

degrees of managerial supervision from suppliers and creditors. In selling, farmers are faced with increasing pressures and incentives to standardize product quality and to gear large and regular volumes of product supplies to particular market outlets.

Options in selling are being narrowed further by a reduced number of buyers and by disappearance of traditional open markets. Many producers are finding it more and more desirable to have a specific sales outlet in sight before making production decisions.

How much managerial independence has been lost by farmers varies widely among enterprises and areas of the country. The shift of entrepreneurial functions off the farm has been greatest for poultry and some specialty crops. Farmers in the Midwest, particularly in Indiana, with which I am most familiar, appear to have retained more decision-making latitude than farmers in other areas, but their traditional types of operations are being strongly challenged by integrated production-marketing systems in other sections of the country.

Other well-known characteristics of agriculture intensify changes in number, size, and managerial independence of farmers as well as bring repeated pressures on earnings. Uncoordinated output frequently results in supplies greater than the market will absorb without sharp declines in prices. Quantities taken by the domestic market are little influenced by income or price changes, and foreign markets are often unpredictable. Relatively high fixed costs in agriculture cause farmers to keep on producing even when prices decline. The onrush of technology brings constant pressure for adjustment. With purchased inputs growing in importance and consumption expenses rising as farmers obtain an increasing share of family living items from the market, many farmers have become increasingly vulnerable to farm income fluctuations and to the cost-price squeeze from declining farm prices and rising nonfarm prices in an inflationary economy.

We turn now to prospective tendencies with no change in public policy.

With continuation of present policies, we will likely see substantial further vertical integration both through direct ownership and by contract. We would expect open markets gradually to dry up and prices they generate become less and less representative of general supply and demand conditions. Variability among buyers and sellers in the quality and amount of market knowledge they have to make trading decisions, and consequently their negotiating skill, may widen.

Management will likely continue to gravitate from the hands of farmers to those of processors and suppliers and the farmer's role reduced further toward that of a laborer. Integrating companies may not completely take over the production of food and fiber by owning the land and capital and hiring the labor so long as they can earn more with their resources in other uses. Also, by using contract, integrating companies may be able to avoid some employee costs, such as social security, workmen's compensation, and possibly union wages, which would likely come with complete ownership of land and other production resources. In addition, extensive outright ownership of farm production resources by nonfarm firms will tend to be discouraged as long as relatively free entry into agriculture draws capital