AGRICULTURE'S STATUS AND POTENTIAL

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I thought the title assigned this paper "Status and Potential" more descriptive of the concerns of the mother of the bride toward her new son-in-law than of the issues of importance to research workers. Upon reflection, however, I have concluded we in University research have more in common with mothers-in-law than we should admit. We are jealous and suspicious of virtually all who appear interested in "our baby", the agricultural industry, and are quite certain their intentions are dishonorable. If things work out badly we are the first to say "we told you so" and; if, contrary to our expectations, they work out well we tend to take the credit for bringing them together. This attitude, in research as in families, stems, I believe, from a failure to recognize that the object of our attention changes and matures over time and that its environment is also rapidly changing. It follows, therefore, that our attitudes and analysis also should change regarding the needs of our concern. I view it as my job to sketch some of these maturing changes in agriculture that should alter the way in which we approach farm management, marketing, and policy research.

There are three areas which I will discuss. They are (1) the changing beliefs and values relating to agriculture (2) the political environment within which agriculture will operate, and (3) the level and context within which consumption and production decisions are made. Most of what I shall say is based upon scantly empirical evidence, which does not imply that such evidence is unobtainable but merely that it has not be obtained.

The Value Context Relating to Agriculture

Much of the discussion which follows relates to beliefs associated with our value structure rather than with the values of society. It appears that a majority of the society still values stability, both economic and political, growth, minimum levels of economic welfare, equal opportunity, and sharing our abundance. It appears, however, that the long-standing ideas regarding

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agriculture's special contributions to the achievement of these values is rapidly being replaced by a radically different set of beliefs. The bitter struggle over civil rights, especially in the rural South, is convincing most people that farmers have no monopoly on justice or concern for equality. The difficulties of assimilating the rural migrants to large cities has convinced many that the virtues of rural upbringing are hardly sufficient to offset poor schools. The shameful treatment of some migrant workers has confirmed these feelings. And, the enthusiasm of numerous rural areas for extreme right-wing political candidates has done little to convince the general population that farmers add greatly to the stability of our political system. The same can be said for the actions of some of our farm organizations.

With these beliefs falling away, it appears that farming is increasingly regarded by nonfarmers primarily as an economic enterprise. To be sure it is still regarded as a crucial enterprise in the economy but not as one which has special virtues that exempt it from social control or as one which should be maintained at a given size and with a special structure because of its special contributions to non-economic values.

If this assessment is correct it has important implications, some of which are evident already. One is that the general social legislation and organization which applied to hired workers in nonfarm business will be applied in some form to farms. This has significant implications for the farm manager, the way he organizes his farm, and the management task he faces. I suspect that farm management researchers in the years ahead will have to become well acquainted with the work in labor and industrial relations, if they are not already.

Concurrent with this change in beliefs on the part of nonfarm people, it appears there has been a major shift in the values of farm people. Farm people still regard the family farm as a useful social institution, but in a recent survey 69 percent of a sample of Michigan farmers agreed that "It is more important that farm people earn satisfactory incomes than it is to maintain the family farm system". Moreover, 55 percent of these farmers agreed that farmers who can't make satisfactory income from farming should plan to leave farming.

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My impression is that these attitudes are significantly different from those one would have found among farmers a decade ago. Moreover, the high relative importance of income seems increasingly to push farmers toward new attitudes regarding ways to achieve their income goals. An overwhelming 90 percent of all farmers in Michigan survey agreed "Farmers must get together in bargaining associations to deal effectively with processors and retailers". ²

This rising interest in market bargaining by farmers has been obvious in recent weeks during the milk holding action of the National Farmers Organization. It would be a mistake to dismiss this interest as one representing a minority view, for while there are marked disagreements as to tactics, the bargaining approach to improvement of farm prices appears to have widespread farmer appeal. The widespread appeal of government market intervention now appears to have been replaced by an interest in bargaining, perhaps partially because of farmers increasing suspicion that the executive branch of government is now completely consumer oriented.

The curious dual values that we appear to be developing toward food and its producers may pose some interesting questions. On one hand farmers are increasingly viewed as businessmen, but at the same time many nonfarm people appear to view the withholding or even conscious planning of food supplies at levels that will produce satisfactory prices as sinful. The kind of public controls that are placed over agricultural bargaining as a result of this public value system remain to be seen. In any case, marketing researchers are going to be called on increasingly to work in new areas and on new kinds of problems.

