

WHO WILL CONTROL U.S. AGRICULTURE?

A SERIES OF SIX LEAFLETS

- 1. The Current Situation and the Issues*
- 2. A Dispersed, Open Market Agriculture*
- 3. A Corporate Agriculture*
- 4. A Cooperative Agriculture*
- 5. A Government Administered Agriculture*
- 6. A Combination: A Role for Each System*



North Central Regional Extension Publications 32-1 through 32-6

Agricultural Extension Services of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Wisconsin, and the U. S. Department of Agriculture cooperating.

- 32-1 The Current Situation and the Issues
 W. B. Sundquist, University of Minnesota
 Harold D. Guither, University of Illinois
- 32-2 A Dispersed, Open Market Agriculture
 Harold F. Breimyer, University of Missouri—Columbia
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 Paul L. Farris, Purdue University
 J. Carroll Bottum, Purdue University

The purpose of these leaflets is to present and discuss alternatives, not to advocate or predict a particular method of control. With more complete information, those involved in policy-making should be able to make the decisions that are most acceptable to producers, supply and marketing firms, consumers, and the general public.

These leaflets are part of an educational program developed by the North Central Public Policy Education Committee with assistance from the National Public Policy Education Committee, the Extension Service, U.S. Department of Agriculture, and the Farm Foundation.

WHO WILL CONTROL U. S. AGRICULTURE?

1

of a series of six

THE CURRENT SITUATION

AND THE ISSUES

W. B. SUNDQUIST
University of Minnesota

H. D. GUITHER
University of Illinois

Control of agriculture is largely vested in those who own or control the resources and make the key decisions for buying, selling, and producing. In reviewing the situation and the issues, the authors emphasize that industrialization of our food and fiber system is a major force that is shifting future control away from the farm. Access to adequate capital is a key control instrument. Acquiring economic farm units is becoming costly and prohibitive to a majority of would-be farmers. The trend toward larger and fewer farms can be expected to continue as successful farmers expand. Those who have a stake in control of agriculture also have a voice in public policy-making and the opportunity to influence policies that affect control.

THE ORGANIZATION of our present food and fiber system varies by region and by commodity. Table 1 shows the distribution of farms by value of sales class. In 1969, more than 1 million small farms realized only 2.2 percent of all sales, while the fewer than 2 percent of farms that had sales of \$100,000 or more made one-third of total sales (Table 1). There was also a wide variation in the proportion of total production of different commodities coming from specialized farms with product sales of \$40,000 or more (Table 2).

The bulk of all farms (98.2 percent) are organized as individual, family, or partnership units. A number of these units are large, however, having total sales in excess of \$100,000 (Table 3). A large proportion of

Table 1. Number of Farms and Percentage of Sales by Value of Agricultural Products Sold, 1969

Value of Agricultural Products Sales	Number of Farms	Percent of All Farms	Percent of All Sales
Less than \$2,500	1,032,000	38	2
\$2,500 to \$9,999	748,000	27	9
\$10,000 to \$39,999	726,000	27	33
\$40,000 to \$99,999	170,000	6	22
\$100,000 and over	52,000	2	34
Total	2,728,000	100	100

Source: U.S. Census of Agriculture, 1969.

Table 2. Farm Numbers and Percentage of Market Value from Class I Farms* by Selected Type of Farms, 1969

Type of Farm	Number of Class I Farms in Each Type	Percentage of Value from Class I Farms
Vegetable	4,688	85.0
Poultry	27,026	84.6
Miscellaneous	5,480	77.3
Other field crop	7,168	74.6
Livestock ranch	10,738	72.8
Fruit and nut	8,441	68.8
Livestock	72,510	61.2
Cotton	4,441	54.4
General	11,317	45.7
Dairy	34,658	41.1
Cash grain	33,168	35.4
Tobacco	2,055	18.6

*Class I farms are those with annual sales of agricultural products of \$40,000 or more. Data for farms with sales of \$2,500 or more.
Source: U.S. Census of Agriculture, 1969.

corporate units, on the other hand, are family-operated units, often of moderate size.

Wide differences have also developed in the production and marketing organization of different commodities. For example, less than 1 percent of the feed grains, 2 percent of the oil seed crops, 3 percent of the food grains, and 1 percent of the hogs were produced under

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Table 3. Percentage of Farms by Type of Organization, 1969

Type of Organization	Percentage of All Farms*
Individual or family	85.4
Partnership	12.8
Corporation including family owned:	
10 or fewer shareholders	1.1
more than 10 shareholders	0.1
Other	0.6
Total	100.0

*Farms with annual sales of agricultural products of \$2,500 or more.
Source: U.S. Census of Agriculture, 1969.

production contracts or vertical integration in 1970. (Vertical integration means that one firm controls more than one step in the production and marketing process.)

But 100 percent of the sugar cane and sugar beets, 97 percent of the broilers, 95 percent of the processing vegetables, 85 percent of the citrus fruits, 70 percent of the potatoes, 54 percent of the turkeys, and 40 percent of the eggs were produced under contracts or integration.¹

Forward contracting and vertical integration, as estimated by the United States Department of Agriculture (USDA), increased from 19 percent in 1960 to 22 percent in 1970. (Forward contracting refers to a contract sale before the time when the product is delivered.)

Though almost one-third of total livestock and livestock products were produced under contract in 1970, this percentage is heavily weighted by the inclusion of fluid milk marketed through cooperatives as production contracts. Harold F. Breimyer, at the University of Missouri, estimated in 1972 that 12 to 15 percent of total farm marketings come under production contracts if one excludes cooperative marketing of milk.

Overall, the predominance of grain and general farming, including dairy and hog production — which have not undergone drastic changes in production and marketing organization — places the North Central states in a unique position. *The individual farm operators in this region can still more easily consider production and marketing alternatives than can producers in some other parts of the country.* This is particularly true compared to those regions producing farm commodities in which a high incidence of contracting, integration, and corporate structure prevail, and for which production is not likely to revert to control by individual farmers in a freely accessible market.

Recent research shows that units as large as 5,000 acres can be successful in the Corn Belt, but that well-managed two-man cash grain units of 1,000 to 1,200 acres will be competitive for some time to come. Two-man livestock farms with 600 to 800 acres will be competitive. Yet, for each Corn Belt farmer to acquire 600

¹Mighell, Ronald L., and William S. Hoofnagle, "Contract Production and Vertical Integration in Farming, 1960 and 1970," ERS 479, U.S. Department of Agriculture, Washington, D.C., April 1972.

crop acres, about half of the current units would need to vanish.

WHO IS CONCERNED ABOUT CONTROL

Concerns about the future organization and control of agriculture are numerous and varied. Traditional farmers have a major concern that farming is becoming a large-scale business and that smaller producers are being squeezed out.

Others are concerned that interests outside of agriculture, particularly large corporations, will take over farming. Some farmers feel that outside investors, including corporations and wealthy individuals, are using tax shelters and other investment incentives to compete unfairly with family-scale farmers. They also feel that firms engaged in farm supply and marketing will, through production contracting and vertical integration, reduce the decision-making freedom of farmers, relegate their role to that of hired workers, and restrict their earnings.

Many nonfarmer residents of rural communities are concerned that any takeover of farming by large-scale production units will squeeze out small farmers and small farm-supply and marketing businesses. They also feel that large corporations will be less inclined to support high-quality public services such as schools, health care services, roads, and recreational facilities.

Concerns of the general public, including consumers and taxpayers, center on at least four broad issues: (1) they want dependable supplies of low-cost and high-quality food; (2) they want to curtail agricultural practices that adversely affect environmental quality and the availability of open spaces; (3) they want tax costs of any policy to be in line with the benefits realized; (4) they want a fair share of the benefits of farm programs to accrue to smaller (as contrasted to large-scale) producers. Though some think that large-scale farming will be low-cost and efficient, others think big farm corporations will try to gain monopoly controls and raise food prices.

WHAT IS MEANT BY CONTROL

Control of agriculture is, in large degree, vested in those individuals or firms who: (a) own or otherwise control the resources used in agriculture and (b) make the key decisions for buying, selling, and producing. To do this they must (a) be able to effectively obtain and use the technical information required to remain competitive in farming, and (b) have effective access to markets for selling products and buying inputs — such as equipment, supplies, or labor.

Markets for Farm Products and Supplies

Industrialization of our food and fiber system appears to be a major force that is shifting future control of agriculture away from the farm. As a result, many agricultural products can be profitably produced and sold

only if market outlets — which often specify quantity and quality standards and delivery dates — are established by contract before production begins.

Forward contracting and integration, as estimated by the USDA and mentioned earlier, increased at only a modest rate between 1960 and 1970. Among those commodities showing significant gains in the proportion of total output produced under the control of some form of contracting or vertical integration between 1960 and 1970 were: fed cattle, up from 13 to 22 percent; eggs, up from 15 to 40 percent; turkeys, up from 34 to 56 percent; and vegetables for processing, up from 75 to 95 percent. Ninety-eight percent of the broilers were already produced under coordination in 1960.

Food Manufacturing

Concentration of control in food manufacturing and distribution is substantial, and a rapid decline in plant numbers has occurred. (1) In 1967, the eight largest companies handling each commodity controlled 30 percent of the value of shipments of fluid milk, 38 percent of meat-packing products, 46 percent of the flour and other grain mill products, 76 percent of soybean oil mill products, and 96 percent of beet sugar. (2) The number of food manufacturing plants dropped from 42,000 in the early 1950s to fewer than 27,000 in 1972. (3) Four out of five firms in the supermarket industry acquired their own central warehouses, or affiliated with a retailer-owned co-op or wholesale-sponsored chain.

Farm Supplies

Major incentives for change have also come from the farm-supply industry. The manufacture and sale of larger-scale machinery and equipment, the provision of price discounts and extra services (including credit) for volume sales of farm supplies, and the integration of some supply firms into farm production, all contribute to some shift in the control of agriculture. Feed companies exercise considerable direct control in the broiler industry. However, control by the farm-supply industry is more dispersed and indirect in most other sectors of farming. The greatest effect upon control by farm-supply firms is probably the indirect one, through discount pricing and special services, of providing the means for large-scale operators to produce at lower costs.

Some farmers have gained market power and price advantages, or both, through cooperative sales and purchase of farm products and supplies. Over the 19 years from 1950-51 to 1968-69 the proportion of farm products marketed through farmer cooperatives increased from 20 to 27 percent, and the proportion of farm supplies marketed cooperatively increased from 12 to 16 percent.

Factors Determining Control. The following criteria may be used to determine the extent of control exercised through the marketing process:

1. Do sellers have a choice of buyers, and are prices set in the open market between successive stages of production and marketing? The more con-

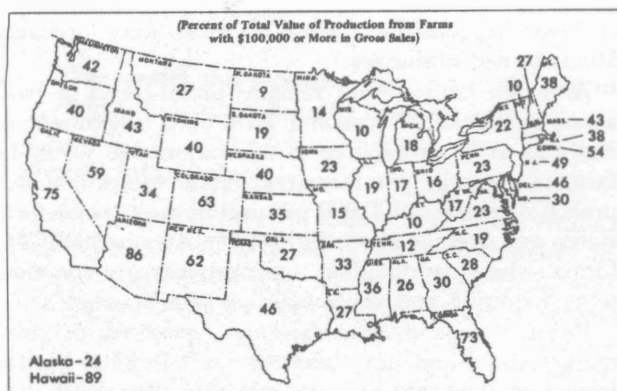


Figure 1. Concentration of agricultural production in 1969 (percentage of total market value of production from farms with \$100,000 or more in gross sales). Source: U.S. Census of Agriculture, 1969.

- tractual and integrational ties between successive stages, the greater the control exercised by the firms making such arrangements.
2. What is the concentration in the market, as measured by size and number, of companies engaged in marketing, processing, wholesaling, and retailing farm products?
3. What is the incidence of conglomerate corporate firms with involvements in agricultural marketing? Such firms have the capability to incur short-term losses in part of their business if long-run gains are in prospect.
4. To what extent do cost savings in plant size, in marketing, processing, and distribution, result in cost savings in contracting for or integrating into the production of raw food products?
5. To what extent are farm-supply firms providing price discounts on large-volume sales or becoming actively engaged in farming?

Landholding

Commercial farms (defined as those with sales of \$2,500 or more) dominate United States agriculture today. The 1969 Census of Agriculture reports over 2.7 million farms in the United States. Of the total, about 1.7 million were commercial farms averaging 530 acres in size. This commercial farm group had product sales of \$44.5 billion or about 98 percent of all farm sales.

Though the total acreage of land rented nationally has remained relatively stable since World War II, the number of commercial farms operated with some owned and some rented land has increased significantly. For all farms in 1969, wholly tenant-operated units declined to 13 percent while full owners operated 62 percent and part owners 25 percent.

Of the 1.7 million commercial farms counted in 1969, about 21,500 (1.2 percent) were operated under corporate management. These units accounted for 8.8 percent of the land and about 14 percent of product sales. Ninety-two percent of these corporation farms had 10

or fewer shareholders. Most of these were probably family-owned businesses.

Although land control remains broad-based in most areas, acquisition of economic farm units is becoming so costly as to be prohibitive to the majority of would-be farmers. Average per farm real estate values now approach or exceed \$100,000 per unit in most major farm states, and average about \$400,000 in Arizona and California where landholding corporations are common, some acquiring and developing land for tax shelter.

Returns to land from farming—priced at current market value and not including capital gains—range from 1 to 2 percent in many ranching areas, from 3 to 4 percent in some wheat areas, and up to 5 or 6 percent in some areas of the Corn Belt. Nationally, net rental rates for farm land average slightly more than 5 percent of current market value. These low earnings suggest that much of the investment in land is for capital gains or tax shelter purposes, or both.

