FOOD AND FIBER, FARMS, AND RURAL COMMUNITY:

POLICY ALTERNATIVES FOR THE FUTURE

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That the structures of the food and fiber industry, of farming, and of rural communities have changed and continue to change is unavoidable and obvious. However, we are still struggling to develop a relevant intellectual framework, even the constructs and language, which will lead to an adequate treatment of the problems of a fragmented rural society. Much of our difficulty arises from now obsolete concepts we learned at our mother's knee. One of these is the identity:

farming = agriculture = rural society

Another is the inequality:

rural society ≠ urban society,

which carried the implied value judgment that

rural society > urban society

None of these constructs will stand inspection today. 1/

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We seem to have the most difficulty adjusting our thought and behavior when the realities underlying simple constructs change. I shall treat all these relations briefly, but the focus of this paper will lie with farmers and farming.

In 19th century traditional rural society the identities of farming = agriculture = rural society generally held true and the traditional culture of rural life was clearly different from that evolving in urban America. Since the mid-19th century the application of science to the production processes of society has resulted in great specialization in which whole new industries have been created around what were formerly single functions in a traditional production process or old industry. Thus, many of the processing activities and the production of many farm inputs have been removed from the farm so that today farming is only one of several industries inextricably interrelated in the food and fiber sector of the economy.\(^2\)

Originally the occupational structure and most of the employment in rural society was accounted for by farming. As functions have been transferred from the farm, often to urban industrial settings, and as the great transformation in farm productivity has occurred reducing farm labor force needs, farming has become only a sector of the economic life of rural society. Thus, the identity of farming with rural society and with the food and fiber sector has ceased to have any reality and conceptual utility.

At the same time the industrialization and urbanization of the society and accompanying changes in communication and transportation technologies have resulted in an urbanization of traditional rural culture. Rural people today tend to hold much the same set of aspirations and beliefs as do urban people.\(^3\) This is most obvious in the case of successful commercial farm operator families. The economically successful sectors of rural life are (almost by definition) just those sectors most completely

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2/ From this point on I substitute the term "food and fiber" for "agriculture" to eliminate a word which has been used in so many senses as to become ambiguous, if not meaningless.

integrated into and sharing in the mainstream of the American economic and social order. Only in those areas and economic sectors of rural life that have been left behind does any major component of traditional rural culture still dominate behavior. Thus, the distinction between rural and urban has also lost much of its reality and conceptual utility.

Social and Political Changes

All of this is very obvious—and most thoughtful people seem to recognize it in one form or another. But I wonder if we are not failing to draw some of the most important conclusions from this phenomenon. I think we tend to see the economic organization change but do not recognize adequately the social and the political structure changes that necessarily follow or precede major transformations of economic organization. Politics and social organization have much to do with the alternatives we face in policy decision making.

This is too broad a topic to develop fully here, but let me make a few points. The economic and social organization of farming grows increasingly distinct from that of rural society. Farming relates less to rural institutions today than to the industrial structure of the food and fiber sector. Both farming and the food and fiber sector are withdrawing from rural life and institutions. It follows that the economic, political, and social interests diverge in many ways and often conflict. In designing public policy we cannot assume, as many still do, that farmers and their organizations or the food and fiber sector organizations will expend any of their political capital in support of rural community interests. Nor can we assume that rural society or the food and fiber sector will support farm programs that sustain farmer incomes by restricting inputs or output. Why should they support policies that reduce the volume of their business? As the political power of the nonfarm portion of the food and fiber sector continues to grow, "farm policy" as a distinct entity ceases to exist and a "food and fiber" policy develops which does not have as its object higher farm income, but maximum food and fiber "thru-put" at price levels that optimize total food and fiber sector income (but weighted by the
political power coefficients of the various components of the food and fiber sector. The price level that results will no doubt be lower than would prevail under a "farm policy." The individual firms and industries of the food and fiber sector will increasingly find that the only realistic path to maximum firm profit will be greater firm efficiency. Farmers will be no exception. An even more intense search for greater productivity and maximum efficiency is being forced on farmers by the food and fiber sector.

Family Farm Survival

A new issue, the first of major consequence in decades, now confronts commercial farming. Perhaps for the first time the question of the survival of the family farm as the characteristic organization of farming may be taken seriously. It arises as a logical consequence of the fact, attested to by the "Parity Report," that a very large part of commercial farmers are now getting better than opportunity cost returns on their resources. One of the major consequences of this situation is a rising rate of entry into farming by large nonfarm corporations such as the Monsanto Chemical Company which has embarked on a program to acquire 100,000 acres of farmland. The Wall Street Journal has a feature article describing the entry of other nonfarm firms. The vertical integration of food and fiber sector industrial firms back into farming continues and accelerates. All of these firms have better access to capital and specialized management skills than the typical commercial farmer.

Another matter complicates this problem. After the minimum efficient size of farm is reached there is no real evidence of either economies or diseconomies over the range of farm size for which we have observations. At least this is how I read the evidence and it is the conclusion as well of the fine recent study

4/ Consumer interests will reinforce this trend.
This means that the cost of food and fiber to the society is unaffected by the size of the farm firm. Thus, the question of the organizational structure of farming is not an economic matter at all (at least in the short run). It is directly a social issue of what kind of organizational structure we, as a society, wish in farming. It is a rare situation in which the issue of the optimum organizational structure of an industry does not involve primary alternatives of greatly differing direct economic costs.