Finally, the decline of the view that farming is a preferred industry may have implications for the ability of the industry to attract new capital, management, and labor. In my lifetime farming in the United States never has had the social status that commercial farmers and land-ownership have in England and Western Europe. Even so I think the "preferred industry" concept has helped to attract capital and people to farming in the U. S. for lower rates of return than they might have been obtained in other industries. If this "better way of life" attitude disappears it implies significant changes to be considered by farm management and policy researchers.

The Political Environment

A great deal has been written about the decline in the number of farms and the consequent decline in the political power of farmers. Much of this is misleading because of the decline in the number of farms has been largely due to the continuing disappearance of the subsistence and low-production farms. On the basis of nearly 40 years of farm legislation these groups must not have had much political power or the programs would not have been slanted so much in favor of the larger commercial farms.

Neither has the reapportionment of state legislatures apparently hurt commercial farmers. This is not surprising because most state legislatures were rural dominated not farm dominated, before reapportionment and there is a difference.

There have been significant shifts in political power, especially at the national level. The farm bloc in Congress is gone forever and with it much of the independant power of the general farm organizations. But, what is rarely mentioned is the steadily rising political power of the farm-allied input producing and marketing industries. Most of these industries did not exist in their present form when our basic farm legislation was written in the 1930's, but they are a significant force now and will be in the future.

Thus, commercial farmers have potential allies in the political wars. There is a major difference, however, between the objectives of wars fought alone and those where one needs help. Under the old system the political power of the farm bloc could be used to maximize the well-being of the commercial farmers it represented. But, the new alliance must find programs which recognize the well-being of the input industries, the commercial farmers, and the marketing industries.

One can immediately see some of the implications of this change. Neither the input or marketing industries are likely to go along with production control programs that might maximize returns to farms. Indeed, they have been and are likely to be major supporters of programs to run our farm plant at full capacity, adding to the capacity when possible. Marketing industries are unlikely to support farmer-bargaining attempts, and to understake a bit, might even oppose them.

There are other groups, of course, with an interest in farm legislation. Among them are consumers who, while poorly organized as such, appear increasingly sensitive to retail food prices. The "good old days", when farm organizations could flaunt price controls on one hand and minimum wages on the other, have gone. Congress now will not pass farm programs that imply higher retail prices, and moreover, they are likely to become more concerned about the distribution of program benefits within agriculture.

Thus, the political forces as well as the changing beliefs about farming seem likely to push us toward an industry oriented toward efficiency, production, and low margins. Both forces will find "comparable returns" an acceptable income goal for the industry, but the concept is likely to apply in practice only to efficient, well-managed farms and not to all farm enterprises.

At another level, that of local affairs, prospects look less promising. The organization and financing of local services to farm people is becoming more their concern alone because increasingly our national attention turns toward the problem of the cities and suburbs. Most consumers live in these urban areas, and so do those engaged in producing farm inputs and marketing farm products. Thus, these latter groups may have little interest in how rural life is organized, unlike their predecessors who lived and worked in small rural communities. If this pessimism is justified it means we may have the incongruity of successful and prosperous farm operators lacking the amenities and social services that are common for their counterparts in other businesses.

Despite the rising chorus of questions about the wisdom of our non-policy relating to population distribution and concentration, I see little prospect for political support for a policy that would disperse our population in centers located apart from our growing megalopolises. The political pressures are where the people are and they want their problems solved there, not in some ideal community a hundred miles away. Thus, the prospect of community growth policies which would benefit both rural and urban people appear to be dim.

The Level and Context of Economic Decisions

At this point I will move to topics more directly related to our typical economic research and build further upon the papers that have preceded mine. My definitions of level and context of decision making will become
apparent as I go on. I want to discuss this issue in two parts, one international and the other domestic.

The international market for farm products has become extremely important to U. S. farmers and is likely to become even more so. Since the end of World War I we have viewed exports largely as a place to get rid of the excess over domestic needs, but this view is no longer realistic. Export demand has become a crucial factor in the demand for all of our major field crops, even including those in the midwest. While I would not argue that we completely understand domestic demand, I think that on the whole we do rather well in both our short and intermediate range outlook. When it comes to foreign demand, however, we know very little. This is not the market researchers' fault, for the funds have been meager, the data are awful, and much of the demand is politically determined by decisions both in Washington and abroad.