Land is essential for producing virtually all farm commodities. Even in drylot operations for beef and dairy, and confined hog and poultry operations, there must be a land base, however small.

Evaluating Control. Some things to consider in evaluating control of land are:

1. How many landholding units are there and how big are they?
2. Who owns these landholdings: Operating farmers? Retired farmers or farmers' widows? Large nonfarm private investors? Nonfarm corporations? The greater the amount of land ownership by the first two groups, the greater the retention of control by operating farmers.
3. What is the extent and type of land tenancy? In general, the more land farmed by full tenants and sharecroppers, the greater the control of the land by nonoperators. However, a high incidence of part-owner operating units is likely to continue and does not, in itself, indicate excessive control of land by nonoperators.
4. Is land available to competent farm youth wanting to farm? If not, the extent of opportunity to enter farming that existed in the past will diminish.
5. What tax shelter benefits are available to high-income investors? Extensive availability of capital gains and tax loss benefits will encourage increased control of land by large holders.

Labor

Rapid declines have occurred in the number of people employed in farming. An average of 4.2 million workers were so employed in 1971, down about 58 percent from 1950. Of this total, about 3.2 million persons were family workers and slightly over 1 million were hired workers. Both groups have declined at a very similar rate since 1950.

Hourly farm wage rates for hired workers, though increasing rapidly, averaged only \$1.73 in 1971. Despite minimum wage legislation and some unionization

among farm workers—principally in California, Florida, and Texas—hired farm workers remain an economically disadvantaged group capable of exercising very limited control of agriculture. Increased unionization of farm labor currently under way may bring changes, however.

While farm size has increased and the total number of farm operators has declined, the amount of labor used per farm, family plus hired, has remained relatively constant.

Recent studies have shown that, as a group, operators and family workers on those census classes of farms selling \$10,000 or more of farm products now receive returns about comparable to those from similar off-farm investments and employment. For many farm types a minimum gross income of \$20,000 or more may be required to earn competitive returns.

Many farm families, particularly small and part-time farmers, continue to combine farming operations with nonfarm income from a variety of sources. In fact, the average off-farm income of \$5,800 on all farms in 1970 exceeded average net farm income of \$5,375. Off-farm income was 73 percent of total income for farms with product sales of \$2,500 to \$4,999, 36 percent for farms with sales of \$10,000 to \$19,999, and 18 percent for farms with sales of \$20,000 to \$39,999.

Continued low labor earnings on smaller farms compared to nonfarm employment alternatives suggest a continued migration of farm workers to nonfarm jobs during periods when such employment is available.

Factors Affecting Control. Who provides the labor resource and under what terms remains an important consideration in the control of agriculture. Some significant criteria are:

1. What proportion of labor is supplied by operators compared to hired labor? Growth in the proportion of hired labor relative to operator and family labor is likely to signal increased concentration of control by large-scale producers.
2. How much bargaining power is held by hired farm labor? Increased bargaining power by hired labor could work to reduce the control in agriculture by large-scale units that use quantities of hired labor.
3. How do management and labor earnings of farm operators compare with nonfarm labor? If earnings in any major sector of agriculture are consistently below the competitive wage rates in off-farm employment, continued outmigration of farm families will continue and more control will likely shift to larger farming units.

Capital Acquisition and Control

Today's farming requires very large capital investment. Coupled with an average per farm real estate investment of over \$100,000 on all commercial farms, many operating units require \$30,000 to \$50,000 or more in non-real estate items such as equipment and livestock. In addition, operating expenditures for fertilizer, feed, fuel, and labor can be substantial. Financing

successful farming units has become an increasing burden and explains why many farmers shift to nonfarm employment and potential farmers select nonfarm vocations.

Much of the short-term credit needs of farmers is supplied by commercial banks and production credit associations. Of the \$29.5 billion farm mortgage debt in 1971, Federal Land Banks held \$7.1 billion, life insurance companies \$5.6 billion, and operating banks \$4.4 billion, with the remainder being held by individual lenders and nonreporting institutions.

Though the volume of capital provided by integrators is not yet large except in broiler production, it appears to be increasing in some facets of the livestock industry. Also, a significant amount of nonfarm capital has been invested for tax shelter purposes.

The amount of corporate capital in agriculture defies accurate measurement. It is important in some specialty fruit and vegetable crops, in sugar cane, in turkey and broiler production, and in some ranching and feedlot operations in the Southwest. It is relatively unimportant in grain farming and in the general crop and livestock farming of the Midwest. Since large corporations are most prevalent in capital intensive types of agriculture (those requiring large amounts of capital investment), the proportion of total farm capital which they provide probably exceeds their estimated proportion of total farm sales.

Measuring Control. Getting enough capital is the key to control in most sectors of our economy. This is also true of agriculture as more capital is required. Several important criteria for measuring control are:

1. What volume of equity capital is required to operate a competitive firm in agriculture? The larger this volume of capital, the greater the difficulty in acquiring and maintaining control by farm operators without special access to financing.
2. How much control over decision-making is tied to the provision of capital? Some specialty farms require high cash inputs for successful operation. In these cases, acquisition of capital via franchising, integration, or contracting may result in the farmer's giving up significant control of his operation.
3. How much capital is available from public sources and private lending institutions? If capital and credit are not adequately available to competent farmers through private lenders, government agencies, and cooperatives, control in agriculture by moderate-sized farm operators will diminish.
4. To what extent does the continuity of the non-family corporation give it an advantage in long-term capital growth over the family firm? If this advantage is significant, corporate control may be increased unless effective means (including incorporation of family operations) can be developed to keep family capital intact during transfers from one generation to the next.
5. How much are present tax laws encouraging the entry of nonfarm capital seeking tax shelters?

The greater this incentive, the greater the control exercised in agriculture by nonfarm investors.

Technical Information

Successful competition in today's agriculture requires effective acquisition and use of complex technical information. Information on the use of pesticides, antibiotics, and growth regulators is often needed to achieve adequate quality and lowest production costs. Price and other marketing information is crucial for profitable production of many products, particularly specialty products and meat animals. Information on capital and credit has taken on added importance, along with newly developed rental arrangements for some types of machinery and equipment.

Land Grant universities and government agencies, particularly the USDA, are engaged in both the development of new technology and the dissemination of technical information. This information is available free of charge to small and large producers alike. Much new agricultural technology has been developed by private firms which often provide technical information and assistance along with the sale of their products or services. For example, a high proportion of the technical information regarding broiler production is offered to producers by the marketing or supply firms that contract for the production of broilers.

The impact of technical information on control depends on response to the following criteria:

1. Is the technical information provided by public agencies and private firms geared more to the needs of large producers than small ones?
2. To what extent is it feasible to effectively supply smaller firms with the same quality of technical information that is available to large-scale producers.
3. To what extent is technical information provided to producers by marketing or supply firms engaged in vertically integrated or contracting operations? The greater the extent, the greater the control held by such integrating firms.

Management

Many farm managers operate successfully with the same management techniques and principles that were used a generation or two ago. New management techniques have, however, recently pervaded many sectors of agriculture. Among the forces providing incentives for this development are (1) the rapid growth in scientific and technical information in agriculture, (2) the high capital requirements and complex cash flows (money received and spent in a given period) in most types of farming, (3) the need for more precise scheduling of production and marketing operations, and (4) the availability of price discounts and premiums for large-volume purchases of supplies and for large-volume sales of products.

Several specialized management techniques are cur-

rently being used in agriculture. One is the reliance on computerized information systems and decision aids.

Influence of Management on Control. Increased farm size and greater use of complex technology have increased the requirements of management. Control is determined by several factors:

1. To what extent can farm operators who continue to perform both the functions of management and labor compete effectively with firms having specialized management?
2. What size of operating unit is needed to use new management techniques? Some management techniques can be effectively used only by large-scale operating units.
3. What are the costs and training requirements for gaining required managerial skills? If these requirements are high they will limit the number of producers using such techniques, thus concentrating control among fewer firms.
4. What is the extent of linkage between management in production and in subsequent stages of marketing and processing? Shifts toward a more highly integrated system that markets food products and services, rather than raw farm products, spreads the use of highly trained and highly paid management and, again, concentrates control among fewer firms.

General Public Concern

The general public has a part in determining control of agriculture. This concern has been reflected through the actions (or lack of action) of government. It has also resulted in pressures and actions from other groups.

Many farm programs currently in effect are probably the most vivid indication of public concerns about agriculture throughout much of our history. Most crop production and marketing is currently affected by some government program.

To the extent that such programs affect the supply, and hence the price of feed grains, the entire livestock and poultry sector is indirectly affected by current farm programs. For several of these products, government trade quotas, import levies, and export subsidies affect their international markets, and hence their total supply, demand, and markets.

Many farm programs (particularly price support and acreage division programs) have benefited producers largely in proportion to the size of their unit or volume of production. As a group, however, small producers receive a higher proportion of their net income from government payments. This is true in part because some programs have contained special program benefits for small farms.

Recent legislation which places limits on total program payments to individual producers reflects public concern for excessive subsidies for large firms. If effectively implemented, such restrictions can reduce the proportion of program benefits going to large producers.

A number of government programs, such as the lending program of the Farmers Home Administration, have been specifically aimed at smaller farmers who are unable to secure credit from private lenders.

A newly emerging set of recent public concerns centers on the environmental impact of agricultural operations. These concerns will be increasingly reflected in restrictions on pollution of water, air, and land. Some regulations may restrict size and location of producing units such as feedlots. Other results could be the requirement of pollution abatement technology which might be excessively costly to small producers. Thus the net effect of environmental concerns on the future control of agriculture is uncertain.

Public Influence on Control. How does one measure the effects of these and other public concerns regarding the control of agriculture? The answer is not simple, but an affirmative response to several key questions will measure the extent of public concern for slowing the rate of concentration of control in agriculture:

1. Will there be effective legislation that curtails land purchase or agricultural production activities by nonfamily corporations or other large-scale agricultural producers?
2. Will government programs be restructured so as to effectively limit the total benefits paid to single firms or producers?
3. Will environmental restrictions center on dispersion of large intensive enterprises, such as cattle feeding, rather than on the required use of expensive pollution abatement procedures by all agricultural firms?
4. Will effective group action be developed by farm groups to offset the economies-of-scale advantages currently accruing to large-scale producers?
5. Will government action be directed toward maintaining a competitive economy generally?

WHAT LIES AHEAD

The control of agriculture has already changed greatly, though wide differences exist among farm commodities. For example, control of broiler and lettuce production has become very highly concentrated in particular areas. On the other hand, control of cow-calf beef operations and most small-grain production remains very broad-based.

Continuation of the trend toward larger and fewer farms can be expected as successful farmers expand their operations. Increased control of agriculture by the food marketing and farm-supply industries and, perhaps to a lesser extent, by other nonfarm investors can also be expected. However, those who have a stake in control of agriculture also have a voice in public policy-making and the opportunity to influence those policies that affect control. The other leaflets in this series should help explain the available public policy choices that affect control.

WHO WILL CONTROL U. S. AGRICULTURE?

2

of a series of six

A DISPERSED,

OPEN MARKET AGRICULTURE

HAROLD F. BREIMYER
University of Missouri - Columbia

BARRY L. FLINCHBAUGH
Kansas State University

A dispersed, independent farmer, open market system of agriculture could prevail but major changes in present policies will be necessary. In a dispersed system, large numbers of individual farmers must be able to make management decisions. Open markets are essential to allow the farmer to freely buy the supplies he needs and sell what he produces. The operating farmer plays a composite role of laborer, manager, financier, and landholder. Farmers could be somewhat better off, in terms of the distribution and absolute level of income, than if they were contractees or laborers. But they would lack enough power in the market place to gain substantially higher incomes.

A DISPERSED, independent farmer, open market agriculture is indeed a possibility for the future, *but it will have to accept some modifications from the past.* And it will not be uniform by region and by commodity. This possible choice is neither stereotyped nor static. But neither is it loose or formless.

DISPERSED SYSTEM DEFINED

Just what is a dispersed system? *The basic features are modest size, freedom of the operator to make decisions, and the existence of an open market.* Details of the definition, and comparisons with other farming systems, are explained in the paragraphs below. Central to a dispersed system is the freedom of the operating farmer to make management decisions.

Markets

Open markets are essential. Only if the farmer can freely buy the supplies he needs and sell the products he produces can he be a part of a dispersed system. If he must instead have a production contract or obtain a marketing quota, he is a part of another system.

The old picture of an open market system is of a local or terminal wholesale market, or a mercantile exchange, available to all comers. Next closest is direct trading where many sellers or buyers actively compete for the farmer's business. A market system something like one or the other of these, well serviced with price and other information, is a minimum requirement.

However, it is not necessary that all markets be cash. There can be sale for future delivery. It is only necessary that future sale be free of production control terms.

Is cooperative marketing acceptable? Yes, if it is a part of an open system. It is possible that dispersed farming, in order to survive, might have to make greater use than before of open-membership, voluntary cooperatives. On the other hand, a compulsory closed cooperative would be another matter — really part of another kind of farming (see Leaflet 4).

Landholding

In the dispersed system, landholding is indeed dispersed. Farm land is broken up into modest-sized units. How modest? One test is that no farm be big enough to hold any market power in either buying supplies or selling products.

It is hard to define dispersed farms by number of acres, but they are small compared with industrial-type farms. Limits are sometimes expressed in terms of amount of labor hired. By one definition, no more labor could be hired than is put in by the farmer and his family. By another definition, the limit is one and one-half man years. (Two-farmer partnerships without extensive hired labor fall within this definition, but large, multiple-family farms do not.)

