encourage mechanization—a capital-for-labor substitution.
3. Continued high levels of economic activity and a tight labor market have made movement to urban employment relatively easy.
4. The demand for additional farm land by expanding farms has made liquidation of small holdings and early retirement more feasible and attractive.
5. Rural nonfarm job opportunities have grown and the potential for continued growth in recreation and small-scale industrialization seems likely to continue to offer opportunities for rural living and nonfarm employment.

The net impact of these changes is for pressure to remain on the rural labor resource, and it is likely that substantial off-farm migration is yet ahead.

Capital

Capital has become agriculture's fastest growing productive resource, as also seen in Chart 1. The use of purchased nonfarm inputs such as machinery, equipment, and production items has increased rapidly in recent years. Price increases for farm land, buildings, and purchased inputs have pushed capital requirements still higher. As the capital needs for efficient and profitable farming have increased, new procedures for acquiring sufficient capital have evolved. Leasing of equipment, hiring of custom services, vertical coordination, contract production, and use of merchant and dealer credit have grown in popularity. Corporate farming as a means of obtaining equity capital is often discussed, as are other credit innovations such as low equity and semipermanent financing. The accumulation of sufficient capital for efficient farming is a problem—implying that the need for farm credit will continue to be extensive.

CAPITAL AND CREDIT USE IN AGRICULTURE

Requirements for financing production assets and production expenses have increased steadily in the aggregate and at a much more rapid rate on a per farm basis. The total investment in production assets has increased from $125 billion in 1956 to $215.4 billion in 1967. On a per farm basis, the increase has been from $28,456 in 1956 to $73,120 in 1967—an increase of 156 per cent. Land and service buildings account for about three fourths of production asset investment and rising market values have contributed substantially to recent-year increases. In addition to rising prices, farm mechanization, production specialization, enlargement of farm size, and more rapid capital turnover due to technical obsolescence have increased the needs for more capital in agriculture.

Production expenses have risen from $22.3 billion in 1956 to nearly $34 billion in 1967. Average expenses rose from $4,957 per farm in 1956 to more than $10,000 in 1967. However, almost all of the increase has been for large farm operations. Although only 16 per cent of all farms had sales over $20,000 in 1966, they accounted for 70 per cent of all production expenses, averaging over $44,000 per farm. More importantly, these farms realized over 56 per cent of the total net farm income in the United States. These conclusions thus seem apparent: the most profitable farm operations have large gross dollar sales and are very capital intensive. The magnitude of these requirements places substantial strain on rural financial resources and on traditional methods of farm finance. One of these methods—the use of credit—has been a principal means of obtaining funds by corporate farms.

According to the June 30, 1966, survey of farm loans at commercial banks in the Tenth Federal Reserve District,[3] corporate farm borrowers held approximately $85 million in outstanding loans, or 4.4 per cent of the total dollar amount of all farm loans in the District. Partnerships held 5.5 per cent and sole

[3]Colorado, Kansas, Nebraska, Wyoming, and parts of Missouri, New Mexico, and Oklahoma.