

The use of credit is a necessity and it is expanding rapidly at a time when interest rates are at the highest levels since the Civil War.

In some areas, farm demands for credit have already outgrown the lending capacity of the country banks and the country banks have had to turn to city banks and compete with other industries for loan funds. This condition is likely to worsen in the future.

This is a situation in which corporations which have undistributed capital and reserves available for investment in land and farming operations can have an important competitive advantage over the family farmer who must get his credit at retail.

In other words, while the corporation farms cannot outrival us in production, they may very well outfinance us.

Another factor which has made family farm agriculture unable to benefit by its own efficiency and productivity has been the inability of agriculture to obtain measures which effectively avoid the production of oversupplies for which there is no possible market.

Still another drawback for family farmers is that they have not been able to obtain enabling legislation to make farm bargaining truly effective.

All of the handicaps of family farm agriculture could conceivably be rectified. But, until measures are taken to provide full parity price and income support assurances for family farmers, until there is a return to reasonable interest rates and ample money supplies, until effective supply management tools are available to farmers, and until workable farm bargaining becomes a reality on the major commodities, agriculture will continue in a position where corporation farms can hope to invade agricultural production successfully.

The corporations, of course, do not have to show a profit immediately—because of the tax-loss gimmick, they can operate at a loss, flood the markets at a loss for long enough to drive family farmers out of production.

Ordinarily, the corporations do not disclose why they are going into farming. No doubt, they may have a number of reasons for doing so. Some may have felt in the fall of 1966 that a new era of prosperity and unlimited national and foreign demand was about to begin as a result of the success of the farm programs of 1961-1966 in finally clearing away the surpluses which had overhung the market.

It is possible that some companies jumped into the agricultural game because of the selling job some fertilizer company may have done on the brilliant future just around the corner.

We rather expect, however, that the motivation of the conglomerate corporations and the packers and the food chains in moving into agriculture is to achieve two things, neither of which is the immediate profit on the farming operations.

We assume that perhaps the two principle goals are, first, to develop sufficient economic concentration in the food industry from the farm to the consumer so that an effective monopoly will enable those who dominate the trade to extract whatever price they wish. The second is to obtain an alternative source or supply of farm products so that they can draw on these supplies and for practical purposes place a ceiling on the price which they have to pay for farm products in the open market.

The latter has been amply illustrated by the manner in which food chains and processors have used feedlots under their ownership and control to bypass the competitive markets and depress prices. The same is true of the egg factories which have sprung up and in some areas have been used to drive down and hold down egg prices so low that family farmers have had to give up in despair.

Yet, lower acquisition costs for the processors and food chains are rarely if ever passed on to the consumer to any significant degree. Rather, the experience of the past several years has been that the packers and processors and food chains have used declines in the farm market prices to widen the marketing spread between the farmer and consumer at the expense of both.

Earlier, we made a study in Farmers Union of the prices which farmers would get if they could obtain the same rate of mark-up as the automobile industry uses to price its products. We found that the price at the farm-gate would have to be three times what it was at the time that the study was made.

We hope that there will never be a monopoly in the food business that can get away with the kind of markup which has been found to prevail in some sectors of the drug manufacturing and wholesaling business. This simply would not be