Must land be owned by operating farmers themselves? Not necessarily. But a great many of the landowners will be operating farmers rather than distant absentee landlords. In other words, operating farmers

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will usually own at least a part of the land they farm. And though some farmers may be full tenants, widespread tenancy will not prevail.

Some ownership by nonfarmers would be possible, but their holdings would only be of "dispersed" size. There would not be enough nonfarm landlords to constitute a nonfarm landlord class.

Dispersed farms should not be poverty-small. Instead, individual farms should be large enough to make it possible for the farmer to use efficient production methods and earn an income in line with his ability. This does not exclude part-time farming, but the off-farm work ought to be voluntary and not forced by an inefficient farming setup.

Still, the basic definition relates to size. All "super-farms," whether held by big corporations, wealthy nonfarmers, or large operating farmers, are excluded from the definition of a dispersed farming system. Very large size violates terms of that system, irrespective of who the landholder may be.

Finance Capital

In dispersed farming, finance capital is, by definition, provided by the operating farmer, either from his own assets or from borrowings that do not transfer his managerial authority.

Does capital stock have a place in this system? The joint stock system, so adapted to manufacturing and commerce, has not proved especially useful to dispersed farming. If financing were to be raised in that way, the stock would have to be nonvoting in order to keep management in farmers' hands.

Miscellaneous sources such as credit granted by sellers of inputs (such as fertilizer, seed, or tractors) are acceptable, provided the farmer is not unduly restricted in his choice as to where or when to buy.

Various new policies for financing are conceivable. For example, it would be ideal if credit could be advanced more readily to capable young farmers, to enable them to enter farming. Another policy could aim at avoiding transfer of land to nonfarmers upon a farmer's death.

Labor and Management

In dispersed farming, the operating farmer and his family do much of the work. Definitions of limits to hired labor, though somewhat arbitrary, were named above. A dispersed farming system does not depend heavily on hired labor.

In a dispersed farming system, *most managerial decisions rest with the operating farmer*. This is the way it has been with the traditional family farmer, who has taken pride in his managerial responsibility.

This definition does not rule out all contracting, but it excludes those contracts that remove management from the hands of the farmer. Likewise, it permits government assistance programs. But compulsory programs that transfer the decision-making prerogative to the government are ruled out. Income maintenance and

family assistance programs available to all sectors of society and not just to agriculture are allowable.

Technical Information

In modern farming, knowledge is power. For the last century, technical information about farming has been developed continuously and broadcast widely.

A dispersed farming system requires that up-to-date and reliable information be, if not entirely free, then readily available. The individual farmer has limited capacity to develop new technical information.

To sketch the contrast, if the flow of technical information were to be cut off, farmers would be deprived of it but industrial corporations interested in farming would be able to develop it themselves. Their size and financial resources for research would often enable them to serve their own informational needs, thereby giving them a competitive advantage.

Public Concerns

General public attitudes affect the system of farming primarily through public policy. The public, however, has several personalities: It is taxpayer, consumer, and interested citizen.

As taxpayer, the public is concerned for public costs associated with a farming system. It is likely that a dispersed system would require more access to government financing than other systems.

As consumer, the public asks about the effect of the system on prices of farm products and food.

As citizen, the public is sensitive to the effect on environment, and it holds a mental image of the sturdy, independent farmer. Obviously, insofar as the public cherishes that image, only a dispersed farming system meets the test.

DISPERSED FARMING SUMMED UP

In summary, dispersed farming requires that (1) open market trading or its equivalent be possible in both procurement of supplies and sale of product; (2) all farm land be in modest-sized units, and a substantial fraction of landholders be operating farmers; (3) finance capital be provided by the farmer, and if he obtains it from others, no control strings be attached; (4) half or more of all labor be performed by operating farmers and their families; (5) management likewise be in the hands of the farmer; (6) technical information be readily available from public and other sources; and (7) public support be provided for minimum necessary public services.

Throughout, management choices remain in the hands of the operating farmer, and no external agent can deny a farmer access to resources or markets.

THE COMPOSITE FARMER

A distinctive feature of the dispersed farming system is the multiple role played by the operating farmer. He is a composite person: laborer, manager, financier. He

may own land. He seeks out the technical information he needs.

It follows that such a farmer belongs to a distinctive socio-economic class. He is a modest-sized independent proprietor. By the same token, in dispersed farming there is no other class of major size — no large hired worker class, no wholly separate landholding class, no corps of professional managers.

All this merely sets forth how any truly competitive economy functions. Actual instances in the United States are becoming rarer. Part of agriculture still operates in this way — but only a *part*. *The policy question is to what extent farm production and marketing will hold to a dispersed system in the future — and what actions will guide it.*

CONSEQUENCES TO AFFECTED GROUPS

Farmers: Owner Operators

A dispersed farming system allows the operating farmer considerable freedom of opportunity, managerial independence, and proprietary status. In the farming of the future, it would add to the responsibilities and risks he assumes.

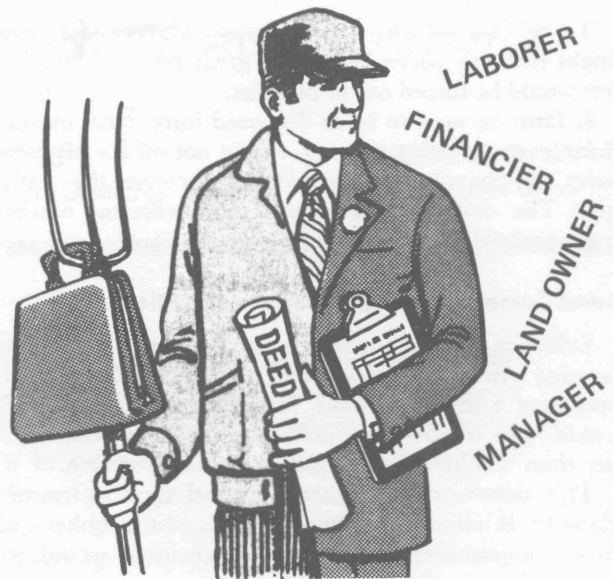
In a dispersed system, operating farmers would themselves carry all the responsibilities that go with an ever more technologically complex and more commercial agriculture. A high fraction of income would be paid out as cash operating expenses, while both natural factors and fluctuating markets would create uncertainty. Hence, risk would be high.

Would financial rewards to farmers be higher in a dispersed farming system than in other systems? *Probably, on the whole, farmers would be somewhat better off in terms of both the distribution and the absolute level of income in a dispersed system compared with systems in which farmers are contractees or laborers.* Their advantage would come from receiving a return not just for labor, but for land, capital, and management. On the other hand, dispersed farmers do not have enough power in the market place to gain substantially higher incomes.

However, the differences among alternate systems, and the basis on which farmers and others may choose among them, are by no means confined to income. Independence and status enter in, as does the job security of having land to farm.

In fact, one reason for caution in predicting higher incomes under dispersed farming is that independent farmers are willing to trade off some income for non-economic benefits, including freedom from tight production control (imposed either by government or by farmers themselves) that would add to incomes.

Moreover, income comparisons are suspect because in other systems the present body of farmers would be scrambled. Particularly in corporate farming, some farmers of today would become managers and others laborers, while still others might be forced out altogether. Their incomes would vary widely, even though



INDEPENDENT FARMER

unionized farm workers might be able to protect their wage incomes fairly well.

Alternate systems of farming would likely have more effect on reallocation of jobs and distribution of income among persons engaged in farming than on overall average level of income.

Farmers: Tenants and Wage-Laborers

Tenancy carries its special hazards. In the past, the economic position of tenants has varied widely by region and commodity and from year to year. A dispersed farming system in the future would likely continue this highly variable situation. On the other hand, the tenant's position might be even more precarious in a centralized (corporate or cooperative) system. Those systems have more power of selection over who is to be included and excluded.

Wage workers in farming have not enjoyed notably great benefits of security or income. They have particularly been subject to gradual loss of jobs as mechanization replaced hand labor. The situation would change little if dispersed farming were to be the future pattern. Farm workers scattered one or two to a farm, and perhaps aspiring to farm tenancy or ownership, would find it hard to unionize. On the other hand, it is likely that various kinds of social security protections would be extended to them.

Supply and Market Firms

The majority of local market firms — those hometown businesses selling supplies to farmers and buying and processing farm products — would have much to gain by keeping a dispersed farming system, and much to lose in any other system. This is because dispersed farming, more than any other kind, makes use of private agribusiness firms, many of which are located in the rural community.

To be sure, in a corporate system a select few firms might not only survive but reap great rewards. But the rest would be forced out of business.

If farming were to be of dispersed form, local market firms, even though surviving, would not escape all pressures for change. They could not preserve the status quo. The drift toward larger, more efficient market firms probably would continue, for instance.

Rural Community and the General Public

Evidence seems unchallengeable that a *dispersed farming system*, by preserving both independent farm operators and more local farm-connected businesses, would have a more favorable effect on rural communities than would, for example, a corporate system.

This does not mean that dispersed farming assures viability of all communities. In fact, the problems of rural communities that are now so evident would remain to be solved.

What does the public at large have to lose or gain in the choice of a farming system for the future? The answer offered here may surprise: The public will gain little materially, but a great deal philosophically.

The public as taxpayers could have more to lose in a dispersed system than in other systems. The steps required to insure and protect a dispersed farming system, as listed below, could require substantial funding from the U.S. treasury.

The public as consumers might be as well or better off under dispersed than under other systems. More centralized systems could correct some of the weaknesses in dispersed farming, such as inefficiency in use of machinery investment. On the other hand, dispersed farming's record of productivity has been good. It avoids the cost of bureaucratic management, which would be sizable in a corporate or other system. And its inability to control its production effectively helps to keep production up and food prices down.

By contrast, the chances are high that any centralized system would generate market power. It might even attain a degree of monopoly in land. These are the principal reasons for believing that consumers would fare comparatively well in dispersed farming.

Most opinion polls show that the public generally, urban as well as rural, favors a dispersed agriculture for reasons that are less economic than social or sociological.

STEPS TO ASSURE A DISPERSED AGRICULTURE

If it were national policy to foster a dispersed farming system, certain actions would have to be taken, including the following:

1. *Maintain a public market information and retrieval system* which would provide all buyers and sellers with production and transaction data, including prices in direct trading for both spot and future delivery.
2. *Take more vigorous antitrust and similar action*

to guarantee an open, competitive market system. No individual concern, agribusiness, or even giant farmer can be allowed to dominate or get exclusive benefits in procurement or marketing. Nor can any discrimination at any stage in the marketing process be allowed.

3. *Assure an open market for farm products.* To do this, require by law that every buyer purchase a certain percentage of his volume through an open market system. The figure might be 30 percent, as an illustrative example. Review by an auditing agency would be necessary.
4. *End volume discounts* to large buyers when such discounts are not warranted by actual savings in handling costs.
5. *Develop research information continuously* and disseminate it widely among all producers. This is necessary in order to avoid giving undue advantage to any individual or group. The Land Grant universities and U.S. Department of Agriculture would have an even greater research-extension obligation than at the present.
6. *Develop a flexible and competitive credit system* for all producers. As technology increases and agriculture requires greater capital investments, a plentiful supply of credit funnelled through a readily accessible system is an absolute necessity.
7. *Apply any new family assistance or income maintenance programs to farmers.*
8. *Eliminate all tax advantages to nonfarm investors*, to large-scale land owners, and to agribusiness integrators.
9. *Design regulations*—such as those for environmental protection and zoning of farm land—to accommodate the average-sized farm rather than the very large farm. Some regulations now in force or proposed are virtually prohibitive to smaller farmers; these would have to be modified or dropped.
10. *To absolutely assure dispersed farming policies*, (a) Prohibit agribusiness corporations from engaging in agricultural production. This does not apply to the family farm that is incorporated, but it does exclude the conglomerate or contractually integrated operation that has farming as one of its activities. (b) Put strict limits on amount and terms of land ownership by nonfarmers.

In conclusion, *in a dispersed system large numbers of individual farmers must be able to make management decisions and not have them taken over by land owners, creditors, input suppliers, or purchasers of raw commodities.* Giantism and market control must be prohibited in any form. The system would discriminate in favor of large numbers of individual farmers, in terms of credit and access to input and output markets and technical information. If such a system is truly preferred, some major changes in present policies and some drastic measures will be necessary to support it.

A CORPORATE AGRICULTURE

V. JAMES RHODES
University of Missouri - Columbia

LEONARD R. KYLE
Michigan State University

If nothing is done to arrest the forces already in motion, commercial agriculture will likely be increasingly concentrated in larger, more industrialized units. A corporate system of agriculture has much in common with the giant industrial corporation in its organization, financing, and management. Control of men and assets is in the hands of a group called management. If agricultural production were controlled by a few large corporations, the open market for agricultural products would virtually disappear. Land ownership could take several patterns. Financing could be supplied as in any other large corporation. Unionization of farm workers would be encouraged and higher labor costs could result. Production costs might be reduced, however, through large-scale production and improved coordination.

IN A CORPORATE SYSTEM, most agricultural production would be controlled by a small number (fewer than 500) of very large industrial-type corporations. Where technology permits, much of the farming would be conducted directly through factories in the field or in large feedlots, and the rest by tight production contracts with so-called farmers, as now occurs in production of broilers and some specialty crops. (Such giant enterprises have nothing in common with the family-held farm that incorporates; the two should not be confused.)

