

Many family farms do not meet these conditions, primarily because of lack of adequate size or productivity. The existence of a significant number of commercial family farms which are competitive, however, demonstrates the economic viability of the family farm as a type of production organization in the present situation. As in the past, one of the big threats to the concept of the family farm is the existence of so many economically inadequate family farms.

The commercial family farm faces two possible major threats in the future: the magnitude of capital requirements is straining the owner operated basis of the family farm, and; a new dimension of economies of size in the large corporate organization may be able to achieve new competitive advantages in the cost of operation.

Capital requirements for the truly commercial family farm have been increasing rapidly in the past several years. In the immediate future they will exceed \$100,000 per farm as an absolute minimum and are likely to exceed this figure considerably in the fairly near future. To acquire ownership of this amount of capital in one generation may well exceed the capacity to pay off debt of even a commercial family farm which is able to pay a good return to operator labor and management. The conventional goal of achieving full owner operatorship in the family farm means saving over \$100,000 during the farming life of a farmer. Even though a farm is paying a good labor income this requirement of forced savings will become increasingly burdensome.

The common practice of financially and physically liquidating the family farm as it passes from one generation to next is also often costly. The beginning farmer commonly experiences such capital scarcity that the efficiency of his operation is significantly impaired.

The beginning farmer characteristically starts out with low equity. As a result he is unable to borrow or otherwise acquire sufficient capital to achieve highest levels of productivity and efficiency. This period of reduced productivity also coincides with the period of time when the living needs of a young family are relatively high. Commonly, sufficient capital is not accumulated to permit peak productivity in the farm until middle age when the family are grown up and the family needs greatly reduced. 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 family 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 farmer to acquire \$100,000 to \$200,000 equity in his business in order to be 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 equity is a must. Farmers' Home Administration have pioneered in this kind of low equity financing but are not yet equipped and authorized to fully meet our probable future needs. The idea that the commercial family farmer never acquires debt free ownership of all his resources is equally essential. This need for "permanent debt" could be met by partially unamortized loans—and this could be probably achieved through existing commercial channels. Incorporation of the family farm can in some cases meet these financing problems but ultimately only if all family members are satisfied to leave at least a substantial part of their equity in the farm on a long basis.

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 non farm corporation organization.

The possible sources of further economy for the large corporate organization arise largely from the new dimension of size involved. With very large volume, they could likely bargain more effectively in buying inputs and selling product. 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. Operating in land blocks of 8,000 to 10,000 acres, the season will begin in Texas and move north through the milo, wheat and corn belts. Specialized equipment and trained people will move from one place to another as the season progresses.