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EFFECTS OF CHANGES IN INDUSTRY ORGANIZATION ON FAMILY FARM AGRICULTURE

American agriculture is currently undergoing a profound reorganization in which farmers are losing managerial independence. Entrepreneural functions inherent in family farm agriculture are gravitating to decision-makers elsewhere.[1] This trend is disintegrating the family farm in ways not fully visible from trends in farm numbers and sizes. Farmers see at stake their freedom and economic status relative to other groups.

Yet, some of the tendencies toward greater centralization of decision-making and concentration of power do not appear to be inevitable. The agricultural economy can probably achieve high levels of efficiency and progressiveness under a variety of alternative institutional arrangements. The current and acute policy question involves whether and how to guide the course of organizational development. Inadequate analysis of policy alternatives could result, on the one hand, in unwanted organizational patterns, or on the other, in undesirable forms of legislation. The most forceful argument for taking positive steps to support family farm agriculture is to enhance decentralized decision-making and diffused economic power in our society.

Highlights of developing structural trends

Rapid change in number and sizes of farms is an important cause of anxiety among farmers and disturbances in rural communities, but this alone is not the central issue. In size of business, most farm production units can still be classified as family farms. That is, farm families provide a large part of the labor except for seasonal work and transitional stages in the families. Furthermore, research studies relating cost per unit to size have generally shown that all of the economies of size can be achieved by modern and fully mechanized one-man and two-man farms.[2] Although technology will not remain constant in the future, 10 or 20 years from now we will probably still count large numbers of family size farms.

This is not to say that adequate size of business is not important. While the total number of farms in the United States dropped from 4.1 million in 1959 to 3.25 million in 1966, those with annual sales of $20,000 or more rose from 325,000 to 527,000. These farms accounted for about half of the value of all farm products sold in 1959 and about two-thirds in 1966.[3]

Large farms also earned higher average rates per unit of labor and capital employed in farming than did smaller farms. Many operators of small units recognize that they must grow larger to earn returns more nearly comparable with returns to similar resources employed outside of agriculture. Hence, farmers compete intensely for additional land.

The share of business done by large farms is expected to continue rising, but the increase will come mainly from greater numbers of farms in large size classes rather than large farms in existence growing to massive size.[4]

Loss of managerial independence

When we turn to entrepreneural functions, we often see more profound change. In producing some commodities, farmers are subject to increasing 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

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[1] We have generally defined a family farm as one in which the entrepreneural functions were vested in the farm family. In addition, the farm family furnished most of the labor except for seasonal work or transitional stages in the family. The farm was large enough to employ resources of the farm family efficiently. See Joseph Ackerman and Marshall Harris, ed., *Family Farm Policy*, (Chicago: The University of Chicago Press, 1947), p. 389.

[2] J. Patrick Madden, "Economies of Size in Farming" Agricultural Economic Report No. 107, USDA, ERS, February, 1967.

[3] "Parity Returns Positions of Farmers," Report to the Congress of the United States Pursuant to Section 705 of the Food and Agriculture Act of 1965 by the Department of Agriculture. 90th Congress, 1st Session. Senate Document No. 44. August 10, 1967.

[4] Radoje Nikolitch, "The Adequate Family Farm—Mainstay of the Farm Economy." *Agricultural Economics Research*, Vol. XVII, No. 3, USAD, ERS, July, 1965, pp. 84–89.