Competition among large firms in much of the economy is less a matter of price and more a matter of nonprice elements, such as service and product differences. A similar reluctance toward head-on price competition is assumed for a corporate agriculture. Examples at hand are the cautious price competition found among oil or full-line farm implement companies. A more price-competitive corporate agriculture is possible, but less likely over a long-run period. Some corporations will probably engage only in farming, marketing, and processing while others will be conglomerates, engaged in many activities unrelated to agriculture.

The Corporate System

How can one describe fairly a system that doesn't exist? There are problems, of course, but there are many guidelines. *Parts of the corporate system are already here.* While they play little or no role in many parts of agriculture, conglomerate corporations now

farm huge acreages of specialty crops, manage great ranch spreads, and feed hundreds of thousands of cattle.

Almost all broilers, and many turkeys and eggs are produced under contractual vertical integration, and some of these integrators are among our largest agribusiness corporations. (Vertical integration means that one firm controls more than one step in the production and marketing process.) These two types of corporate agriculture — factories in the field and contractual integration — are sufficiently different to warrant special discussion of each at various points in this leaflet.

To understand a corporate system of agriculture we must understand the nature of the giant industrial corporation — how it is organized, financed, and managed. Control of a great collection of men and assets is in the hands of a group called management.

Those giant industrial corporations now in agriculture function as in any other enterprise. Management decisions are made at many levels — all the way from the strategic long-range investment decisions at the corporate headquarters down to detailed operating decisions by the feedlot manager or the ranch foreman.

Is Corporate Takeover Possible? Many farmers still do not take the possibility of a corporate agriculture seriously because they don't believe that it can happen. Twenty years ago, almost no one believed it could happen; *today the corporations themselves, and growing numbers of integrated or displaced farmers know that corporations can succeed in various parts of both field crop and livestock production.*

Those farmers miss the point who laugh at certain operating errors made by corporate farmers. For example, while the errors made by Penn Central appear to have been tremendous, that huge railroad system *still exists*. As another example, I. T. & T. grew so fast and so large, not because of any exceptional operating efficiency, but rather, because it had a deliberate and successful strategy of growth via acquisition and merger.

The capacity of the giant corporation to grow and grow, despite the lack of any real competitive edge over individual farmers in a traditional accounting sense, is the crucial difference between the corporate and the individual competitor. The authors are not predicting that this version of corporate agriculture is coming, but rather they argue that major inroads by large corporations are a possibility.

MARKETS

If agricultural production were to be controlled by a relatively few very large corporations, the "open market" aspect of agriculture would virtually disappear for most products, and many of the present agricultural marketing institutions and firms would be replaced. Major corporations do not gear their operations to marketing livestock at the local auction or procuring equipment at the local dealer.

Modern merchandising methods are one way in which corporations carry out their plans for security and controlled growth. A notable casualty would be public market news, grades, and other public marketing services which would have little place on such a stage. Product differentiation, promotion, and advertising would become even more commonplace under corporate agriculture.

What would happen to the market for the services of farmer *contractees*? It is presently quite imperfect and would remain so. The contractee's access to alternative buyers is limited because his services are tied physically to his farm; they cannot be loaded onto a truck, like hogs or corn, to be sent to the best alternative market in the region.

Midwest producers of canning vegetables frequently have had the alternative of putting their land in soybeans or corn. The marketing climate has been less favorable for southern poultry producers who have often lacked workable alternatives. It has been charged that the few prospective contractors have sometimes operated in ways that limited competition among themselves. Public market news in this "market" is non-existent. Presumably, as discussed later under "labor," contractee organizations would develop to offset some of these existing market disadvantages.

LANDHOLDING

In a corporate system of agriculture, the ownership of farm land could take several patterns. Undoubtedly many corporations would choose to own large tracts of land; some do already. This would be especially attrac-

tive to conglomerate corporations which might want to hold land for eventual nonagricultural use. Ownership would also be desirable to control sites and soil types that might be unusually suitable for production of specific products or that have a locational advantage.

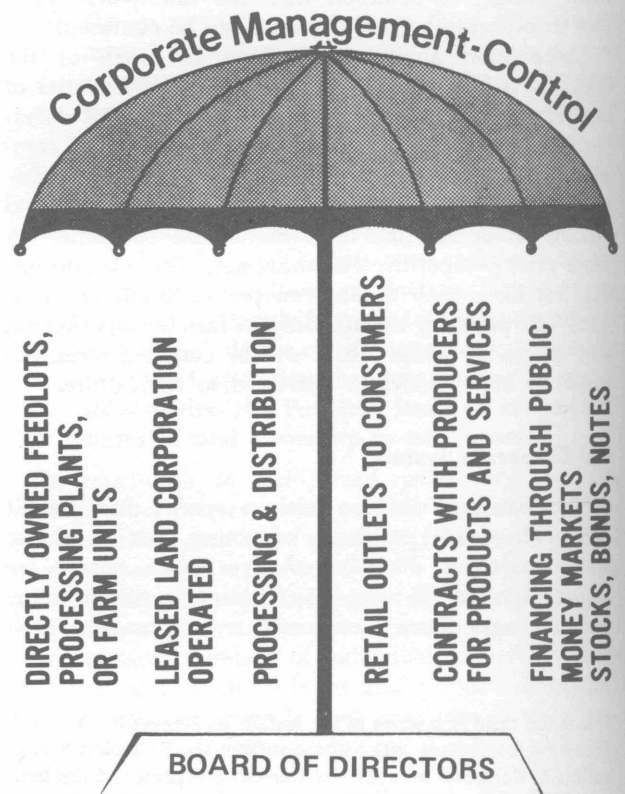
Corporate operation of leased land is another possible pattern. Such land might be owned in various-sized tracts by ex-farmers, urban investors, and other corporations.

Corporate contractual control of production on farms owned by others is a third pattern that is already widely used in poultry and vegetables for processing. While broiler and vegetable producers own their land and facilities, the contracting corporations control all important aspects of broiler and vegetable production.

In summary, corporations must have access to farm land but they need not own it to control agriculture. Conversely, land ownership, by itself, does not give an individual the power to be a "farmer" when production, processing, and marketing are a corporate system.

CAPITAL

The United States has a large and well-developed capital market, which transmits investment capital from investors to users—by various instruments such as common and preferred stocks, bonds, loans, mutual funds, limited partnerships, and so on—in such a manner as to regulate the amount of risk acceptable to both parties. *The large capital needs of agricultural corporations and of "agricultural divisions" of industrial conglomerates would be financed in this immense capital market in much the same manner as in any other*



large corporation. The capital market nicely serves the needs of the large corporation.

To the extent that some production is supplied by contractees who furnish the land and facilities, they may still obtain intermediate credit from country bankers and the remnants of the Farm Credit System. It is unlikely that this cooperative credit system could be so changed in nature as to service the credit needs of large agricultural and agribusiness corporations.

The necessary agricultural credit could likely be "wholesaled" more efficiently to, say, 500 corporations than it can be "retailed" to 1,000,000 farmers. However, corporations typically insist on a much higher return on their equity capital than do farmers; so, there is no evidence that the *total cost* of agricultural capital — credit and equity — would be materially changed.

LABOR

The corporate structure tends to separate labor, management, and capital. In corporate factories in the field, the labor would be provided by hired workers. Some of them would be skilled enough to operate the big sophisticated machines and handle the highly technical aspects of industrialized livestock operations. Considerable specialization would be possible, allowing advancement with job training and experience. A worker would not be called a "farmer" but would be specifically designated as a "tractor driver," "herdsman," or "mechanic."

Corporate agriculture would help bring about the unionization of workers. Unions would probably win for farm workers most of the same protections and benefits now generally provided in industry. Labor legislation would probably be changed to omit many of the current exemptions for farming.

Farmer contractees in broiler and other contractual production might be organized for collective bargaining in "farm organizations" or in unions. Their currently ambiguous status somewhere between farmer and hired laborer complicates efforts to remedy their unequal bargaining power.

MANAGEMENT

Corporate agriculture would radically change decision-making in agriculture. The strategic, long-range planning and financing decisions would be made in corporate headquarters. The managers, not the many small stockholders, would generally control the corporations. Each individual production unit would be controlled by a resident manager who operated with a plan that included a budget for operations and investments. Under him would be suitable levels of foremen, supervisors, and technical advisors as required by the production unit.

Managers would work their way up in the system and be subject to continuous training at different levels. Stock options and profit sharing might be used to provide incentives in addition to wages and fringe benefits.

Some managers would come from the ranks of the present owner-operators who now make the decisions in a dispersed agriculture.

TECHNICAL INFORMATION

Modern, commercial agriculture is a product of science and technology. Corporate agriculture, like industrial production, would require large annual investments in research and development to provide for possible increases in efficiency. In fact, the continuous development of new technology is a major force that makes corporate agriculture more feasible each year.

Much new technology comes from corporate sources already operating in the production and distribution of the inputs used in farming, or involved in the processing and distribution of the products produced on farms. Also, the USDA-Land Grant university system of research provides much new technology which the very large farms often find easier to use effectively. Some of this technology has already helped to create a new form of agriculture that resembles a factory more than a traditional land-based farm.

A corporate agriculture would do most of its own applied research. *Most of the agricultural extension system would be eliminated as would much of the public research of the Land Grant universities and USDA.*

PUBLIC CONCERNS

In most rural areas large conglomerate corporations are not particularly popular, especially if they engage in agricultural production. This attitude is behind the current interest of farm organizations and the attempts of some state legislatures to control, prohibit, or expel the really large corporations from farm production and the ownership of land. The Family Farm Act introduced in the 92nd Congress in 1972 is a visible example.

National policies toward agriculture partially depend upon the attitudes of urban voters. Predictions are hazardous. Consumers might be more concerned about low-cost, high-quality food than about who produces it. Moreover, most of the nonagricultural sector of the economy is dominated by giant firms, so why should agriculture be an exception?

But there is another side. Opinion polls indicate that the family farm has a much higher standing with urban folk than does the large corporate farm. Moreover, today's youth and many of their elders are re-thinking their previous acceptance of corporate dominance in industry. This mounting concern would hit head-on any corporate takeover of farming.

Consequences to Rural Communities and Local Agribusiness

Those concerned about rural development are likely to oppose corporate farming. While situations will vary, most replacements of an existing agriculture with factories in the field, or even with contractual farming

(such as broilers), will injure the many rural supply and marketing firms whose owners and managers are the economic backbone and the leadership core of many rural communities. Leadership and community participation would be further hurt by a replacement of farmer-capitalists with corporate employees lacking the assets and the local community ties of farm owner-operators.

Consequences to Farmers

The status of the group known as "commercial farmers" would be drastically altered. Efficient farmers and small-town businessmen have enjoyed a special niche in the power structure of rural communities. Some have enjoyed a sizable net income and asset accumulation. It would be a drastic change for these groups to be absorbed into the corporate structure as hired managers and employees because, in the past, they competed more favorably with the less efficient farmers in the surrounding community.

Some hired workers and farmers who are struggling within the current competitive system could find it a relief to change to the payroll of a large corporation and be protected by government regulations and union contracts.

Costs of Government

A change to a corporate agriculture would alter government costs for agriculture, but the net impact is quite uncertain. Undoubtedly, less would be spent for direct government support of farm income, research, and education. However, the tendency of corporations to obtain other types of government subsidies suggests that the savings to taxpayers might be easily overestimated.

Consequences to Consumers

Retail prices of food would be higher because more of the production costs must be paid in the market place as less are paid through farm programs. The net impact of this change in financing upon food costs (retail prices plus taxes) would be increased costs for lower-income consumers and reduced costs for higher-income consumers, as the latter are presently hit harder by taxes to finance farm programs.

Three other factors that would raise food costs are:

1. Merchandising and marketing costs would probably rise because of greater product differentiation and advertising. (Consider the example of breakfast cereals.)
2. Aggressive unionization of agricultural and agribusiness workers would increase labor costs.
3. Lack of effective price competition would push up food prices.

On the other hand, production costs might be reduced through large-scale production and improved coordination. All factors considered, the net effect upon food costs would likely be a significant increase

for lower-income consumers and a small increase for other consumers.

Even more important than the impact on food prices would be the new threat of interrupted food supplies because of labor disputes and strikes. The disputes over lettuce and grapes in the early 1970s are only a mild foretaste of what would likely occur.

ACTION TO INSURE CORPORATE FARMING

No action may be really necessary to bring about corporate agriculture. *If nothing is done now to arrest the forces already in motion, commercial agriculture will likely be increasingly concentrated in larger, more industrialized units.* Relatively large units controlled by sole proprietorships or family partnerships and corporations might compete quite effectively for another generation or two. Then the trend could accelerate toward more control of agricultural production by very large corporations.

As giant corporations become important in an area, there would be an erosion of open markets; of public market information, public research, and education; of independent suppliers and market and credit agencies; and of all those institutions that constitute the fabric of present agriculture. This erosion would contribute to the switch to the new economic system.

The trend to corporate control might be accelerated by the policy actions with opposite effects from those listed in Leaflet 2, on the dispersed system:

1. Instead of putting a low maximum on farm payments, the present \$55,000 limit could be raised or even eliminated.
2. All attempts at pollution control could be oriented to the relative advantage of the big feedlot rather than the small feeder.
3. ACP and ASC payments could be designed to discriminate severely against the small and medium-sized farmers.
4. The Farm Credit System could be redirected to discriminate against small and medium-sized farmers.
5. Public research and education could be oriented to the needs of the very large operator.
6. Even more tax shelters could be built into agriculture to attract urban risk capital.
7. The minimum wage could be kept low and all attempts at unionization of farm labor could be vigorously opposed.

