

In short, most of the land sales in the State today are to expand existing farms. The proportion of the sales going to investor buyers is stable and relatively constant at about one in seven sales, or say in the 12- to 14-percent range. In short, there is definitely a trend toward a concentration of holdings. It is not only mirrored by the incorporation of farms, but by the operation of the land market. I think we should not be under any delusions that this trend is inevitable.

I have been quite interested, Senator, in some of the testimony this morning, particularly the testimony that purports to report to you the number of farms that will be in existence, say, in 1980 or in the year 2000. I believe there is a confusion between projection and prediction, and statements of policy. If I say to you that I think there will be a hundred and twenty thousand farms in Minnesota next year, that is a projection or a prediction, but if I say to you I think there will be only 100,000 farms in the United States in the year 2000, that is a statement of my policy. It is not a prediction, because there is nothing inevitable about that 100,000 figure. It depends on our policies over the next 30 years. I presume that the whole purpose of these hearings is to examine the policy steps that are involved in determining whether or not that statement of prediction, which is in fact a statement of policy, is based on sound grounds.

With that in mind, I propose to raise some questions about the nature of the motives that now seem to be apparent in the incorporation of farms.

In the first place, it is not at all clear that the farms now being incorporated are in all cases incorporated for economic reasons that are in the national interest. They are economic reasons that are sometimes in the interest of individuals, but they may not promote good economic production measures in agriculture.

One reason is that many of these incorporation activities in recent years are quite apparently motivated in part, and sometimes primarily, because of tax policy. Now, taxation is a policy measure and tax policy can be changed. So if tax motives underlie this increase in farm incorporation, then we can certainly change tax policy if we decide it is in our interest to do so.

I would like to elaborate on this point just a moment. We make heavy use in the United States of the progressive income tax. In fact, no other developed nation makes as heavy a use of direct taxation in raising public revenue as we do. And it is applied in agriculture, which is a rather recent phenomenon. In practical terms, though we have had an income tax since 1912, it was not really applied in agriculture until after the Second World War. So you can say in rough terms we have about 15, at most 20, years of experience in applying income tax to agriculture. Prior to that time farm incomes were too low so that most farmers fell outside the tax system and reporting was very inadequate. This has changed. With the income rise, reporting has been improved. As a consequence, any step that we take to aid agriculture through favored treatment in the income tax contains a built-in bonus for big farms. It is an automatic advantage to the rich, the wealthy, and the large, because it is a progressive income tax. So anything you do to help farmers through the income tax, any favored treatment, any concession, is an automatic incentive to large units.