Table 5
NET RATE OF RETURN AS PER CENT OF THE VALUE OF TOTAL INVESTMENT AND EQUITY VALUE

	Years			
	1959	1964	1965	1966
Total Investment	9.6	9.5	9.4	9.4
Equity Value Stockholder Standard*	16.6	11.2	10.9	11.0
Equity Value Landlord Standard†	11.1	11.7	11.7	11.8

*Assumes liquidation of farm business and investment in a portfolio of common stocks.

†Assumes a combined return of net rent from farm land plus capital gain.

SOURCE: *Parity Returns Position of Farmers*, 1967.

for measuring returns in agriculture which are summarized in Table 5. Although these studies follow different assumptions and computational techniques, they do show returns sufficient to attract new investors.

Other factors also may be encouraging agricultural investment. Land, as an inflation hedge, is a primary consideration. Speculation on further real estate appreciation for land near urban or industrial centers, or on land with mineral or irrigation potential, may induce some agricultural investment. Other personal motivations, such as the desire to be a "part of agriculture," must also be considered.

Another line of thought by investors in closely held farm corporations reaches the same investment decisions, but for different reasons. These investors anticipate farm prices remaining low or near support levels. They anticipate continued increases in the costs of purchased farm inputs and only modest increases in retail food prices. Because of this squeeze on farm earnings, they conclude that only the best-managed, adequately financed, and most efficient farm operations will remain in business. These investors view profits in agriculture as a function of the operation's size, efficiency of production, and marketing procedures. They conclude that incorporation with sufficient capital can provide a competitive advantage in reaching profitable operating and market levels.

Publicly held corporations investing in agricultural production and marketing or diversifying into agricultural production are numerous. Concern has been expressed with their entry into agricultural production. Their motives are frequently questioned by farmers and farm-related organizations and may be quite different than those previously discussed. Some additional considerations behind their entry into farming are the following:

Vertical Integration. Technological innovations have been a primary consideration in integration. The reasons for integration into contract agricultural production by vested interest firms are usually suggested as being (a) to protect their markets for farm inputs, (b) to increase volume of farm input marketings, (c) to guarantee an ample supply of farm products, or (d) to insure consistent quality of product.

Diversification. Conglomerate firms and nonagricultural firms entering agriculture may be doing so for protective diversification into the food industry—a reasonably stable industry with growth closely tied to population. A desire to offset seasonal or Government related business vulnerability may also be an issue.

Tax Advantages. The possibility of realizing substantial capital gains, of realizing favorable rates of depreciation on machinery and equipment, and of incurring losses through cash accounting methods in certain years may produce considerable tax savings to some firms and individuals. These motives are not well understood and are difficult to research.

Inflation Hedge. Past rates of appreciation on farm land and rural real estate with development potential have been impressive. Although there is no assurance of continued increase in land prices, acquisition of farm land remains an attractive inflationary hedge for firms with adequate liquidity. Because of other considerations such as rapid transportation, urban sprawl, population growth, and expanding recreation needs, land may be acquiring a renewed investment appeal.