If corporate control of agriculture does develop, some policy actions seem quite likely. As mentioned previously, farm labor will likely receive the same legal protections and regulations as urban labor. Corporate concentration may lead to much more scrutiny under antitrust laws to maintain a workable competition. A government that is now often concerned about undue fluctuations of certain farm commodity prices may find itself more concerned about quasi-monopolistic pricing and overly rigid food prices.

WHO WILL CONTROL U. S. AGRICULTURE?

4

of a series of six

A COOPERATIVE AGRICULTURE

RONALD D. KNUTSON
Agricultural Marketing Service
U. S. Department of Agriculture

WILLIAM E. BLACK
Texas A&M University

The cooperative system of agriculture described here involves fewer and larger units than in the present system of voluntary farmer cooperatives. To maintain control, all farmers would belong to tightly organized cooperatives that would handle most procurement of supplies and all marketing of agricultural products. Land ownership would generally remain with the individual cooperative members. Marketing decisions by the cooperative would place direct restrictions on producers' production and marketing decisions. But farmers would control the cooperatives and they would approve restrictive decisions on themselves. The farmer is preserved as a capitalist, but he must see that the cooperative operates in his best interest.

UNDER A COOPERATIVE system, farmers would maintain control of agriculture by entering into tightly organized cooperatives to provide all marketing and at least part of the input procurement (equipment and supplies). A cooperative agriculture may take many forms and may differ in the degree of cooperative involvement from commodity to commodity. Only farmers and ranchers would hold membership in these cooperatives, excluding food and input supply corporations.

Producers would receive the benefits of effective cooperative effort in: (1) the control of production and management decisions retained for producers, (2) the prices received for products marketed, (3) the prices paid for production inputs and services rendered, and (4) savings distributed annually in the form of cash and stock.

Service cooperatives — such as those supplying credit, artificial insemination, or management services — may be tied directly into the system or operate independently in competition with other business firms. Though such an encompassing system of cooperative activity is not supported today by most agricultural producers, it may be a workable alternative to a corporate agriculture.

Markets

Retaining control of markets is an essential aspect of the cooperative system. The problem is basically to manage markets in a way that: (1) assures producers market access, and (2) provides a reasonable and equi-

table return on resources contributed by producers. Two alternative strategies may be employed by cooperatives to attain and maintain market control — bargaining and marketing.

Bargaining. Bargaining, as envisioned here, will serve those farmers and ranchers (1) who do not own what they produce (such as broilers) and (2) who own what they produce but sell via contract. The cooperative would assist them to obtain prices and other terms of contract that are more favorable than those they could achieve by acting alone.

As the cooperative system gains strength, the number of producers not having title to their production or those producers marketing their products under contract would probably level out or decline. Thus more farmers and ranchers would become full marketing members in the cooperative. Although the cooperative would continue to render bargaining service, the emphasis on the cooperative system would shift from bargaining — where the cooperative does not take title to the product — to marketing. The element of bargaining would continue to prevail in marketing systems but at a different market level.

Marketing. Marketing designed to maintain market control must satisfy the food and fiber needs of consumers. The cooperative will control handling as it leaves the producer, but beyond that it must compete with other established firms for further control. Marketing cooperatives would take title to the commodity and

This is the fourth in a series of six leaflets dealing with "Who Will Control U.S. Agriculture?" developed by the North Central Public Policy Education Committee with assistance from the Extension Service, U.S. Department of Agriculture, and the Farm Foundation. The other leaflets in this series are: (1) The Current Situation and the Issues; (2) A Dispersed, Open Market Agriculture; (3) A Corporate Agriculture; (5) A Government-Administered Agriculture; (6) A Combination: A Role for Each System. The purpose of these leaflets is to present and discuss alternatives, not to advocate or predict a particular method of control.

perform whatever functions are needed to maintain and strengthen market access and to take advantage of profit opportunities.

Producers can choose one of three ways to maintain producer access to markets with a maximum amount of producer freedom.

Supply Contract. First, a producer cooperative could contract to supply a packer's needs on a prearranged basis. In turn, the cooperative must sign contracts with producers to meet the quantity, quality, and scheduling specifications. In signing the supply contract with the packer, the cooperative will almost automatically become involved in negotiating the best possible sales contract. The cooperative will be in a better position to negotiate because it has control of the product, and is performing useful functions for the packer by reducing his procurement cost.

Food Processing. The second alternative strategy for cooperatives is forward integration beyond assembly and storage into food processing. This could be accomplished by: (1) merging with or acquiring existing processors, (2) linking up with national food distributors through joint ventures, (3) contracting for processing or other functions on a custom or fee basis, or (4) constructing new cooperative processing facilities and penetrating existing or new markets.

The cooperative may either complement the functions performed by the processor or directly compete. If they compete, cooperatives must perform so that they command a share of the market and keep their customers satisfied, while achieving satisfactory producer returns.

Integration and Negotiation. The third alternative strategy involves a combination of forward integration and negotiation. With this strategy, the cooperative may process products for certain markets, and supply commodities to other processors. For example, milk cooperatives process manufactured dairy products such as butter and cheese while assembling fluid milk and negotiating prices with processors. Markets are allocated to serve the purposes of the cooperative and its members. Forward integration would be pursued in those markets where profit or market access points, or both, are critical.

Landholding

Under the cooperative system envisioned here, *the individual members of the cooperative will own the land.*

There may be instances, however, where cooperative ownership of land and facilities would exist where smaller producers can compete only if their resources are pooled cooperatively. Such could be the case in the operation of large-scale beef feedlots, or where effective use of equipment dictates pooling of land resources.

Capital Acquisition and Control

Producers have traditionally bought stock to support the cooperative's investment and operational needs and create the ability to borrow. *The prospects for getting*

enough money from producers to soundly finance these cooperatives is much greater when all producers belong. Such member investments will assure producer control of these cooperatives.

Capital requirements increase as the cooperative moves from bargaining to marketing, and as forward integration increases. The quantity of equity capital required is reduced somewhat in the cooperative system by a building-blocks approach, where producers own the locals, locals own regionals, and so forth, through the market channel. In addition, there is substantial producer equity in farm investment that can be used to underwrite cooperative capital requirements.

Cooperative expansion of risk capital through the sale of stock to nonmembers or by forming joint ventures has been suggested as a means of reducing the producers' capital burden. Whether these are useful alternative sources of equity capital, while retaining the desired producer control, is largely untested.

With production contracts, producers have increasingly relied on the integrator as a source of financing the farm operation. Cooperatives cannot be expected to effectively compete to maintain market access if they cannot provide adequate levels of financial support for the farm operation. Advanced payments for production and deferred payment on purchases until production is sold, in addition to traditional short, intermediate, and long term credit, may be important aspects of such financial support. Linking integrative arrangements into cooperative credit sources as well as other financial sources in private business will be required.

Labor and Management

In a cooperative agriculture, the farm owner-operator will continue to supply and control farm labor. As cooperatives make contractual arrangements they will be making some management decisions. So the producer and his family will think more about labor's contribution in their operations. The farmer's remaining management decisions will be directed more toward influencing and complementing the needs of the cooperative in performing its functions. However, because of the relatively limited number of producers who can actively participate in cooperative decisions, the labor input tends to become more important.

Cooperatives can be expected to play a more important role in the training and acquisition of hired labor and in labor negotiation with respect to both farm and nonfarm labor.

The cooperative system will necessarily place restrictions on producers' production and marketing decision-making. The cooperative cannot be satisfied with just any quality or level of production. It must be able to project and plan its supply needs in quantity, quality, and delivery time if it is to meet market requirements.

The important difference, compared with the corporate system, is that in the cooperative system producers will have something to say about the extent and nature of the encroachment upon their decision-making. Pro-

ducers will restrict their own management decision-making through the cooperative. As long as producers maintain control of their cooperatives, the producers' interest in minimizing and tailoring such restrictions to their own needs will dominate.

Substantial income gains from cooperative agriculture cannot be expected without strict allocation of production and marketing rights. When producers receive prices above those generating reasonable returns to labor, management, and capital, they will try to produce more. If there is no program in which the government buys up the surplus production, the producer faces substantially lower prices in the next production period or he must impose control programs on himself.

Technical Information

In a cooperative agriculture the cooperative would provide more of the producers' technical information than under other systems. Cooperatives would play a more important role in developing and improving farm inputs such as hybrids, disease-resistant strains, improved chemicals, and better cultural practices. They would also provide producers with more economic and technical information.

Several large-scale cooperatives might conduct their own biological and economic research with a field staff. They might conduct economic and marketing research to increase their market effectiveness and power. As these cooperatives get larger there may be a corresponding reduction in traditional USDA and Land Grant university research and extension activities.

CONSEQUENCES OF THE SYSTEM

Farmers and Ranchers

Individual farmers and ranchers in this system will face more restrictions than in the open market but less restriction than in the corporate system. How much limitation depends on both the amount of government involvement and the strategies employed by the cooperative. The most general restriction will be that all producers will be required to become owner-members of cooperatives and market their product through them. They will have no choice among cooperatives that handle their produce as it leaves the farm. The market through corporate firms would not exist.

In a cooperative system, marketing decision-making would resemble that of a corporate system. The market-oriented approach — whether a bargaining or marketing route — places direct restrictions on producer decisions. Contracts would spell out the producer's arrangement with his cooperative. These contracts will likely be as restrictive as in the corporate system.

If cooperatives aim to substantially raise prices and incomes, production and inventory controls will be required. In this case, production and marketing rights will be assigned. It is doubtful that this could or would be allowed without government enabling legislation.

One major benefit of the cooperative compared to

the corporate system stands out: farmers have control of the cooperative, they impose restrictive decisions on themselves, and they have something to say about the size and distribution of rewards. It also preserves the farmer as a capitalist. The benefits of the cooperative system will be passed back to producers either in the form of increased cooperative asset valuation or higher income.

Ownership of land would likely remain dispersed in the hands of producers. Less pressure on farmers to consolidate farm operations and land ownership would be expected than in the corporate system.

Agricultural Supply and Market Firms

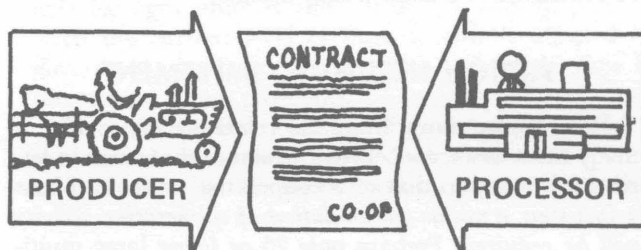
The agricultural supply and marketing firms will survive only as they fit into the cooperative system. Traditional terminal and direct markets will have no role in the cooperative system as producers take over pricing and marketing functions. Agricultural supplies of items not handled by the cooperative will be subjected to pressure by cooperative bargaining power. Cooperative-buyer dealing will be tied down with long-term contracts. The man on the land in a cooperative agriculture will have some choice about purchasing materials and financing, except when they are needed to meet market requirements.

Cooperatives could integrate forward either by acquiring existing corporate assets, by internal growth, by hiring custom services, or by joint ventures. As cooperatives expand capacity internally, they provide added competition to noncooperative firms.

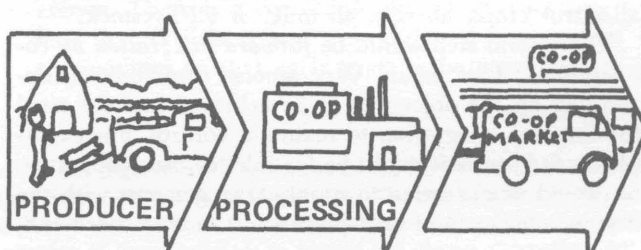
General Public

Taxpayers. Government expenditures for the price support program could be reduced. Some reduction in

BARGAINING: SUPPLY CONTRACTS



FORWARD INTEGRATION CO-OP PROCUREMENT, PROCESSING, MARKETING



tax-supported research funds could also be expected, although greater public support of cooperatives is possible.

Consumers. A cooperative system has the potential for achieving greater cost savings from coordination of production, processing, and distribution, consolidation of cooperative facilities, and elimination of unneeded facilities. One cannot be sure that consumers will benefit. The absence of competition could mean that producers might gain rather than consumers. Short-run gains may also be lost to long-run higher costs associated with the complacency that frequently results when there is restricted competition.

If supplies were restricted, prices would be correspondingly higher, increasing consumer costs. Consumer and public interests would not likely give such power to cooperatives without some share in decision-making.

Rural Community Institutions

The cooperative might aid in preserving the existing rural community structure, more than would the corporate system, by maintaining the individual farmer. The cooperative ownership of production and marketing resources centers at the local or farm level. *Local ownership and control can mean greater local community consideration and involvement in decisions as to the future location of production and marketing activities.* However, *cooperatives cannot and should not be expected to maintain inefficient and ineffective facilities.* A basic trend among cooperatives has been consolidation of facilities. Regional and even national consolidation of cooperative activity will continue.

The total work force involved in agriculture-related functions is likely to decline — although not as much in a cooperative system as in a corporate system. The survival of existing patterns of rural community organization will be influenced by whether cooperatives combine their farm-supply and marketing activities. If regionalization of cooperative activities occurs, the rural community as we know it may decline.

ACTION NEEDED TO IMPLEMENT

How do we move from the relatively loose, and in many cases weak, cooperative structure that exists in agriculture today to that of a cooperative agriculture? As a first step, *a major consolidation of cooperative activity will be required.* Perhaps only 25 or fewer large multi-product cooperative firms would be needed to handle all or nearly all of the agricultural production. Initially, individual product and regional cooperatives would consolidate. Thus individual cooperatives could handle all citrus crops, all rice, all milk, or all livestock.

