansen Jr.

When many farmers and ranchers receive a questionnaire from their state crop and livestock reporting service, they often toss it away with the comment that "farmers talk too much, and the market takes advantage." *Do* producers talk too much?

Dan Herbert, State Statistician with the Montana Crop and Livestock Reporting Service gave us his views on some of the pros and cons on whether or not to help in the statistical program. As might be expected, Mr. Herbert endorsed participation. Some of the arguments in favor of state and national ag statistics, he noted, are:

- Producers and farm organizations should have access to unbiased statistics of their industry just as business does.
- Our agricultural economy is so interrelated that an absence of unbiased information would generate excessive speculation, which could adversely affect producers.
- The agricultural "trade" has its own sources of information. They would have and use this information if government statistics were not available.
- And, producers and their organizations need accurate information to make production and marketing decisions, evaluate legislation, set policies, etc.

Arguments against reporting, as listed by Mr. Herbert include:

- Reports might be used by the "trade" to manipulate the market.
- The concept of supply and demand might not function because the government sets the prices.
- Individual reports could find their way into the hands of assessors or the Internal Revenue Service.

Mr. Herbert elaborated on the latter arguments. Manipulate the market? "Perhaps, but the 'trade' has its own sources of information and will use it to advantage. Without USDA figures, the producer would be at more of a disadvantage and could be manipulated more. Why can't producers, individually and collectively, use statistics to their advantage?"

Government's effect on supply and demand? "This is a possible argument in view of some government actions in recent years, but I don't think it's generally valid. Certainly the oversupply of cattle in 1973-74 was the cause of price declines in 1975-76, and our current reduced supply is being touted as reason for projected higher prices in the future. Often the concept of supply and demand is questioned on a current basis, but looking back we can see it actually operated. Most economists believe in the concept of supply and demand, recognizing that government policy can lead to some disruption."

Confidentiality of reports? "It's an administrative policy of USDA that individual reports must be kept confidential, and there are no proven instances where persons outside the agency have had access to individual reports. The Crop Reporting Board is currently seeking legislation which will reinforce the administrative policy on confidentiality. All statistical reports by our agency are released according to predetermined release dates and times. No one outside the Crop Reporting Board, not even the Secretary of Agriculture, can receive any advance information."

Prices react to reports? "Our agency has kept a running record on reaction of many commodity prices to release of statistics over the years. These show that reports can affect prices, but usually temporarily, and the effect can be up as well as down. Unfortunately, producers remember most clearly those cases when prices reacted on the downside rather than the upside. The January cattle report is an example of a reduced inventory — somewhat lower than expected — having a bullish effect on the market."

Mr. Herbert declared farmers and ranchers have a right to expect — and they deserve — quality information. However, without good cooperation in responding to survey questionnaires, it is difficult to generate a high-quality product. "If you are dissatisfied with the government or prices, it won't help the situation to lower the quality of the statistics by failing to complete the acreage and production questionnaire. If you receive a questionnaire and don't answer it, instead of merely indicating your protest, you are leaving a hole where a good sample should have been taken."

One positive effect of statistics these past months, he said, has been to convince urban members of Congress and policymakers of the supply problems in agriculture. Whether or not you agree with price supports, Mr. Herbert said, adequate statistics of supply, etc., is essential to new legislation. "Facts are needed to inform and persuade; opinions and generalizations won't do." •

Voluntary Anti-Inflation Program or Recession or Mandatory Controls

100

by Jay Richter

Leaders of U.S. commodity groups and farm organizations are expressing mounting concern that the government will make agriculture "the whipping boy" for inflation. Declaring "war" against any attempts "to fight inflation through low farm prices," the National Association of Wheat Growers went on to say:

"The battle is on, because the Administration has a task force of top officials from various agencies developing a plan to hold down the rising food and agriculture prices. Representatives of USDA (the U.S. Department of Agriculture), OMB (Office of Management and Budget), the Council on Wage and Price Stability, and the Council of Economic Advisors are examining Administration and/or legislative actions to check inflation from your farm through to the consumer."

Said Glenn Moore, president of the wheat growers' organization, "agriculture is not the cause of inflation and can no longer be the shock absorber for the economy."

Farm product prices are not subject to guidelines under President Carter's anti-inflation program, but they will be closely monitored. Officials at USDA tell you the reason for monitoring them is not to keep farm prices down, but rather to be certain their "natural" movement is fairly reflected along the food chain.

There is little or no reason for guidelines on farm prices, said aides to President Carter, because they are competitive and subject to erratic movement caused by "supply-side shocks such as weather conditions, disease and biological forces." Generally, the guides call for the food industry and other industries to limit cumulative price increases in the next year to 0.5% below the average annual rate of price rises during 1976-77. A 7% guideline limit is suggested for increases in wages and fringe benefits for workers.

There won't be ceilings on farm price supports, nor will there be export controls, said Agriculture Secretary Bob Bergland. "Absolutely no," he said, when asked if export controls were contemplated as part of the wage-price program, "and I discussed this with the President personally."

Is any change contemplated in beef imports? Bergland replied that the government saw "no reason to change the beef restraint program." In response to a question as to whether dairy imports might be increased to keep U.S. dairy product prices down, Secretary Bergland answered "No." He went on to say that the dairy picture seemed in good balance; that department analysts figure there won't be either serious shortage or surplus in the next year.

How will the USDA proceed with monitoring farm prices? The department has been watching and reporting on margins for a long time. This will continue, and be accelerated as needed, said Dawson Ahalt, an economist who is the liaison between the department and the Council on Wage and Price Stability which is in charge of the President's wage-price program. "We are going to watch margins closely," said Ahalt, "and see that increases and decreases in raw farm prices are reflected on along the line."

If the price of a farm commodity goes way up, who absorbs the increase? Wholesalers, retailers, processors are all subject to the guidelines, but these permit price movement in line with costs, Ahalt explained. If the increase goes beyond the program's permitted maximum of 9½%, then the "profit test" is the means of judging whether the firm is within the guidelines.

The profit test permits increases above the limit in special circumstances.

