

farm as it passes from one generation to another has often been very costly, especially in the efficiency of operation of the second generation. The beginning farmer characteristically starts with low equity. As a result he is unable to borrow or otherwise acquire sufficient capital to achieve the highest levels of productivity and efficiency. This period of reduced productivity when he is just starting out also coincides with the period of time when the living needs of a young growing family are at a peak. Commonly sufficient capital is only acquired to have a truly efficient operation at middle age when the family demands are much lower.

This household farm competition for capital funds not only causes hardship to the farm family, but greatly reduces the productivity and competitive position of the family farm. To meet these problems new methods of transferring commercial farms between generations and financing their capital requirements are badly needed. The basic needs are to achieve continuity in effective operation as farms transfer between generations and to remove the need for the individual farmer to become worth a hundred thousand or two hundred thousand dollars in his lifetime in order to become a successful farmer. Part of this problem may be handled through family partnerships. The farmer may be in a partnership most of his farming life, the first half with his father and the second half with his son. Financing or credit based on repayment capacity rather than the current standard of equity is an absolute must. Farmers Home Administration have pioneered this kind of low-equity financing but are not yet equipped nor authorized to fully meet our probable future needs. The idea that the commercial family farmer never acquires debt-free ownership of his resources is essential. The need for permanent debt could be met by partially un-amortized loans, and this I think could probably be achieved through existing commercial channels. Incorporation of the family farm as a family corporation can in some cases meet these financing problems and continuity problems, but ultimately only if the family members who own stock are satisfied to leave at least a substantial part of their equity in the farm.

These problems of financing the commercial family farm on a suitable basis seem to be at least as significant to the economic viability of the family farm as any possible competitive economies of size to be achieved by the very large essentially nonfarm corporations.

The possible sources of further economy for these large corporations in farming are relieved by achieving the new dimension in size. With very large volumes, they will be able to buy and sell with some advantage. They would be adequately financed and on a continuing basis. There may also be some economy in the more intensive use of capital inputs. One recent corporate agricultural venture, for example, is investing in small grain production through the Central States and they are operating in blocks of 8,000 to 10,000 acres and they started the season in Texas and move on up, this is their plan, through the milo, wheat, and corn belt, with specialized equipment and trained people will move along with them and hence they are able to make much more intensive use of both the capital and highly trained people. In the context of local farming this means wearing a combine out in 1 year, not paying the heavy depreciation on it.