The second step would be *forward integration by cooperatives.* This would vary among commodities, depending on the objectives to be achieved and the need for forward integration to maintain control. For example, in fluid milk it might be feasible for the cooperative to extend its operation to supply arrangements with the first handler or fluid milk processor. On the other hand,

in broilers the maintenance of control may require extension to the retailer and food service market.

The third step is that *commercial producers must be willing to invest their time and money in the marketing functions.* But even more commitment might be required to maintain market access. In instances where capital requirements extend beyond the means of producers, government capital may be required in the same way as in setting up the Farm Credit Administration.

Fourth, *cooperatives must be willing to join forces and abandon many of the values presently associated with the open market,* whether terminal or direct.

Fifth, *cooperatives must be able to win and hold markets through competition* from other sources of food and fiber, including foreign, synthetics, and substitutes.

Sixth, *cooperatives must be willing to spend money for employing and training the high-quality management, research, planning, and marketing talent* that is required to compete in today's food marketing system, and to educate current and future members of the board of directors, leading to sound policy decisions.

These changes alone will probably be insufficient. Some producers will likely see economic advantage in not becoming members of a cooperative. Then a mandatory system of cooperative membership and control through marketing orders or marketing boards may be required. *Legislation, which enables cooperatives to represent all producers in a market when a majority favor such a cooperative, would be useful if not essential* to the creation of a cooperative agriculture.

If such changes were made, there would need to be some assurance that the cooperatives were operating in the public interest. They may have to trade closer supervision for relaxation of applicable antitrust laws.

To assure that cooperatives continue to operate in the commercial producer interest, greater producer involvement in cooperative activities will be required. Membership participation is a critical link in helping producers maintain control of their cooperative. If cooperatives are not governed by producers, the producers may not be much better off than in a corporate agriculture.

STEPS TO BE TAKEN

If it is the national policy to foster a cooperative agriculture, the following actions would be necessary:

1. There must be *public policy requiring mandatory membership* of farmers and ranchers in bargaining and marketing cooperatives if they are supported by an open referendum.
2. Cooperatives must have *exemption from the anti-trust laws* beyond that contained in the Clayton and Capper-Volstead Acts.
3. Cooperatives must be given the *authority to control production* and inventory in a way that achieves equitable returns.
4. There must be a policy requiring the *annual publishing of fiscal and operational reports* of cooperatives for members' and public scrutiny.

WHO WILL CONTROL U. S. AGRICULTURE?

5

of a series of six

A GOVERNMENT ADMINISTERED AGRICULTURE

ROBERT G. F. SPITZE
University of Illinois

MARTIN CHRISTIANSEN
University of Minnesota

A government-administered agriculture would be a choice by society either to influence or replace private action in the control of our food production and marketing system. Public concern for ample food supplies and economic justice for farmers seems to result in more government involvement in many countries. Some kinds of administration have already been adopted for U.S. agriculture through acreage control, commodity price support, and market orders and agreements. Markets, land, credit, and technology seem the most likely means of government control. The objectives of government control are diffuse and unpredictable. Administrative decisions are difficult. Should the public choose control to favor farmers, effects on farm income could be favorable; but farmers would give up some freedom in decision-making. If the goal is to provide a plentiful low-cost food supply, then lower farm incomes could result.

A GOVERNMENT-ADMINISTERED food production and marketing system is another alternative in response to the question, "Who Will Control U.S. Agriculture?" Our government already sets limits and influences many phases of U.S. agriculture. Furthermore, history shows that government control over agriculture has gradually advanced in countries similar to ours. Such experience provides us valid information for discussing this system.

In essence, a government-administered system in the United States would be a choice by society for public action to either influence or replace private action in some critical areas of agriculture. Such public action might control land use, production, marketing, pricing, or income distribution—constituting a control over decision-making at some stage of the food chain.

How Government Decides

It is important to recognize that *control by government in the United States is a product of compromise*. Ours is a representative government whose policies generally represent a mix of the desires of many diverse interest groups rather than one or even a few.

Farm producers comprise one interest group and farm-related businessmen another. Even though they make up a small and diminishing portion of all interest groups, each has an important input into the development of our government's policies. However, many other groups also have a voice in the final outcome of new legislation.

Some Examples of Control Policies

Many kinds of government control have already been adopted for U.S. agriculture, some existing for decades within our present economic organization. Procedures exist to control the acreage of certain crops such as tobacco, peanuts, sugar, and rice, usually upon majority approval of farmers. Programs are also used to influence the amount of land producing feed grains, wheat, and cotton.

The pricing of fluid milk in some markets and the marketing of certain fruits and vegetables are controlled by government decisions at either the state or federal level. The volume of short- and long-term credit available for agriculture is affected by government policies. Even the current level of farm income is affected by government land retirement policy and by the flow of direct government payments.

Probably the best example of government control is that common in the United States for most public utilities where government regulates private businesses such as electricity and water.

Where to Implement Control

U.S. agriculture is a gigantic and complex industry which produces almost every kind of food and fiber known. There is a communications and marketing system that facilitates and encourages the movement of commodities so that each tends to be grown where its

economic advantage is greatest while still enjoying a nationwide market. Hence, for U.S. livestock and crop production, *effective output control to enhance market price must necessarily be at the federal level*. Beef output, for example, cannot be effectively controlled by the state of Iowa, or cotton by Mississippi, or wheat by Montana. Other producing areas of the nation would simply by-pass and thereby defeat their controls.

But some other objectives of control might be achieved at the state level. For example, if the objective is to control who might own or operate farm land, state governments could exercise effective power, as some have done.

HOW GOVERNMENT COULD CONTROL

A variety of possible elements for controlling agriculture is briefly examined below. The appropriate one or combination depends upon the particular results sought for farmers, agribusiness firms, communities, consumers, or taxpayers.

Markets

Government could control agriculture by regulating marketings at the first level of handling, but it could also affect relationships throughout the producing, distributing, and consuming sectors. In the final analysis, individual decision-making would be influenced.

Various regulations would affect the volume of products sold by farmers, the quality of such products, their pricing, and when, where, and to whom products would be marketed. For example, a sales quota would be established for each producer, to increase total farm income, regulate entry into farming, and control the number and size of farms. Production specification for foods likewise would be established as a continuing condition to farm, and to protect consumer health and welfare. Maximum prices could be set, and subsidies to either farmers or consumers could be used to influence food production and consumption.

Present programs using various control measures are the federal milk-marketing order program, the sugar production program, domestic wheat certificates, sanitation requirements, price support loans, and food stamps. A procedure of payment limitation which could be altered in many ways is already in effect.

Finally, many functions of the marketing and pricing process could be performed by government itself. The storage and lending operations performed by the ASCS and CCC are cases in the United States where the organization of the farm might be a condition of eligibility. But the more applicable examples are the government marketing boards in many countries.

Such boards in the United States might be used as follows: The marketing board would represent various groups, producers, marketing firms, consumers, and relevant government agencies. It would act as the exclusive selling agent for all of the particular produce from the farms and schedule its movement. It would establish grades and standards. Prices, including premiums and

discounts, would be negotiated between the marketing board and the handlers of the commodity.

The board would probably regulate the quantity produced and marketed, in order to achieve price stability and farm income objectives. An additional goal could be to maintain market access for all producers, thereby preventing exclusion associated with some vertical integration. (Vertical integration means that one business controls more than one step in the production and marketing process.)

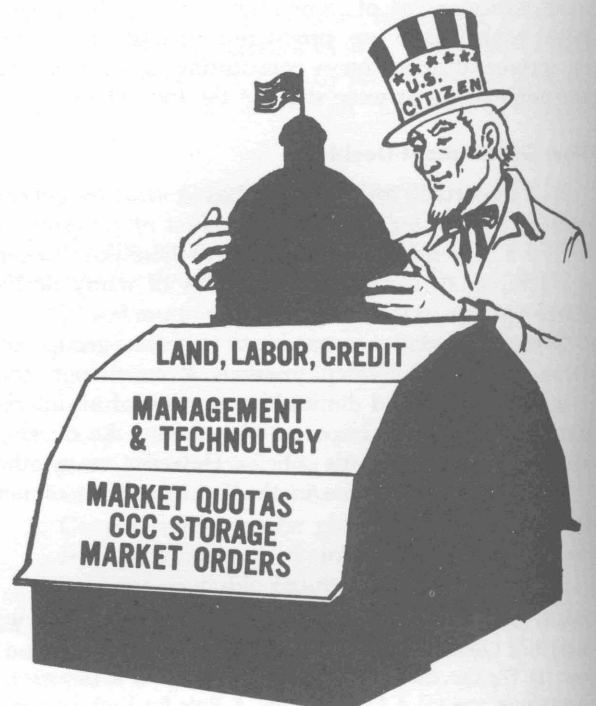
Landholding

Government could exercise considerable influence by regulating the use of agricultural land. Land is a common vehicle of control because it is accountable, tangible, and necessary as an economic base for production. The most drastic means of land control would be through outright government ownership with the possibility of lease-back opportunities. Such government control already exists in the United States. Ownership of grazing and timber lands as well as supervision of publicly reclaimed or irrigated land are examples of a high degree of government control over land use today.

But other means of control would seem to be more practical. Acreage bases and incentive payments, such as the present voluntary land retirement program, already exist and could be used to alter the production and location of specified crops. These devices could be used to achieve a desired farm size or age distribution among farmers as well as production control, income, and conservation objectives.

Capital: Acquisition and Control

Government could control agriculture through credit because current farming requires the use of large and



increasing investment in machinery, buildings, land, and purchased inputs such as chemicals and supplies. Government has provided significant assistance to farmers in obtaining this credit, such as the cooperative farm credit system which it initiated.

At present the FHA, CCC, ASCS, and REA are instances where government is most directly involved in providing sources of capital for agriculture. The thrust of these agencies might be changed to achieve different public goals in agriculture, such as providing low-cost credit to younger or smaller farmers. Changes in national and state banking laws, Federal Reserve Bank regulations, FDIC rules, and FCA policies are examples of other avenues available.

Labor

Government could exert control by means of programs affecting the amount and quality of labor available for agricultural production. Increasingly, both rural and urban residents advocate extending labor rules — such as working conditions, health, accident, wage, and unemployment benefits, workmen's compensation, and collective bargaining procedures — to hired farm labor, including migratory workers. However, most agricultural labor in the United States is in the person of the farm operator, who would not be reached directly through hired farm labor benefits.

On the other hand, these benefits might affect the competitive position of the owner-operated farm compared to the large-scale farm using mostly hired labor. Direct licensing of agricultural workers or farm operators is one possible kind of policy — quite a change from present practices in farming but not so different from some other occupations.

Management and Technical Information

Previously, government has had a significant impact upon the flow of production and marketing technology that has proceeded rapidly into commercial, industrialized farm production and changed the face of U.S. agriculture. Government efforts to develop and expand certain technologies, or discourage and prohibit others, could alter patterns of production as well as affect both farmers and consumer economic welfare.

The present Land Grant university program of research and education could be much changed. The development of technology favoring one type or size of farming unit in contrast to another could redirect the existing pattern of agriculture. A new generation of potentially powerful control tools resides in government policies associated with pesticides, insecticides, herbicides, fertilizers, growth hormones, animal waste, sedimentation, and the like.

CONSEQUENCES OF CONTROL

The objectives for government control of agriculture are much more diffuse and unpredictable than those of the other systems of control more clearly identified with a particular interest group — that is, independent farm

producers, farm cooperative members, or corporation stockholders. We cannot accurately predict what combination of goals the public would select, nor their results.

Furthermore, *there are difficult administrative decisions* in carrying out the government control of agriculture, because any misjudgment is multiplied throughout the economy and evokes an emotional public response.

Farmers

No doubt government efforts to preserve or mold U.S. agriculture in a particular pattern of numbers, size, and organization would raise questions such as: What is a farm? Who should be permitted to farm and who should not? What kinds of business organizations shall be permitted and what kinds prohibited?

Government-controlled agriculture would result in generally more favorable farmer income than provided by the other systems, if the public viewed relative farm-nonfarm income levels as problematical and chose controls favorable to farmers as the proper response. In such case, the improved total level of farmer income would come from the market place, from direct treasury payments, or a mix of the two.

In addition, the distribution of relative income levels among commodity groups or economic classes of farmers could be altered by this control. Some of the farm income benefits of almost any government control through the market are capitalized into higher land values. It is likely that any such control policies to enhance farmer income would result in some lessening of managerial powers or "freedom of producer action," and such government involvement is not easy to reverse.

On the other hand, government control, if based primarily on the objective of a plentiful low-cost supply, could result in expanded production, lower farm product prices, and general levels of farmer income lower than above, thereby similar to those expected with the dispersed, open market agriculture. Only a few farmer innovators would hope to benefit under these conditions.

However, a review of agricultural public policies among democratic countries suggests that government price and income policies, simply as one type of control, usually result in some improvement of farmer income levels.

Agribusiness Firms

Consequences of government control of agriculture could conceivably be an improved economic position of farm supply and marketing firms. However, the probability is greater that it will interfere with their private power and hence weaken their economic position in general, compared to the present and the independent farmer systems. But these effects would perhaps not be as great as in the cooperative system. There might be some windfall benefits to chosen firms or those close to supplies or products favored by the government policy.

Rural Community Institutions

The consequences of government control of agriculture to the rural community are closely related to the

economic results for the farmer. If the relative level of farmer income is improved, the economic basis for supporting the rural public services of schools, utilities, recreation, and business is increased. This is particularly true if government is successful in maintaining a large number of comparatively small units, as well as a favorable income position.

On the other hand, lessening of farmer income in general would threaten the rural community. And, if the number of farmers were diminished greatly, even favorable income to the remaining few could spell trouble for the rural community.