Are mandatory wage-price controls coming next? Bergland said they are "absolutely out;" that he could not conceive of Congress or the President going down that road. Bergland's distaste for mandatory controls is shared by other Administration officials, including Jimmy Carter. But if the voluntary anti-inflation program does not work, the country's likely choice will be between a serious recession and mandatory government controls.

Surveys indicate that most U.S. citizens prefer the latter. •

Don't Bank on It

86 50

by Trevor M. Johnston

Australian farmers have greeted with mixed blessings the arrival of a new lending institution for the rural sector — the Primary Industry Bank of Australia.

Farmers have always been concerned about the availability and supply of credit. For decades, however, the industry was financed from within. When incomes rose, investment followed. When they fell, the opposite happened.

Inflation and the cost-price squeeze put an end to this tradition.

The new Primary Industry Bank is the result of the latest proliferation of farmer grandstanding.

The Australian banking system is unlike that which operates in the United States. Here, we have a Reserve Bank which dictates to a small number of trading banks how much money they can lend, how much must be frozen in reserve, how much must be kept as cash on hand and how much must be deposited in government securities. The Reserve Bank in fact, pulls the lending strings. When the government tells it to increase the cash flow, it relaxes some of its restrictions, and vice versa.

Farmers have been favored with access to two other sources of financing within the banking system in the form of separate government funds provided for rural reconstruction (debt reconstruction and farm amalgamation) and through the Development Bank, which has generally always had some funds available even when none of the other banks have been anxious to lend.

This hasn't been good enough for the farmers, because most of these funds have been over relatively short terms — about eight years. The clamor has been for long-term financing — 30 to 40 years.

Farmers produced evidence that although 75% of borrowing requirements were for long-term financing (land purchasing and development work), most of the funds provided were on terms of less than eight years.

They also lobbied the government for long-term funds arguing that there was a trend towards larger units, higher capitalization and lower profits, leading to more and more farmers needing to extend the terms of their existing borrowings, and to seek financing for significant capital expenditure over long terms.

Against this background, and the threat of an election, the Primary Industry Bank of Australia was conceived. It has now been born. The child looks healthy at first sight, but there are serious doubts that it will establish notoriety at any stage of maturity.

It will operate solely as a refinancing bank, borrowing funds for lending to existing financial institutions to on-lend to farmers. It will not be a direct lender.

It will gain its working capital from a government grant; from funds which farmers have deposited with the government under an income-smoothing scheme; from its shareholders' capital; from fixed-term securities attracted from the capital market and from investments in the Bank by the general public. At a rough guess the Bank will probably create a total capital fund of about $A80 million.

The maximum loan will be $250,000, the maximum term 30 years, and the interest rate 10.5% per annum on loans under $100,000 and 12.5% on loans above that amount. All facets of primary industry, farmers, foresters and fishermen, will be eligible to borrow.

Funds will be available for buying land, making structural improvements, recovering from floods, droughts, fires or plagues, purchasing machinery, stock or equipment, and for debt reconstruction.

The only difference between the new bank and all the older banks is that it will lend money for much the same purposes over a much longer term at a slightly lower rate of interest. •

Food Plan for Africa

100

by Otto Matzke

A "Regional Food Plan for Africa" drawn up by FAO in cooperation with the Economic Commission for Africa and the Member States OAU (Organization for African Unity) was the main item on the agenda of the recent FAO Regional Conference for Africa in Arusha, Tanzania. The main conclusions of the study are:

In the 1970s, Africa has lagged behind other developing regions in food production increase. The production failed to match even the population growth. The region's *self-sufficiency ratio* with respect to food commodities declined from about 98% in the early 1960s to about 90% in the 1970s. If recent trends continue a further fall in the regional self-sufficiency for nearly all major food commodities will be unavoidable, and a decrease of the self-sufficiency ratio to 81% by 1985 is to be expected.

The study qualifies the situation as "unacceptable, especially since Africa has the *potential* to attain and sustain rates of food production increase which will lead to higher, but not necessarily full self-sufficiency over the next ten to fifteen years."

The use of the existing potential presupposes that African countries vigorously pursue appropriate strategies and that "adequate" external support is given.

For Africa as a whole, the larger part of the contribution to increased production is to come from *area expansion*. The share of land under crops covers at present 51% of the total land area. An increase of the cropped area from 118.6 million hectares (ha) in 1975 to 143.3 million ha in 1985 and to 157.8 million in 1990 is considered feasible.

Along with area expansion production gains have to come from *yield* increases. According to the study, "the contribution of yield increases to the growth of food production in Africa has so far been low." To achieve the required large increases in yields numerous programs for the use of inputs in packages "tested and demonstrated for local suitability" have to be formulated and implemented. Furthermore, irrigation improvement has to play a major role since water in many parts of Africa is the main limiting factor for production increase.

The implementation of such development programs would call for a substantial increase in the flow of both domestic *investment* and external resources. The magnitude of capital investments for the next 15 years is estimated to be of the order of U.S. $27.3 billion.

The study estimates that about half of the annual average amount of $1.8 billion would have to come from foreign financial assistance (i.e. almost double of what the World Bank committed in 1977 for agricultural development in Africa).

The estimates above do not cover large *additional capital needs* for the improvement of infrastructures and supporting services (e.g. research, extension, training). Furthermore, additional resources would be needed to finance the cost of *inputs* (fertilizer, seeds, feeds), increasing from yearly U.S. $2.1 billion in 1975 to U.S. $6.5 billion in 1990.

The study makes absolutely clear, that "food development strategies will depend on the economic, social and political structure in each country.

In this context the importance of a reasonable food *price policy* and other incentives to encourage food production is stressed.

The Conference "in general" endorsed the study, affirming that the document "could not and did *not* provide a *blueprint* for national plans of individual countries."

Only in the final paragraph of the resolution the Conference urges the *bilateral and multilateral donors* to "substantially increase their technical and financial assistance." In this connection, however, one point admitted in the FAO study should be kept in mind, i.e. the problem of *absorptive capacity:* "The African countries need urgently to increase their capacity to effectively utilize external assistance through appropriate strengthening of their administration and institutions, as well as reorientation of food and agricultural policies." •

Turkey's Feudal System Changes, But Slowly

125

by Robert Pouliot

Turkey is experiencing one of the classic dilemmas facing developing countries. With 600,000 new workers flooding the labor market each year and an unemployment rate between 15% (official figure) and 25% (a conservative estimate), the country is increasingly divided between fast industrialization and the modernization of its feudal agriculture.

