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 entrepreneural functions off the farm has been greatest for poultry and some specialty crops. Farmers in the Midwest 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.

Other characteristics of the agricultural industry

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.

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 contracts, 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 and labor of farmers in quantity great enough to keep output pressing on available markets and downward pressure on prices.

But we should recognize that nonfarm capital may be invested in agriculture because of tax advantages or other reasons not directly related to the productivity of the investment. Where this occurs, land prices will tend to be bid up further and competitive pressure on traditional agricultural producers will be intensified.

Public policy approaches to strengthen family farm agriculture

Three broad policy directions appear to have a place. Owing to the great diversity in American agriculture, no single approach is likely to be appropriate and effective in all situations. In several ways various approaches may be complementary and interdependent. The emphasis given to each will need to depend on individual situations and on the support each receives.

(1) Improving the functioning of competitive exchange processes

Competitive exchange processes, including open markets, could be made to perform more effectively by expanding the broad range of marketing service and education programs now in existence so that market positions based on superior knowledge would tend to be undermined by more informed and skilled competitors. New legislation may be needed to provide that public agencies could obtain accurate and essential basic data for rapid summarization by computer and immediate transmission of relevant market knowledge over modern communications networks to interested buyers and sellers.