But it should be recognized that many of the changes taking place in our rural communities are brought about by forces other than the change in farm numbers and income, such as transportation and communication.

It should also be noted that direct government assistance for rural communities is likely to occur outside of the farming system, rather than depend upon changes in the organization and control of agriculture. Present public policy developments in the United States suggest that improvement of the rural community will likely rank high in any increase of government programs, although the means for such improvement are not yet clear.

General Public: Consumer and Taxpayer

Government control of agriculture could have results for consumers similar to those for farmers, in either relative gain or loss. If the control policies operated entirely through the product market, the effects for the consumer would generally be the reverse of those for the farmer, but other controls could greatly alter these consequences. It is unlikely that consumers would be affected adversely by a government-administered agriculture, because the food supply would then be directly influenced by a democratically controlled process of all citizens, rather than by only farm or nonfarm operators in private markets.

Surely the control would not signal a return to a comparatively primitive agriculture with resulting food shortages. Rather, there is a likelihood of more than adequate production and continued abundant food supplies. The consumer would probably not fare any better than under the dispersed, open market system, unless there were food subsidies, but he should do as well as or better than under the other systems. There is little evidence to suggest whether this system would be more efficient or less efficient.

Recent history of agricultural public policy in the United States suggests that *the consumers' interest in both the quantity and quality of food supply will continue to receive attention*. Consumers have had continued access to an increasing supply of food, purchased with a decreasing proportion of their incomes. Furthermore, lower-income consumers have benefited from a rapid expansion of publicly subsidized food distribution programs.

The likely consequence to taxpayers is a heavier burden. Both farmer and consumer economic welfare ap-

pear increasingly protected by public payments from the tax stream. Government control mechanisms to influence the structure of agriculture need not have a significant impact upon taxpayers other than the funds needed to implement and enforce various controls and measures, but these administrative costs could be higher under this system.

Furthermore, a projection of recent trends in the cost of farm programs suggests that payments are an attractive means of government involvement that could lead to their continued increase, and hence higher tax burdens than are likely under any of the other systems of agriculture.

Of course, both farmers and consumers pay taxes, but that is about as far as the parallel can be taken. The bulk of federal tax revenue comes from a progressive personal and corporation income tax, with the higher-income groups in either case shouldering a relatively heavier burden. With both farmers and recipients of consumer food subsidies being generally below-average income earners, it is most likely that any public treasury payments to either group as a result of any future government control of agriculture will show up as a burden primarily to the higher-income, and generally nonfarm, taxpayer.

STEPS TO BE TAKEN

Society's preference for a government-administered agriculture would be shown through our regular political processes in the following sequence:

1. The public would first sense a problem as to who would control the future production and distribution of its food and fiber. Next it would examine the alternative systems. Then, through the policy-making processes of democratic government as represented in Congress and the president, the public would decide that, instead of the other alternatives, its government should administer farm production, product marketing, and food distribution. The degree of control chosen would be just sufficient to achieve the desired combination of public objectives affecting farmer, consumer, agribusinessman, and rural community citizen.

2. Democratic policy-making processes would allow the public to consider and select the combination of economic goals that seems most satisfactory to the participating individuals and interest groups — such as higher farmer income or lower consumer food prices or improved rural communities.

3. The government would then choose those elements of control — such as markets, land, technology — that would best achieve the above set of goals. This would mean new legislation and government agencies.

4. These decisions finally would be enacted through appropriate policies or laws and implemented by workable programs, requiring continued planning and re-evaluation by Congress, the president, USDA, and various action agencies.

WHO WILL CONTROL U.S. AGRICULTURE?

6

of a series of six

A COMBINATION:

A ROLE FOR EACH SYSTEM

PAUL L. FARRIS
Purdue University

J. CARROLL BOTTUM
Purdue University

In a combination of agricultural systems, independent farm producers would have freedom to make management decisions, but cooperatives and corporations would be assured of continued operation. Government would support an active role for each. A special government body would monitor the changing structure and recommend actions to maintain the combination system of agriculture. No single system would be allowed to dominate. A minimum and maximum share of business for each group would be set. Policies to maintain and encourage effective competition, develop new institutions and regulations, and provide for service, research, and educational activities would be needed. An open market would be encouraged, but vertical coordination could exist for a share of the total business. Management would be widely dispersed among independent farmers, corporations, and cooperatives.

AN ORGANIZATION SYSTEM for agriculture in which farm producers would have a great deal of managerial freedom and independence is outlined in this leaflet. This alternative is a combination of systems discussed in other leaflets in the series. Cooperatives would have an important role, and corporations would participate actively in supplying inputs (such as equipment or supplies) to farmers, and in processing and marketing farm products. Government would perform a variety of functions.

Such an organizational pattern would resemble the structure with which we are familiar today. However, because the current structure is in transition, *positive steps will need to be taken to assure, wherever possible, the continued workability of independent producers, cooperatives, and corporations.* Government participation would support an active role for each group.

THE COMBINATION DEFINED

The combination presented here would require that each organizational system be given the opportunity to be represented in the various parts of agriculture. No system would be allowed to dominate nor be present in pure form as proposed in Leaflets 2 through 5.

The relative importance of decision-making by independent producers, corporations, and cooperatives and the participation of government could differ among commodities or markets and could change over time.

Any organizational form might be permitted to develop up to some maximum point of dominance. Corporations, cooperatives, and farms could be large or small, integrated or not, diversified or specialized. Experimentation with a wide variety of organizations and arrangements would still be permitted and encouraged.

However, there would be limits on both the minimum and the maximum share of business for each group. The limits would need to be developed commodity by commodity and revised as appropriate in the light of experience. Each group would be large enough to operate effectively, given its characteristics, but not so large as to exclude any other group.

For commodities that have moved largely toward one system, such as broilers or milk, particular efforts would be given to building up other systems. This might be done by removing entry barriers, modifying government rules, or providing for government subsidies or other types of government participation. Should any single system dominate overwhelmingly for a period of time, special attention might be needed to maintain competitive checks and balances within that system.

At the outset we recognize the considerable practical difficulties of guiding the organization of agriculture along the lines suggested. National policies obviously would be needed to maintain and encourage effective competition, develop new institutions and regulations, and provide for adequate emphasis on a variety of service, research, and educational activities. A further re-

This is the sixth in a series of six leaflets dealing with "Who Will Control U.S. Agriculture?" developed by the North Central Policy Education Committee, the Extension Service, U.S. Department of Agriculture, and the Farm Foundation. The other leaflets in this series are: (1) The Current Situation and the Issues; (2) A Dispersed, Open Market Agriculture; (3) A Corporate Agriculture; (4) A Cooperative Agriculture; and (5) A Government-Administered Agriculture. The purpose of these leaflets is to present and discuss alternatives, not to advocate or predict a particular method of control.

quirement would be the creation of some type of special government body to monitor organizational developments and to determine and prescribe appropriate and timely policies for particular situations.

Markets

Open markets would have a significant role in this system, and they would be encouraged in a variety of ways. In certain instances government rules might provide that a specified portion of a commodity would move through open markets. New types of market exchange would be designed and tested. But where corporations or cooperatives could clearly bring significant efficiency advantages through contracting with farmers or engaging in farm production, such vertical coordination could exist, along with open markets, for a share of the total business.

However, because administrative coordination tends to centralize decision-making in production and marketing systems, particular attention must be given to the effects of such coordination on farmer access to markets, farmer bargaining, farm income, and freedom of the farmer to make management decisions.

With the development of more tightly coordinated systems, food processors, distributors, and production input suppliers would likely be in stronger positions than farmers to gain market control. An active program of government regulation, service, research, and education would, therefore, be an essential part of this alternative.

Landholding

Most of the land used to produce food and fiber would be owned or controlled by independent landholders, and most landholdings would be relatively small. Individual farmers or land owners, corporations, or cooperatives would not be limited as to the amount of land each could hold, provided the land would not be held primarily to take advantage of tax provisions or for reasons not connected with profitable farming.

The net effect of any tax loss write-off in agriculture favors high-income investors, many of whom are not farmers. If tax or other institutional incentives were eliminated, such as might occur in certain types of government farm programs, very large holdings by corporations and other nonfarm investors would probably not increase significantly. Relatively free entry into agriculture would likely continue to draw capital and labor of farmers in sufficient quantity to exert output pressure on markets and downward pressure on prices.

Larger-sized farm units will account for increasing shares of total farm output in the future, and the total number of all farms will decline further. Increasing capital and management requirements may limit entry opportunities for some farmers. However, many will continue to meet the family farmer definition by having a hired farm labor requirement of not more than 1.5 to 2 man years. Some farms would be larger where two or more independent operators could develop mutually advantageous working arrangements. Several of these might arise out of family relationships.

Capital Acquisition and Control

Capital markets (where money is loaned and borrowed) in the United States have become highly developed and do not in themselves give significant advantage to any one group. The development and extension of the federal farm credit system did much to put farmers on an equal competitive basis with other groups with respect to availability of capital. If this combination system is to be effective, then capital markets must continue to serve farmers effectively and comparably with other borrowers by providing for the specific credit needs of farmers.

In addition, *some government restriction on capital investment by conglomerate firms may be needed* to sustain independent farmers, cooperatives, and intermediate-sized agribusiness firms. Unlike farmers and specialized firms, a large conglomerate enterprise, by operating in many markets and lines of activity, can subsidize some of its ventures, such as farm production, for long periods of time out of earnings in other lines, such as processing, distribution, or nonfarm activities. Such allocations of capital could limit the decision-making and earnings of farmers and small businesses.

Labor

A large proportion of farm labor would continue to be provided by the farm operator and his family under this system. The competitive structure of agriculture would keep farmers from capturing consistently high profits which would, in turn, serve as a lure to labor organizers. Thus circumstances would not favor the increasing control of agriculture by organized labor.

For certain commodities where jobs are routine and specialized and large amounts of labor are required—such as in the production of some fruits and vegetables and in confined livestock feeding—hired labor may become increasingly organized. If so, labor unions might impose some direct restraints on production or processing technology, marketing channels or procedures, or the amount of labor available at critical times. The need for government to restrain labor could increase.

However, the principal emphasis in organizations of farm labor will likely be directed more toward achieving higher wages and improved working conditions than to controlling production and marketing of agricultural commodities. A general rise in farm labor costs, including fringe benefits, works to the benefit of the family farmer relative to the large operator because he hires a smaller proportion of his labor.

Management

Under this system *the management function would be widely dispersed* among independent farmers, corporations, and cooperatives. Particular attention would be given to programs that would enhance management capabilities of small and intermediate-sized units.

There is a strong tendency for highly skilled management to gravitate to the larger firms and organizations. The advantages of size, in turn, have provided in-

creasing opportunities for the development of new managerial techniques. Growth is generally recognized as an important firm goal.

Opportunities for firms with the more capable managers to grow relative to other firms will probably expand further. Many of the farm management gains may increasingly originate in purchasing and marketing by large-volume producers, who are able to buy and sell more skillfully than their neighbors. Thus management training and education are more important than ever to small and intermediate-sized units.

Technical Information

The increasing availability of technical and economic information, along with the way it is used, has an important bearing on economic organization. Knowledge and management go hand in hand.

The specialization required to use such information effectively tends to favor the large organizations. In combination with other instruments, information will, therefore, tend to increase control of agriculture by large nonfarm firms. If smaller units are to be strengthened, ways must be found to increase the availability of research knowledge relevant to the smaller units and to provide for its effective dissemination. Such research and educational programs will be a significant government requirement under this system.

General Public Concern

Citizens are generally interested in abundant food supplies at reasonable prices. But they also have other concerns which may substantially affect the future organization and control of agriculture. For example, environmental and consumer protection issues can be expected to become more significant.

To meet more stringent requirements will require that some production activities be prohibited or constrained. Large size, specialized facilities, and more informed management may be needed to respond to such public concerns. This could favor large over small firms. Increased efforts may be needed to enable the smaller firms and farms to meet such requirements economically and effectively.

On the other hand, public anxiety could increase with respect to growth of power and the centralization of control by business corporations and social institutions generally. Policies may be sought to diffuse power in the economy, to decentralize decision-making, and to make it possible for individuals to assert themselves more freely and to participate more effectively in society. As the basic material needs of more people are met, they may become increasingly interested in questions of organization, control, freedom, and equity and less in material output.

Hence under this system there would be *considerable emphasis on maintaining an appropriate balance among the various public concerns of efficiency, progress, managerial freedom, diffusion of power, distribution of returns, and extent and kinds of government participation.*

CONSEQUENCES

If steps are taken to achieve and maintain the organizational pattern for agriculture outlined in this leaflet, decision-making would be relatively decentralized. *A variety of checks and balances would operate* to keep economic power diffused in the agricultural economy.

Implications for Farmers

The precise effects on such farmer goals as income, equity, freedom, and security are not known. Under any alternative, total income to farmers would depend much on the extent to which the public, through government, would provide programs to assure a particular minimum income level.

At any given level of public support, *returns to certain individual farmers who remain in commercial agriculture could be higher under this alternative* than under any of the pure-form alternatives. An important reason would lie in relatively unrestricted managerial freedom. Farmers with differing talents and combinations of resources should have wider opportunities to use them to advantage than if agriculture were to be organized along one of the other patterns. But the competitive pressure which could develop under this alternative might present difficulties for those farmers who for one reason or another could not keep pace with their neighbors.

A significant income advantage to farmers under this alternative could be more evenly balanced bargaining positions, especially as compared with a system of increasing corporate dominance. *The maintenance of active and competitive open markets, or access through alternative systems, would be especially vital* to producers of commodities that can not be stored for any length of time in the raw or unprocessed state — such as fruits, vegetables, livestock, milk, poultry, and eggs.