Although agriculture now accounts for a fifth of its GNP, it still employs more than half of Turkey's national labor force and supplies nearly two-thirds of the country's exports. Turkey has the biggest cultivable land area in Europe or the Middle East after the Soviet Union and France. Thanks to the fifth consecutive excellent harvest recorded in 1978, it has nearly doubled its net food production since the base period of 1961-65. Last year, it became the world's fifth largest wheat exporter and if it hadn't been for handling, storage and loading bottlenecks, it would have further increased its sales abroad during the current year.

Yet, serious problems could endanger the whole sector within a decade. Productivity remains less than a fifth of that in industry. Indeed, exceptional crops since the early '70s mask an overall slowdown in Turkey's output.

The heart of the whole matter is land reform, a target which has always been a political powder keg but which the Social Democratic government wants to tackle once and for all before the next general elections.

The issue is not new. Seven bills have been either debated or severely trimmed before their adoption since 1945 but all failed to break traditional alliances. Many landowners are still living in a 19th Century environment complete with mini-castles and private militias.

Turkey's landownership is one of the world's most unevenly distributed. More than three holdings out of four have less than five hectares but account for about a third of the national acreage. As years pass, the situation worsens through inheritance practices.

By comparison, holdings of 20 ha or more occupy 25% of total land, which by itself explains the success story of Turkey's cotton production.

A dangerous result of such uneven land distribution is that one Turkish farmer out of five is a landless sharecropper or tenant.

To avoid the traditional pitfalls this time around Premier Bulent Ecevit, a 53-year-old poet and former journalist who speaks of

Continued on next page.

(Observation Points:
Continued from preceding page.)

"going to the land, both through industrialization of rural areas and more extensive use of cooperatives to foster reorganization," might benefit from past mistakes and changes in attitudes.

For example, a factor that might help the new government drive is the growing support for land reform coming from leading industrialists like Vehbi Koc, head of the country's biggest industrial empire, and Nejat Eczacibasi, founder of the largest medical and drug concern in Turkey.

But, the major test won't come before 1979 or early 1980 and until then, the country has still to be financially rescued before the government ventures into the hottest issue in the young republic's history. •

"Everything You Always Wanted to Know About Nutrition;" a Book

10

by Lauren Soth

Dr. David Reuben, the physician-author who wrote "Everything You Always Wanted to Know About Sex," is out with a new book, "Everything You Always Wanted to Know About Nutrition."

The sex book was a best seller, and the nutrition one promises to be. Reuben is a skilled writer, and does he pick popular subjects!

This essay on nutrition covers many of the things you already knew (that is, what you have been told) about eating less fat, and more carbohydrates; more vegetable protein and less meat and dairy products. But Reuben has some new prescriptions which depart from the conventional nutrition wisdom.

I haven't read his entire book, just the lengthy excerpts published in *Book Digest* magazine; but I found plenty of confident assertions which will infuriate livestock producers, some recommendations that will please other farmers and enough other material to stir up disputatious nutritionists and medical scientists.

Reuben debunks the low-cholesterol diets and advertising. Cholesterol, he says, is an essential part of the human metabolism; you manufacture within your body every day three times as much as you can possibly consume. About 80% of patients with heart attacks, Reuben reports, have normal blood cholesterol levels.

Well, aren't eggs bad for you? No, eggs are good for you, says Reuben. He ridicules a ruling by a federal court barring an egg promotion agency from saying that eating eggs doesn't increase heart attacks. The judges based their ruling on reports by medical investigators. But according to Reuben the current informed medical consensus is:

"The level of cholesterol in the blood is not significantly influenced by the amount present in foods. By omitting protective foods such as eggs, milk and organ meats from the diet, one may be denying the body needed protein, minerals and vitamins.

Yet a distinguished stable of nutritionists and medical researchers testified before the Senate Select Committee on Human Nutrition and Human Needs that cholesterol, along with excess fat in general, was dangerous.

What's a mother to do? as the breakfast cereal ad used to say. The Senate committee experts say we should eat fewer eggs, less saturated fats as in meat and less whole milk. Reuben pooh-poohs the anti-cholesterol idea from A to Z.

I want to believe Reuben, because I love eggs, rich milk and cheese. Livestock producers will like what he says, too, until they get around to what he writes about meat.

His main point is that you don't need to eat as much meat as you do. He says you can get all the amino acids your system requires from eggs, milk and vegetables better and cheaper than from meat.

The cattle producers, feeling harassed as they do about beef imports, will find an even more worrisome idea in Reuben's book — vegetarianism. The author praises beans, including soybeans, and other vegetable sources of protein as superior to meat.

At an American Farm Bureau conference on livestock and meat last spring there was some discussion of the danger of "beef extenders," that is, soybean fillers in hamburger. Some speakers brought out that by shutting down on hamburger beef imports during a time of cattle restocking, hamburger "extenders" might get a boost. Reuben's book would give nutritional backing to the practice.

Reuben has good credentials as a medical doctor and psychiatrist. But his tendency to sensationalize lowers his credibility. His book may cause many readers to distrust all nutritional science. This would be too bad.

Do not distrust the science — but be skeptical of the scientists; they are human. Ernest W. Seward, dean of medicine at the University of Rochester, once said:

"The impression is often obtained from medical scientists and from the press that scientific knowledge upon which medical practice is based is vast. If we look carefully, however, it appears more as an archipelago of knowledge in a sea of ignorance. And the efficaciousness in medical practice of much that we think we know has never in fact been substantiated." •

Restless Canadian Prairie Farmers

A Post-Harvest Season of Annual Meetings

Canadian Wheat Production "Could Easily Be Doubled" — with a Better Handling System

by John Twigg 150

AG WORLD ABSTRACT

"Beneath the surface, there are many problems in the whole (Canadian) agricultural industry," says John Twigg in the following article, "and now there are rumblings of farmer reaction, such as the revitalization of the Canadian Agriculture Movement." Reasons cited include inadequate transportation for grain, plus a number of "myths" about the well-being of Canadian farmers.