Thus, in dealing with commercial export demand we know very little, but our farm managers will increasingly have to produce for this uncharted market. Moreover, we have a tendency to view the quality of our farm products as unbeatable, which may be true given the tastes and preferences of U. S. consumers but not always for foreign consumers. The level of development of marketing research in foreign countries does not promise to give us the needed answers very soon, so either we shall have to finance and do significant marketing research abroad or our farm operators and marketing agencies will have to continue to sell rather blindly in these markets, depending upon the government to bail them out if they are wrong. I believe it is unrealistic to assume our government can and should buy our farm products and then peddle them abroad, for I see little reason that state trading works better for the export market than for the domestic market, and we have chosen to reject it at home.

A point related to the international markets is our lack of effective political linkage with these persons making political decisions affecting international trade in farm products. Effective and workable international political organizations are a universal problem but they are especially so in agriculture. This stems partially, I believe, from the complete ignorance that most top level diplomats have regarding their own or other agricultural industries. It also stems from the relatively limited experience and view of the world which is held by U. S. farm operators and their leaders in farm organizations. Many successful nonfarm businesses which depend heavily upon export sales have long since developed an understanding of the problems they face in their
marketing abroad and some political empathy with foreign political groups too. In U. S. agriculture we have not. In fact, the largest farm organization in the United States has refused to join the International Federation of Agricultural Producers. Their reasons are private and may be excellent, but it results in isolating many of our producers from the world's major forum of farm producers.

Thus, in general, at a time when international markets have become steadily more important to U. S. farmers we are lacking both good economic analysis as to the nature of those markets and an effective international political mechanism whereby our farmer's interest can be explained and represented. This seems, to me, to add a high degree of uncertainty to these markets, perhaps even greater than we had in our domestic markets several decades ago.

Turning to the domestic scene there has been or will be a shift in the level at which decisions are made about items crucial to the management of a farm. Perhaps the most obvious example again is in the field of farm labor. Historically, a farmer employer could offer a "going local wage" and expect to have the necessary labor supply forthcoming. Already the federal government, through minimum wage legislation, has stepped in to put a floor under the wage offer regardless of labor market conditions. It is almost inevitable that farm workers will be unionized and the decision on wage levels will not be between the farm operator and the workers, but will be made at regional or national union headquarters. Concurrently, if market bargaining by farmer groups expands, production and price decisions for individual farms also may be made in an entirely new context. My remarks are neither to approve or condemn such changes, but merely to point out that farm managers will need to have far different information in this situation than they need now, and they will be called on to perform management functions that are new to most of them.

The level at which decisions are made about other input prices seems to be moving up or toward centralization too. The old local horse dealer was much closer to his customers than the management of a company producing farm machinery for the national and international market. Much of the same holds for the producers of the nationally distributed inputs—chemicals, fertilizers, foods, etc. Among other things these large national corporations are a part of and extremely sensitive to changes in the nonfarm economy such as interest rates and nonfarm wage rates. Machinery prices, I suspect, are more nearly a function of steel prices and union wage rates.
than any factor in agriculture. The credit needs of modern commercial farms puts them squarely into the national money market, which operates with little regard to the needs of the agricultural industry and is highly influenced by general economic policy.

Similar trends seem apparent on the product market side. Large-scale specification buying by chain stores moves the pricing decision away from the classical market to the professional managers, who often have their own production facilities as an alternative for all or part of their supply.

In essence, all of the developments I have mentioned seem to run in one direction, that of subjecting the individual farm operator to greater influence from the economy at large. This is not a new trend, of course, but it seems to be likely to become fully effective in the years immediately ahead. Here again, we find the farm manager pushed more nearly into the position of managers of nonfarm manufacturing firms producing undifferentiated products. Success becomes highly related to an understanding of these outside forces as well as of the internal production processes.

Thus, both at home and abroad, in both economic and political affairs, the farm people of the future will find outside decisions made far away have a major impact upon their business. They certainly will need new and improved research in farm management, marketing, and policy to effectively adjust to these decisions.

Summary and Conclusions

It appears that the environment within which U. S. farms operate in the decades ahead is going to be radically different than that of the recent past. Shifts in beliefs, values, political structures, input markets and institutions, and market structures have occurred and are likely to continue. The direction of change I have pointed may prove in error but the fact of change in these elements is not likely to be.

Most of the items I have discussed are largely those that we omit from our economic models and assume as unchanged. If, however, they change markedly, it would appear to raise some questions about the validity and utility of much of our model building. Unless we can build changes in institutional parameters as well as measured economic variables into our research I am pessimistic regarding its utility. Thus, I view the need for more and better research in the areas of our concern as very great, and the task of filling these needs likely to strain both our financial and intellectual resources.