The maintenance of open markets would also be important to small and part-time farmers. They find it more difficult than large farmers to seek out and negotiate contracts with processors and to operate their businesses with the precision of the larger specialized farmers. Managerial freedom and the independent farmer pattern of production would be strengthened by a system in which open markets are kept viable.

Implications for Agribusiness

Several of the larger corporations would encounter greater restrictions on their managerial flexibility and earning potential if this system is implemented. Some business practices made possible by large size and diversification would become more limited. However, if the agribusiness sector is made more generally competitive, many intermediate and small specialized processors, distributors, and suppliers could be helped.

Implications for Rural Communities

Under this system *community organization and rural institutions would appear to be strongly influenced by*

the needs and preferences of people living and working in the respective local areas. The contrast would be greatest when compared with a corporately controlled agriculture. Then major decisions affecting local communities would be influenced more strongly by decision-making in other areas of the country, and to satisfy different standards than if made by local people.

Many independent community merchants, dealers, and financial institutions would then be by-passed. Communities and regions could rise or fall depending on judgments of agribusiness executives as to the relation of the community to the goals of the company. However, *farmer influence on rural community organization and decision-making might be less* under this alternative than under the dispersed or the cooperative system.

Implications for Consumers

Consumer interest in price, quality, and service is related to efficiency, progress, and competitive conditions in the various sectors and subsectors of the agricultural economy. Thus *consumers would appear to be well served under this alternative.*

Under this alternative, the maintenance of a workable role for each system might not lead to the greatest technical efficiency at any particular time. Nevertheless, the actual differences in potential efficiency among different systems of control may not be great. The agricultural economy can probably achieve high levels of efficiency and rapid progress under several systems.

If control gravitates increasingly into the hands of large corporations, some increases in technical efficiency might be implemented more readily than under other systems of organization. Whether these gains would be reflected in relatively lower consumer prices, however, would depend a great deal on competitive conditions, branding of products, advertising, promotion, and many other aspects of competition.

If there is competition in processing, marketing, and distribution, there should be real emphasis on improved service to consumers. But if competitive conditions do not provide such incentives, some consumers would be less able to obtain the particular combinations of product quality and services than they would like.

If effective supply control is achieved through cooperatives and marketing control schemes, consumers might be required to pay higher market prices than under other systems. But powerful economic forces would limit the potential prices that producers could gain. Among the limiting factors are the availability of substitute products, including synthetics, and the great difficulty in enforcing strict supply control.

Implications for Farm Labor

Returns to farm labor will probably bear a closer relation to developments in labor markets generally, and to technological advances in agriculture, than to particular organizational patterns. *Less incentive for unionization would likely prevail under this system* than under a corporate-controlled agriculture.

Implications for Taxpayers

The regulation of commodity supplies under this system, as compared to a dispersed, independent farmer, open market agriculture, would be less than under either a cooperative, a corporate, or a government-controlled agriculture. Hence, the need for government price, income, and production control programs would resemble that under the current structure, and *public costs would depend upon overall supply and demand conditions and public attitude.* Price and income program costs to the government would probably be greater than under a cooperative, corporate, or government-controlled agriculture.

POLICY STEPS

Policies needed to maintain competition within and among systems could vary widely among different commodities and stages in the marketing channel. Moreover, *appropriate policy actions may need to change as developments favor one or another system of agricultural organization.* Continuous attention would need to be given to policy mixes that will enhance competition and assure that each system can compete as freely as possible. Sometimes a mix of policies favoring one or another system might be used.

Timely determination and implementation of appropriate policy actions would be of critical importance. Therefore, a special government body would monitor the changing structure of agriculture. It would recommend appropriate policy actions — such as legislation, regulation, service, research, and education — as might be required to maintain the system.

To carry out this responsibility, a council of advisors on agricultural organization might be established, consisting of three members recommended by the secretary of agriculture to the president for appointment, subject to confirmation by the Senate. Terms might be for five years on a staggered basis. A budget would be needed to enable the council to function effectively.

Specific policy steps which the council might recommend can be grouped into those which would strengthen open market coordination, increase the positions of cooperatives, or facilitate control by corporations. Several steps would involve legislative changes and other types of government action or participation.

Since all economic activity takes place within a framework of government rules and regulations, possible modifications in the government role are presented within the pertinent groupings. In this alternative, government would be viewed not as a competing system, but as a means of maintaining an appropriate balance among the independent farmer-open market, corporate, and cooperative systems.

Strengthen the Dispersed, Independent, Open Market System

Several steps to advance open market coordination and increase the competitive advantage of independent

farmers would require some kind of action and support by government. Some steps might be carried out through initiatives of farm organizations or cooperatives, under existing legislation. The types of steps are (1) information, service, and education; (2) antitrust and regulatory activities; (3) government farm program and institution modifications, and (4) innovational ventures.

Information, Service, and Education. To increase market knowledge, facilitate market operation and expand basic economic understanding of industry organization, these actions might be considered:

1. Place greater emphasis on federal grading and standardization of agricultural commodities. Agencies might develop new standards and grades which would facilitate trade and tend to increase competition among firms on the basis of price, quality, and service.

2. Grant authority to require a public agency, such as the U.S. Department of Agriculture, to require marketing firms and farmers to submit essential basic data. Such data might include prices by product description, location, and services included, and timely data on growing crops and livestock.

3. Orient programs of business, cooperatives, government, and educational institutions more directly toward strengthening the management, accounting, and marketing capabilities of farmers and small businesses. Such action would be for firms that are large enough to be effective on technical grounds but incapable of matching the purchasing or marketing virtuosity of larger firms in terms of information systems, economic analysis, and product differentiation.

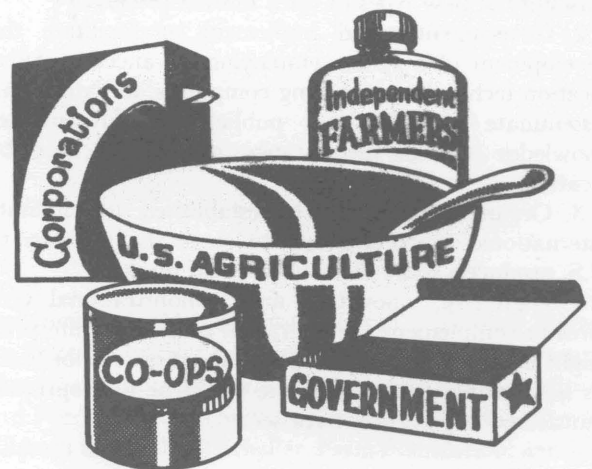
New techniques might be developed for using the services of futures markets which would bring their potential benefits more readily to farmers and small firms. Equity problems and farmers' grievances could be handled through farmer organizations.

4. Provide for continuing economic studies of evolving economic structures of the food and fiber industries. Advantages to conglomerate firms could be determined, to see if legislation or tax changes are needed to prevent unfair competition and to assure that farmers are not disadvantaged. More detailed information about sales, expenses, and profits, by divisions, of integrated firms would help in evaluating their behavior and performance. The Securities and Exchange Commission might require such public divisional reporting where sales of a specified product line exceeded a given percentage of total company sales. A variety of research studies could be supported that would generate basic knowledge leading to improved competitive positions for farmers.

Antitrust and Regulatory Activities. If greater information and education would lead to decentralized decision-making and diffusion of power, then antitrust approaches might be reduced. Nevertheless, more vigorous antitrust activity can increase the workability of market competition by reducing concentrations of power wherever they may exist. Steps could include:

1. Splitting up some large corporations or forbidding such firms to acquire other large firms.

BLENDING TO GET THE DESIRED MIX



2. Encouraging some small agribusiness firms to merge so they could take advantage of economies-of-size and offer stronger competition to larger rivals.

3. Reducing barriers to the entry of new firms. Such barriers include product branding as well as the control of scarce resources, manufacturing techniques, market channels, and managerial talent.

4. Preventing discrimination against the smaller firms and farms in purchasing supplies and in marketing.

5. Requiring that a certain portion of an agricultural commodity purchased by each processor of a given size be purchased in a particular type of open market.

Government Farm Program and Government Institution Modifications. Changes in ongoing government farm programs and existing government institutions can be modified to strengthen the competitive positions of independent farmers. Such changes might include:

1. Adjusting farm program provisions to benefit independent family farmers.

2. Adapting environmental and pollution regulations to recognize varying characteristics of different sizes of farms.

3. Modifying federal farm credit operations to benefit particular groups of farmers.

Innovational Ventures. In a dynamic and progressive economy opportunities appear from time to time for new ventures. Some may be able to strengthen independent farmers and the functioning of open markets. In some instances, cooperatives or other institutions in private business can seize such opportunities and take the lead in an innovation. In other cases, the uncertainty may be too great or resources too limited — or, for other reasons, an innovation that would benefit an industry in total would be unprofitable for a particular firm or group. Here government can play a useful role. Some possibilities for innovational ventures are:

1. New methods of selling agricultural commodities by grade and description through the use of electronic communication systems could be launched by government — or by cooperatives with government support —

on a scale large enough to be workable in exploring the feasibility of new types of open market pricing.

2. Government could implement or facilitate the development of a system employing advanced communication techniques, including computers, to gather and disseminate — widely and publicly — timely market knowledge covering broad ranges of product classes by location.

3. Organizations could be established to facilitate international marketing and to serve the interests of U.S. producers more directly in world markets.

4. High risk, innovative, and demonstrational ventures to complement the operation of private enterprise might be developed by the government on a pilot basis. As new ventures succeed, some might be appropriately transferred to private enterprise.

Increase the Positions of Cooperatives

Where cooperatives appear not to be realizing their potentials nor providing effective competitive alternatives, farmers may wish to consider possibilities and potential opportunities for increasing the role of cooperatives.

Possible Cooperative Actions Without New Legislation. With new knowledge, new technology, and changed attitudes toward group coordination, farmer-controlled organizations may be able to accomplish goals that they have not achieved in the past. For example, cooperatives might:

1. Develop new purchasing and marketing arrangements that would permit farmers to retain greater freedom to make management decisions than is allowed under many contract terms.

2. Expand bargaining activities.

3. Integrate into processing and distribution.

4. Join with other cooperatives or business firms in managing or owning large production, processing, and distributing units.

Cooperative Potentials Through New Legislation.

Under existing legislation farmer cooperatives may accomplish only limited objectives. For cooperatives to become more influential, increased flexibility and opportunity for group action are often needed. Some possibilities and alternatives are:

1. Require processors to bargain with cooperatives acting on behalf of producers and producer organizations.

2. Authorize government marketing orders or boards for any farm-produced commodity within which farmer cooperatives might regulate marketing, negotiate terms of trade, and undertake a variety of activities.

3. Clarify the antitrust and tax status of joint ventures between corporations and cooperatives acting on behalf of farm producers.

4. Subsidize capital for cooperative facilities and operations.

5. Increase research, education, and service activities relating to problems of cooperatives.

6. Require that a specified portion of government transactions of various kinds, such as grain sales and distribution abroad, be handled wherever possible by cooperatives.

7. Require that a particular minimum share of agricultural products handled, processed, or distributed by corporations be purchased from cooperatives. Similarly, a specified share of input supplies could be reserved to cooperatives.

8. Seek out and initiate new ventures on the Rural Electrification pattern through government support of cooperative enterprise. Examples might include environmental and recreational endeavors, resource planning, and various joint efforts toward rural development or improvement.

9. Encourage farm production cooperatives in selected situations, perhaps through temporary financing at nominal interest rates.

Expand the Role of Nonfarm Firms

Although nonfarm firms with access to consumers appear to be in strong positions to increase their control within marketing channels and to organize systems from the viewpoint of their own management objectives and profit centers, exceptions could develop. If it were desirable to strengthen the agribusiness sector, some of the steps that would favor an open market or cooperative system would not be taken. Antitrust enforcement could be relaxed, more mergers could be permitted, tax incentives could be increased, a variety of restraints could be placed on cooperatives, and programs to strengthen the position of independent farmers could be cut back.

In some situations it might seem appropriate for intermediate-sized agribusiness corporations to be strengthened relative to the large diversified firms. If so, antitrust regulations could be more strictly enforced for the larger firms. Mergers involving large corporations could be prohibited, but encouraged among small and intermediate-sized firms. Programs of information and education for such firms could be expanded. In general, efforts could be increased to retain entry for innovative enterprises and to reward more fully the small and intermediate-sized businesses for their production contributions.

"Who Will Control U.S. Agriculture? — Policies Affecting the Organizational Structure of U.S. Agriculture," North Central Regional Extension Publication 32, University of Illinois, College of Agriculture Special Publication 27, may be obtained from your state Cooperative Extension Service. Single copies are available for 50 cents per copy from the Department of Agricultural Economics, University of Illinois, 305 Mumford Hall, Urbana, Illinois 61801. Prices for quantity orders are available on request.

Responsibility for this project was delegated to a project advisory committee. Members were Harold D. Guither, University of Illinois at Urbana-Champaign, Chairman; Wallace Barr, Ohio State University; J. Carroll Bottum, Purdue University; Harold F. Breimyer, University of Missouri—Columbia; Charles Beer, Extension Service, U.S. Department of Agriculture. In addition, Jack Armstrong, Farmer Cooperative Service; Richard Ford, Extension Service; Ronald D. Knutson, Agricultural Marketing Service, U.S. Department of Agriculture; R. J. Hildreth and W. Neill Schaller, Farm Foundation; and J. C. Everly and R. G. F. Spitze, University of Illinois, served as advisers in organizing the content of these leaflets.

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