In a related article, Lauren Soth writes of similarities and differences in Canadian and U.S. agricultural problems and policies, reviewing an analysis done by D. Gale Johnson, University of Chicago agricultural economist. For one thing, consumers may get cheaper food in Canada, but many other factors are involved.

In regard to accusations of transportation inadequacies, a third related item presents Burlington Northern's point of view — mainly that a more orderly grain flow would relieve much of the problem without major new investment in railroad cars.

The Canadian Prairie grain crop is in the bin now, and it appears many farmers are looking to another winter of political action that could turn into more demonstrated discontent.

On the surface, it would appear that things couldn't be much better for western Canadian farmers. Grain prices are up substantially. At the same time, livestock prices are now well above the cost of production for most producers.

But beneath the surface there are many problems in the whole agricultural industry, and now there are rumblings of farmer reaction, such as the revitalization of the Canadian Agricultural Movement.

The many problems have been receiving a full public airing during the post-crop season for annual meetings of the various grain cooperatives and farm organizations.

Saskatchewan Wheat Pool president Ted Turner outlined the problems in his opening speech to the cooperative's ten-day convention in Regina. He concluded that inadequate transportation in the grain handling system is a serious constraint on the future of the industry, but he also identified a number of myths about the well-being of Canadian farmers.

In a theme that has been taken up by the more militant organizations as well, Turner explained that cheap feed grains do not help the small, diversified farmer because they merely discount the selling price of the farmer's livestock, and also reduce his earnings from the sale of any surplus feed grain.

Turner also attacked the myth that an expansion of the western livestock herd would naturally find a ready market. He pointed out that there are in fact no easy markets for western livestock because of tariffs into the U.S., transportation costs to Japan, and domestic competition in central Canada.

For small farmers, especially those in diversified farming, things in fact are not that good. Their spokesmen in the newer farm organizations point out that farmers' costs are still increasing, and especially the imports of inputs are more costly now because of the substantial devaluation of the Canadian dollar.

That devaluation, however, has been a boon to exports of grain which are at capacity and records are likely. That the Canadian handling is at capacity causes concern for many farmers, including Turner, who said Canadian production of wheat could easily be doubled and that there also would likely be a market for it because of the thin margin between world grain consumption and production.

Turner pointed out that the grain companies, cooperative and private, are taking steps to substantially increase terminal capacity on the West Coast, from where most of the increasing exports are being shipped now.

He noted that railways are taking steps to improve their capacity through the mountains, but the problem lies in the Prairie grain handling system.

The whole Prairie rail network is in a state of flux as a result of studies to close certain lines and upgrade others. Federal Transport Minister Otto Lang, also responsible for the Canadian Wheat Board, said the time is nearing when the final rail network will be defined, so that work can proceed in earnest on improving what remains.

There is skepticism, however, about the enthusiasm of the two railway companies in improving the system. Both the privately owned Canadian Pacific Railway and the government-owned Canadian National Railway, have poor reputations among farmers.

Turner accused them of drastically reducing the size of the boxcar fleet.

Meanwhile, there is increasing talk of doing away with the Crowsnest Pass statutory freight rate, which was imposed on the railways in return for the granting of extensive land rights in the West. Saskatchewan Premier Allan Blakeney attributed the talk about "The Crow" to the railways renewing their campaign against it.

Turner and others say Saskatchewan farmers have the most to lose from the removal of the Crow because they produce most of the export wheat. He predicted that Saskatchewan grain shipment costs would increase three to five times if the rate was removed, and the provincial agriculture minister said it would cost the provincial economy about $500 million a year.

Another problem in the Prairie handling system is the marketing of feed grains, which have been sold non-Board (i.e. outside the jurisdiction of the Canadian Wheat Board) since 1971.

That system worked reasonably well until this year, when a domestic glut of feed grains developed.

Now there are substantiated complaints about the elevator companies clogging the system with unmarketable feed grains, and thus preventing the handling of much-needed export crops.

Lang admits there is a problem, but says he is not considering a return to full Board marketing of all grains in Canada, both domestic and export. However, he is receiving some pressure to do just that, including from the Wheat Board.

Another uncertainty hanging over the Prairie grain handling network is the future ownership of the five major inland terminals, now owned by the government but being put up for sale as a cost-cutting measure. Lang said tenders are still to be issued "soon."

Neither have the final owners of the Prince Rupert Port Development Project been determined yet. The Canadian companies are in, but at writing the participation of Cargill Canada still had not been confirmed.

In other related developments, Gary Carlson, spokesman for the Saskatchewan Federation of Agriculture, summed up the federal budget's impact this way: there wasn't enough stimulus in the budget to increase the exchange value of the Canadian dollar, so Saskatchewan farmers will continue to benefit from strong export sales; but on the other hand imported inputs will continue to cost more.

A worried feeling among western farmers could bode ill for the handful of Liberals still representing Western seats in the next federal election in spring 1979.

That list of endangered Liberals includes Lang, even though he has an urban seat. Animosity to the federal government is running high in the Prairies these days. •

Canadian and U.S. Farm Policies Compared

By Lauren Soth

10 00

AG WORLD ABSTRACT

A brief comparison between Canadian and U.S. farm policy is drawn in the following article, in which Lauren Soth reviews an analysis by agricultural economist D. Gale Johnson, University of Chicago. The differences are not great — because problems and conditions are similar. Canada uses price "deficiency payments" more extensively than the U.S.; the U.S. does more to limit grain output. Both countries preach free foreign trade, but both inconsistently control imports of such items as dairy products and beef. Canada restricts dairy production, which the U.S. does not. Canada's system is "better for consumers" than the U.S. system because it permits lower grocery prices, according to this article.

The workings of the Canadian Wheat Board are also briefly explained.

The grass on the other side of the fence looks greener: When American farmers are unhappy about U.S. government farm policies they often say they would prefer policies like those of Canada. American consumers may think Canadian food policies are better, too.

The differences in U.S.-Canadian food-agriculture policies are not wide, which should not be surprising. The problems are similar, and both countries deal with them in the same democratic way. They are both efficient agricultural producers with similar temperate-zone food products; both are substantial exporters of farm products.