I have simplified, of course, so let me add a few qualifications. There is nothing in the uncertainties of politics that guarantees that farm programs will continue indefinitely to generate opportunity cost returns or better in farming. It is interesting to note, however, that some rather large well run corporations are betting their balance sheet on it. Also it has to be said that the range over which we have data on economies of size in farming is not so great as to preclude large scale corporate enterprises from encountering different economic conditions as they expand well beyond this range.

In any case, it is clear that an interesting five to ten years lie immediately ahead and economists had best prepare to answer the full range of economic questions that arise in industrial organization problems—the effects of 1) various restrictions on entry, 2) imperfect market pricing, 3) nonprice competition on structure, performance, and behavior, to point out only a few.

Policy analysts' inability to meet many of the issues of the changing industrial organization of farming is evident in the handling of the current problems of bargaining. Despite some excellent

7/ Madden, J. Patrick. Economies of Size in Farming. Agricultural Economics, Report No. 107. E.R.S., USDA. February 1967. It should be noted that the "Parity Report" is also primarily the product of Madden's research efforts.
8/ In the long run, of course, it very likely remains more of an economic issue. Certainly in the limiting case of an oligopoloid structure substantial net economic as well as social costs are probably generated when compared to current industry organization.
9/ It is clear that many firms believe they possess superior managerial skills and it is also likely that they are counting on their own and other major corporations of the food and fiber sector to exercise the necessary political influence.
research in industrial organization, agricultural economists are not well prepared to meet these policy problems. And farmers and farm organizations are developing expectations of bargaining that cannot possibly be realized.

Program Benefit Distribution

Another dimension of "farm policy" in which options may be changing involve the equity considerations of the distribution of farm program benefits. The commodity programs particularly have come under fire in recent Congresses for the inequality of the benefit distributions and for the large size of payments made directly to the larger beneficiaries. We all have long appreciated that commodity program benefits are generally distributed proportionate to farm output. Even so, some work I did recently for Brookings and the Rural Poverty Commission, measuring these benefit distributions, left me surprised on several counts. The most concentrated benefit distributions are indeed very highly concentrated. The sugarcane program exhibits a Gini ratio of .800 with individual states running higher. Cotton had a Gini of .653 and rice .632. There is evidence in some cases of a time trend toward greater concentration. The addition of direct payments to price supports increased slightly the concentration of total wheat program benefits (the difference is probably not significant) but significantly lowered the concentration of total feed grain program benefits.

As analysis of this sort is available and, if the direct payments are published each year in the astonishing detail in which they were this year, the pressure for shaping a conscious policy on equity and for limiting payments will grow more intense.

10/ I had hoped that the Food Marketing Commission's report would generate more research, but I am not aware of any burst of new activity.


Another area of evolving new policy is for the small non-commercial farmer. This is not the right focus. Most of the efforts to date have been dominated by the irrationalities of rural fundamentalism which lead to the kind of program ideas that are at best confused, and at worst are cruel social hoaxes that trap people in a grinding rural poverty. The USDA's "small farmer" package recently presented at county level "grass roots" meetings is a case in point.\(^{13}\) While we should do what is "rational" in farm policy to aid small farmers, major improvements in their welfare are not likely to arise from farming. Rather they are much more likely to be rooted in improved employment opportunities in the local or nearby community, in additional training or education, and in other community-based nonfarm activities. In any case, my impression is that the problem of the small farmer is not really a matter of serious commitment in Washington, D. C., or in the states, so the final solution remains what it has been—escape from farming and migration.

No Manpower Policy

Increasingly one gets the feeling that in farming and in rural life we are losing our options as we go on from year to year with no conscious manpower policy for either farming or rural society. This has been too controversial a topic for policy action, involving a great potential for impairing (as they see it) the interests of farmers, other rural employers and most importantly rural politicians. So we drift while the vitality drains out of rural life and the human costs of adjustment to technological and organizational change are borne by those least capable of bearing such burdens. Despite our default the void is being filled. The manpower rules developed for urban industrial employment are being imposed step by step (by urban legislators) upon farming and other rural employment not previously covered. While many of these innovations are socially desirable, this process does not assure either an appropriate or comprehensive manpower policy, and our options in designing such policy shrink with each passing year.

The primary focus of any coherent political basis of support for the reconstruction of rural (non-metropolitan) society must lie elsewhere than in the institutions and organized power of farmers and the food and fiber sector. At this juncture it is difficult to

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\(^{13}\) Some specific items make sense but it is indefensible as a whole.
perceive the appropriate approach, but it seems to me that it must, in any case, be done in the context of a general reordering of community life, metropolitan as well as non-metropolitan. Thus, the political representatives and institutional leadership of smaller non-metropolitan communities must search through all the elements of modern urban society to find allies if they are to be successful in revitalizing the old rural community and reintegrating it with the mainstream of American life.

Farmers face the political necessity of allying themselves with the other industries of the food and fiber sector. This is imperative if farmer political action is to be effective in any constructive manner. Farm producer organization brawling with the other interests of the food and fiber sector presently disorders public decision making. As a consequence potential farmer political power is not effectively organized or exercised, and farmers become their own worst enemy.