D. Gale Johnson, agricultural economist at the University of Chicago, recently reviewed and compared U.S. and Canadian farm policies. He found price support policies of the two neighbors alike in seeking to keep market prices at moderate levels compared with those of other industrial countries. Both rely on direct government payments to protect farmers' incomes when market prices fall "below some politically determined level."

Canada currently uses price "deficiency" payments more extensively than the U.S. does. It pays farmers subsidies on dairy products, beef cattle, sheep, hogs, grains, soybeans, sugar and a number of fruits and vegetables. The U.S. makes payments primarily on grains, cotton and sugar, relying on occasional market purchases and loans to support other commodity prices.

Both Canada and the U.S. preach free foreign trade in the interest of export agriculture, but both inconsistently control imports of such things as dairy products and beef. Canada restricts dairy production which the U.S. does not, while the U.S. does more than Canada to limit output of grains.

The purposes behind the direct payment plan are (1) to avoid pricing export commodities out of the world market and (2) to provide income support for farmers through the progressive tax system, rather than by higher prices which would bear most heavily on the poor.

In this respect, Canada's farm policies are better for consumers than ours. The direct payments to producers for high-cost livestock products, fruits and vegetables permit lower prices in the grocery stores for consumers.

The Canadian Wheat Board has monopoly control over marketing of grains in the three prairie provinces and the Peace River area of British Columbia. This centralized marketing arrangement may give Canada an advantage in selling to foreign buyers, especially state trading countries such as Russia.

The board makes an initial payment to farmers for all the grain delivered in a crop year. A final payment is made later depending on proceeds from domestic and foreign sales, minus the board's costs.

If the initial payment turns out to be higher than the net price realized, the government makes up the difference. The board is supposed to break even, however, and usually does. The purpose is to provide price stability and orderly marketing. The price is "pooled;" all farmers get the same price. An individual farmer cannot gain by hitting the peak of the market; neither will he lose by hitting the low.

The price support (payment) system applies to grains outside the Wheat Board area as well as inside. Price guarantees are set at a minimum of 90% of the previous five-year average, plus an adjustment for changes in cash cost of production.

Sound familiar? It's quite similar to our "target" price plan — except that Congress may decide to go outside the formula, as it did for wheat growers in 1978. Canada's price guarantees are likely to be more influenced by long-run market trends and not so likely to get out of kilter with each other, the way corn and wheat price supports are this year in the U.S.

The Wheat Board has power to set quotas for delivery of grain, based on an acreage quota. The farmer may allocate his acreage quota among grains as he sees fit, but he may not be able to deliver all the wheat he produces. Then he will have to store the surplus, feed it or sell it for feed.

Our more complicated system of acreage set-asides, commodity loans and long-term reserves probably provides less control of supply on the market. Professor Johnson thinks the high price release for stored grain in the long-term reserve will result in the U.S. being the "residual supplier" in the export market.

Maybe so. But since the U.S. grain crop is nine times as large as Canada's, we should perform most of the storage function. The lack of coordination in grain storage and production policies between the two North American giants is regrettable. Our interests in farms, food and foreign policy are parallel. We should be able to get together on reasonable and compatible policies.

And I'm not talking about a grain cartel to put the squeeze on foreign buyers. We couldn't make that work even if we wanted to. Big as North America is in the grain business, it doesn't control enough of the supply to become a grain OPEC. •

"Professor Johnson thinks the high price release for stored grain in the long-term reserve will result in the U.S. being the 'residual supplier' in the export market."

"Turner pointed out that the grain companies, cooperative and private, are taking steps to substantially increase terminal capacity on the (Canadian) West Coast from where most of the increasing exports are being shipped now."

A Railroad's Point of View

Orderly Grain Flow Could Improve Rail Operations

N/C

Burlington Northern could serve the grain trade better if a more orderly flow of grain went to market and if terminals could maintain a smooth outflow, a BN executive told the Crop Production Conference in Minneapolis.

"All the grain cars in the world and the best rail plant money can buy can't ensure an efficient grain operation," said John H. Hertog, BN senior vice president — operations. "What is needed, even with such advantages, is an orderly market place."

Last year, BN handled 737 million bushels of grain, Hertog added. This year, the railroad anticipates a 5% increase.

"Over the past 20 years, based on U.S. Department of Agriculture reports, the states served by Burlington Northern produced 78% of the nation's wheat, 65% of its corn, 83% of the barley and 82% of the oats," the executive said.

Stating that the railroad doesn't and can't handle anywhere near the bulk of that production, Hertog added that "It's clear there can be a car supply problem of gargantuan proportions where a variety of forces intrude unexpectedly at the same time."

This year these forces included explosions that destroyed two major export terminals on the Gulf, reducing the country's export capacity and changing the basic traffic pattern. Added to those disasters was drought in some exporting nations, which forced grain buyers to depend on U.S. exports and edged prices upward. The increase in prices triggered the release of on-farm storage by farmers awaiting a price break, Hertog said.

Stating that the railroad cannot blame farmers for withholding grain for better prices because "that's just plain good business," the speaker added that "all of these factors worked to produce a demand for transportation that has been far beyond anything the railroad can be reasonably expected to meet."

Hertog said BN grain car purchases have been continuing since the merger in 1970. The company has acquired 5,975 covered hopper cars so that today the railroad's covered hopper fleet stands at 16,334, of which more than 11,000 are jumbos. In addition, BN has nearly 11,000 conventional boxcars suitable for grain handling, but shippers prefer the jumbos.

Emphasizing the economy of unit train operations, Hertog said higher tonnages are moved in fewer cars when one commodity is handled in one train.

"At Burlington Northern we expect to originate about 60 million tons of coal by year's end," Hertog said. "In terms of tonnage, our total grain traffic will be only about a third of that. What's more, while we have more than 17,500 cars in grain service, we have just 8,000 coal hoppers of our own and handle coal in an additional 5,400 shipper-owned cars."

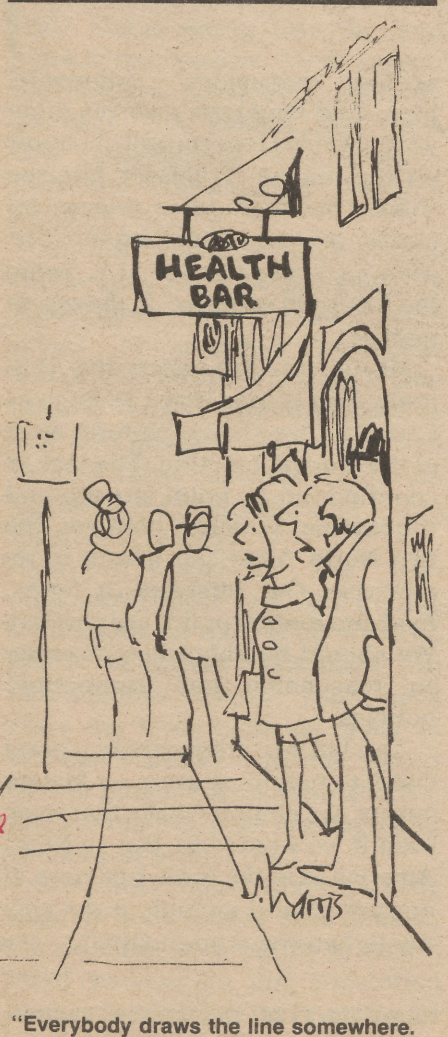
"The big difference here," Hertog continued, "is that 85% of our 1978 coal tonnage will be moved in unit trains."

Grain trains could be as efficient as unit coal trains only if there were vast changes in current gathering, loading and unloading methods, he added.

Citing an example in Iowa where each grain train car averaged 7,141 ton-miles a day, while single cars in mixed freight trains managed only 1,095 ton-miles a day, Hertog said not every part of the grain-growing territory is geared to grain train operations. But that shouldn't stop the grain industry from seeking ways to modify operations so it can derive benefits from grain train operations.

Whereas "Our goal is a market free of the heavy hand of government . . . there are some things Washington can do to help all of us."

The Department of Agriculture should provide railroads and the grain industry with all grain data available, Hertog said, including timely worldwide grain reports; weather data and weather's effect on crops and yields; total stock carryover and up-to-date storage capacity of elevators. •



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"Everybody draws the line somewhere. I draw it at asparagus juice."

In Brief

News, Ideas, Names

N/C

More Support for Waterways Programs Urged

With the increasing necessity for more transportation of all kinds to move grain and farm supplies, it seems to us that agricultural people need to keep a closer eye on what's happening with water transportation. Along those lines we quote from a speech delivered by Harry N. Cook, president of the National Waterways Conference (NWC), speaking recently in Biloxi, Mississippi:

"Few people on the street realize the importance of water resource programs to our economy, our daily livelihoods, or even our standard of living," he said. Expanded grassroots support (of waterway transportation) is necessary, he said, because . . . "We simply have to do a better job of selling the benefits of water resources programs and enlisting the support of those segments of the economy which have a stake in the continuation of these programs — utilities, banks, farmers, housewives and businessmen generally, as well as agricultural and manufacturing industries. They all have a big stake in what happens — or does not happen — on the rivers."

Unless more people get involved in promoting water resource programs at the grassroots, Mr. Cook said, the setbacks for waterways and water resources proposals in the 95th Congress may be a prelude to even rougher times.

For more information on the purposes and activities of the NWC, write to National Waterways Conference, Inc., 1130 Seventeenth St., N.W., Washington, D.C. 20036. •

Environmentalists, Sheepmen Agree on Many Points

In a recent three-day meeting at Sun Valley, Idaho, representatives of 24 local and national sheep producer and environmental organizations discovered "there appears to be far more that unites than divides them," according to *The Record Stockman*. "The future productivity of the land is of the utmost concern to both sheep producers and environmentalists."

A number of common goals were identified and specific areas of agreement were reached. A permanent committee comprised of representatives of both interests was established to implement recommendations and to identify additional areas of common interest and concern. •

New Global Interdependence Curriculum Offered

The Global Development Studies Institute (GDSI) has introduced a new model curriculum for secondary schools and undergraduate colleges called "Development and Interdependence." The model deals with relationships of the local community to the larger world, effects of modern communications and transportation, definition of development and the "rich-poor" gap. It also covers historical trends that affect the worldwide development process, along with basic economic terms, and the many factors involved in national development. For more information, contact Anne B. Collier, GDSI, P.O. Box 522, 14 Main St., Madison, New Jersey 07940. •

Regulatory Reform with Common Sense

"Let's put some common sense back into the rules and regulations coming out of Washington."

This comment was typical, according to Agriculture Council of America, of the sentiment voiced by citizens from across the country participating in the Forum On Regulation (FOR) in mid-September. During the three-day session, 25 toll-free WATS lines were open for people to cite their personal experiences and ideas on the federal regulatory process.

Callers emphasized the issue of federal regulatory reform as a top national priority and its inflationary impact. Responding to a short questionnaire, some 89% of the callers rated the need for regulatory reform "important," compared to the 11% who said it was "unimportant" or who had no response. On another question, 79% of those surveyed felt the inflationary impact of federal regulation was "significant," compared to 21% who said it was "insignificant" or who had no response.

The phone-in is part of the FOR program — covering four phases over a two-year period — to assess and improve the federal regulatory process from the grassroots up. It is developed and coordinated by the Agriculture Council of America.

Questionnaires were completed and tallied for about 2,500 callers representing each of the 48 contiguous states.

Calls were taken in Washington by a panel headed up by Members of Congress, federal regulatory officials and experts representing a broad range of public and private interests. Some 250 panelists participated in the program to listen to the views of citizens from all walks of life.

Not all federal agencies were viewed in the same light. When asked to name an agency whose regulations could be improved, callers by a large margin, cited the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA). When asked to cite a particular agency whose regulations are working well, the response "none" was given most often, followed by the Food and Drug Administration (FDA).

Answers to the question, "in general, do you think you are better off, or worse off, as a result of federal regulations now in effect regarding . . ." were:

	Better off	No difference	Worse off	Can't say
Food and drugs	42%	10%	41%	7%
Schools and education	13%	5%	75%	7%
Working conditions	36%	9%	48%	7%
Water and air pollution	37%	13%	43%	7%
Hiring and employment	23%	9%	59%	9%
Advertising, packaging and labeling	53%	10%	29%	8%
How businesses are run and operated	16%	7%	69%	8%

Placing the Blame Where It Belongs

N/C

Corporation farming is a phrase that has taken on a lot of unfavorable connotations, and in the fruit and nut industries we have lately heard various alarming predictions that "big conglomerates," "syndicates" and oil companies are going to drive out small growers.

Those of us who remember names like DiGiorgio Fruit Co. and American Fruit Growers, Inc., tend to be somewhat less alarmed by names like Tenneco and Superior.

Certainly, there is reason for thoughtful consideration of what is happening to the ownership and management of farmland and farm operations. But many of those who get terribly excited about "corporation farming" seem to think that we are seeing something brand new. Historical perspective helps give a somewhat different picture.

Perhaps the biggest difficulty with historical perspectives is that it takes so long to get it; by the time you have acquired it, you may be too old to make much use of it. That somewhat irrelevant disgression aside, we don't argue that the rise and fall of empires offer reason to be complacent about what is happening now.

But some recent events have led us to reflect that publicly owned corporations have a poor record of survival in this business:

- DiGiorgio was once the world's largest fruit grower, with some 35,000 acres of orchards and vineyards and allied enterprises. A couple of months ago, DiGiorgio sold the last of its orchards.
- Del Monte Corp., the world's biggest food processor, once owned thousands of acres of peach and fig orchards. With the sale of two orchards last winter, Del Monte has liquidated all its orchard operations.
- On a recent visit to the Wenatchee Valley, a casual comment reminded us of the long-vanished empire controlled by American Fruit Growers (an entity, by the way, that never had any connection with the nation's oldest and best-known fruit publication, *American Fruit Growers* — no "s" on the end, please.)

The circumstances do not necessarily show that these operations were unprofitable.

DiGiorgio probably made a lot of money in some years, but most likely earned more from marketing than production. The decision to sell off its farming and allied operations had the stated purpose of providing a more stable and diversified income, although labor and water problems may have had something to do with the timing.

Growers were always suspicious that Del Monte grew cling peaches mostly for leverage on pricing, rather than profits. A grower who lived near a Del Monte orchard once told us, "If I farmed the way they do, I'd have gone broke years ago." But a man who is in a position to know about Del Monte affairs insists that the orchards generally were profitable. The decision to sell, he says, reflected a general company policy of shifting assets into enterprises with the largest earning potential.

The collection of orchards and marketing operations assembled under the name of American Fruit Growers was a ramshackle sort of structure devised for a grandiose scheme that never worked well. After many reorganizations, its corporate heir, Blue Goose Growers (owned by Pacific Lighting!) operates in a different way and on a much smaller scale.

Lack of space prevents us from discussing the financial situation of some other large operations. The main point, in any case, is that several large corporations have found that returns from fruit growing are lower and less reliable than earnings from alternative enterprises open to them.

Certainly, independent farmers face many problems, such as rising capital needs, cost inflation and market weakness. But these are not likely to be solved by imposing limits on size or ownership form. We are wise to be wary of the influence of large farming operations, but the real threat they pose is not in their size but in the likelihood that they will be badly managed.

The grower who blames his troubles on "corporation farms" will do well to look instead at the quality of his own management. •

Reprinted with permission from the October 1978 issue of *The American Fruit Grower,* 37841 Euclid Avenue, Willoughby, Ohio 44094.

Labor-Saving versus Labor-Intensive

N/C

I'd like to make a brief reply to Mr. Meinen's response (October, page 15) to my Ag World article, August, page 4.

I did not recommend a labor-*intensive* agriculture, or that we return to a hand and hoe agriculture. I suggested only that *perhaps* labor-saving technology, if it means a further reduction in the number of our farmers, is no longer an appropriate goal, and that we consider that possibility. Labor-*saving* technologies are those that permit a chore to be done in less time: a more efficient machine, a one or two-times-over herbicide treatment in place of several field cultivations, etc. They can, but do not necessarily mean a substitution for hand labor. With labor-saving technology fewer people can produce the same amount of product. We have made great productivity gains in agriculture by this means, and have greatly reduced the number of our farmers, even in such states as Iowa, where independent (and mechanized) family farms have always dominated.

Yield-increasing technologies, on the other hand, increase *production,* or total amount of product. With yield-increasing technologies we can produce more product on the same amount of land and with the same number of people. This is another means by which we have made productivity gains in agriculture, and also by which we have kept the price of agricultural commodities low.

There is a difference, and I believe we do have to be careful when we evaluate techniques and technologies to be sure we know just what our gains actually are and how they were attained in order to make balanced and sensible judgments.

Another reader has pointed out, correctly, that I overstated when I declared that herbicides are not yield-increasing. It is true that weed control does affect yield — this is true whatever weed control method is used. Herbicides might also be considered yield-increasing wherever high densities affect yield. And, as Mr. Meinen suggests, real farmers must juggle advantages and disadvantages of different methods against other factors such as yield, cost, soil maintenance, etc.

My position is stated in Mr. Meinen's conclusion: that there are no simple solutions. Herbicides have not been a solution to ancient problems — only another method on our arsenal of methods. I doubt we will ever find an ultimate, final, and all-time perfect solution.

Lola Smith
Washington, D.C.

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N/C

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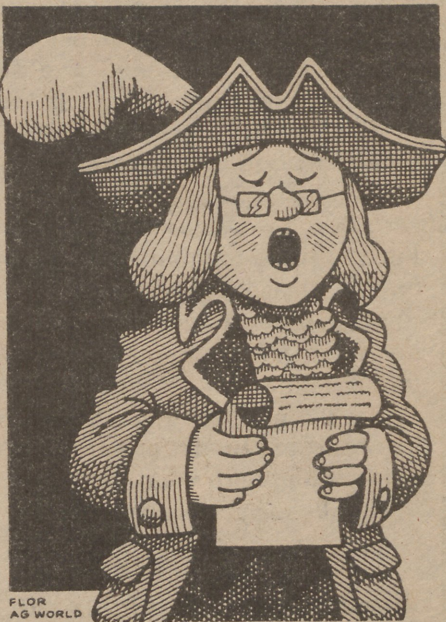

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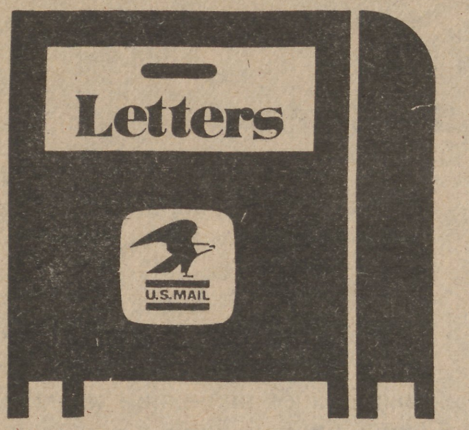

The Purpose of FAO Assessments Is Not to Apportion Blame But to Improve the Effectiveness of Technical Assistance

N/C

Mr. Matzke's article on "Inadequate efficiency of technical assistance to agriculture," in the September 1978 issue (pages 6 and 7) of your journal, misses some of the basic factors which are responsible for the shortcomings highlighted by the Food and Agriculture Organization of the United Nations (FAO) in its biennial Review of Field Programmes.

Mr. Matzke refers in passing and only by implication to the critical role of the recipient countries in determining the success or failure of technical assistance. The following paragraph in the Director-General's foreword to the "Review of Field Programmes 1974-75" may be of interest to your readers in this connection:

"In the final analysis, ensuring the effectiveness of aid to agriculture is primarily the responsibility of the recipient countries. In the past, too many of these countries have failed to invest enough of their resources in the agricultural sector. Nor have many of them been prepared to implement the far-reaching measures that are essential to reform agrarian structures and improve income distribution. The Review draws attention to the innumerable forward and backward linkages between production policies and programmes at the field level and price and trade policies, social structures, coordination between government departments and the national and international political environment."

Again, Mr. Matzke suggests only by implication that these shortcomings are not peculiar to technical assistance activities administered by FAO, but are inherent in all technical assistance to agriculture, irrespective of the source of funding or execution. What is unique in the case of FAO, however, is our readiness to examine these shortcomings in a candid and constructive manner and to take appropriate measures to improve the quality of technical assistance in so far as this is within the purvue of the Organization itself. Many of the shortcomings or failures for which Mr. Matzke appears to hold FAO responsible (e.g. project planning, degree of government involvement in project implementation, training of local staff, etc.) are only marginally under the control of an inter-governmental organization like FAO. The primary responsibility rests with the government agencies in member countries, but that responsibility is also partially shared by the two other parties in the tripartite effort — the UNDP or other organizations which provide the major part of the external funding, and FAO which administers the technical assistance which they fund.

The purpose of the assessments like those reported in the "Review of Field Programmes 1976-77" is not to apportion blame, as Mr. Matzke has sought to do in his article, but to invite discussions on possible and ameliorative measures to improve the efficiency and effectiveness of technical assistance.

It would appear that Mr. Matzke has deliberatively sought to cast a lurid light on FAO technical assistance activities by abusing the results of those assessments, and through a careful selection of quotes from a few speeches which present a grossly distorted picture of the discussion that took place at the FAO Conference in Rome in November 1977 on this subject. The following excerpt from the Report of the Conference attended by representatives of 130 countries which reviewed the document "Review of Field Programmes 1976-77," should help your readers to view Mr. Matzke's comments in their proper perspective:

"The Conference welcomed the frank and critical assessment of country and regional projects presented in Chapter Two of the Review. While noting with regret that many of the shortcomings mentioned in the earlier Reviews and in Chapter Two, on Assessment of Field Programmes, still remained, the Conference commended the discussion of possible remedial measures to the attention of the parties concerned. Several delegates pointed out that these shortcomings were not peculiar to FAO, but also characterized projects executed through bilateral and other multilateral agencies. The Conference *agreed* with the Director-General that many of these shortcomings, even failures, were in the nature of the situation which called for aid in the first place. The important thing was to identify, correct and learn from difficulties and to apply the lessons as appropriate. Several delegates drew attention to specific improvements that had already taken place in the orientation and execution of technical cooperation programmes as a result of these assessments."

Juan Felipe Yriart
Assistant Director-General
Development Department
Food and Agriculture
Organization of the United
Nations
Rome, Italy

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N/C

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N/C

"Washington, D.C. employs more than twice as many psychiatrists per capita as its nearest rival (New York), and 25 times as many psychiatrists as one finds in South Dakota, Wyoming, or Alabama."
The National Review, Nov. 24, 1978.

"The Japanese have enjoyed a spectacular increase in their life expectancy. At the same time, recent developments have linked a near epidemic of stomach cancer in Japan to a diet deficiency attributed to a heavy fish diet. This has prompted the Japanese to look for a means of changing that diet, and they are looking at American beef as an answer."
Eliot Janesway, quoted by Jolene Stevens in *Iowa Cattleman,* November, 1978.

"Price stability in our agricultural economy is and will continue to be a cornerstone of federal policy. The monitoring will identify sustained upward price movements in particular commodity markets in excess of the overall inflation rate. Where such changes are not justified by changes in costs, administrative actions will be considered to expand supply and moderate price increase."
Weldon Barton, Director, Office of Energy, USDA, in a speech prepared for the National Association of Farm Broadcasters, Nov. 11, 1978

"The UFW is crying 'foul'. Some of the mechanical harvesting devices were conceived and developed at publicly funded land-grant universities. The union argues that the public subsidy to agricultural research is an unfair and possibly unconstitutional expenditure of public monies, since farmers, machine manufacturers, and consumers benefit at the expense of displaced farmworkers.
From "Man and Machine in Agriculture," October-November, 1978 issue of "Economic and Social Issues," University of California (Davis).

". . . food price differences under the three alternatives considered here — continuing, decelerating or accelerating the current trend toward larger and more specialized farms — appear modest, as compared with the trade-offs involved in total cash receipts to farming, the level and distribution of net farm income, and the viability of rural communities. Thus, the highly publicized conflict between farmers and consumers — higher commodity prices versus lower retail food prices — may not be a primary consideration in decisions concerning the future structure of agriculture."
From "Public Policy and the Changing Structure of American Agriculture," Congressional Budget Office, September, 1978.