PROFILE OF AMERICAN AGRICULTURE

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Only a few years ago, agriculture was written off as a fading sector of the nation's economy; but today, it is recognized as a major growth industry. It is in fact America's largest industry. When its supply and processing industries are included, agriculture accounts for about one-sixth of the gross national product, about one-fifth of total employment, and about one-quarter of export earnings. It is thus the foundation for a substantial share of urban and rural employment and of the market for industrial and consumer products.

The many new and diverse social and economic forces at work in this country, together with changing patterns in world food demand, have greatly altered the structure of U.S. agriculture over the past decade. Once a distinct economic sector and a unique way of life, agriculture in the United States has become increasingly integrated into the industrial and service economies. The rising volume and cost of marketing and processing food and other farm products and the increased dependence of all farmers on industrial inputs have given impetus to this trend.

Farmers are vastly more dependent on industrial products such as power equipment and agricultural chemicals than they were a few years ago. Tractors, harvesters, chemical fertilizers, pesticides, and systems for raising poultry and swine have replaced both family manpower and hired labor on American farms. Companies producing farm equipment and materials or transporting and processing agricultural products are as dependent on farm prosperity and stability as the farmers are. Because of this dependence, agricultural policy must be viewed in terms of the broad national interest in economic growth, employment, and trade.

Agriculture represents an important economic asset for the future. Output per man-hour has grown much more rapidly in agriculture than it has in manufacturing, and this increase is likely to continue. Food supplies in the United States have grown far more rapidly than the growth in domestic demand has required and will probably continue to do so. Export markets constitute a major outlet for this increasing production. The United States can look forward to exchaning agricultural commodities (supplies of which can be replenished each year) for scarce raw materials and resources (supplies of which dwindle through use). To cut back farm production would waste real resources, impose substantial tax burdens, and create serious welfare problems in rural areas.

Because of the sustained reduction in farm population, production has become concentrated on fewer farms. As a result, two readily identifiable segments of agriculture have emerged, one geared largely to farming, the other to jobs in the industrial and service economies.

In the United States, about 60 percent of all agricultural products are marketed from the largest 250,000 farms; another 20 percent are marketed from the next largest 350,000 farms. Together, these large operations, run primarily by individuals whose principal occupation is farming, constitute less than 25 percent of all farms in the United States, but they regularly account for some 80 percent of all farm marketings. At the other extreme, only 20 percent of U.S. agricultural products are marketed by families on nearly 2.2 million relatively small farms, that is, by more than 75 percent of total farms.

These two groups of farmers exhibit great diversity in size and in methods of production. They are vastly different in their utilization of markets for agricultural products at home and in their dependence on markets abroad. They relate to the overall U.S. economy in strikingly different ways. Larger farmers are dependent on a world of consumers as a market for food. Small farmers, on the other hand, are increasingly dependent on full employment to provide supplemental or full-time jobs and are less dependent on farm markets.

Most farms in the United States are operated by individuals and partnerships. In 1972, of the 1.8 million farms in the United States with annual sales of more than $2,500, 85 percent were owned by individuals, 13 percent were owned by partnerships, and the remaining 2 percent were under corporate or other ownership. The trend toward larger farms thus is not a trend toward corporate control of agriculture, although corporate and partnership farms often tend to be relatively large operations. Production units in certain sectors, including poultry raising and cattle feeding are generally large and often corporate. But the backbone of the American farm economy remains the family proprietorship of one or a few persons.

Migration from farms, especially by young people, continues, but the great exodus from farms to metropolitan areas during the past half century is drawing to a close. Since 1960, the number of farms in the United States has fallen from nearly 4 million to approximately 2.8 million, a drop of 30 percent. Farm acreage has declined as a result of urban expansion, road construction, and farm abandonment, but not by a significant amount. Farmers have readily absorbed the farmland made available by those who left farming and would have taken more if it had been available. But further development of the cropland base will come only slowly and at greater expense.

The farm population (4.5 percent) is now so small in relation to the total population that further migration from farms will not be substantial. Annual agricultural employment, which was 4.5 million persons only ten years ago, is now about 3.5 million persons, or only 4 percent of the total labor force, and it is still declining.

Of the farm families that left agriculture during the past four decades, many were responding to the more attractive full-time and part-time employment opportunities in the industrial or service sectors. Others were forced out of agriculture by the greater capital and management demands of modern agriculture. Federal programs, especially the cash subsidies that supplemented price supports in the 1960s, may have quickened the movement from farms by providing large operations with the capital needed for investment as labor use declined. Farmers' equities in land, livestock, and equipment have doubled since 1960.

Technological improvements made the substitution of capital for labor particularly attractive in the economic climate of the past twenty years. Rapid expansion of nonfarm jobs complemented the ready availability of highly productive substitutes for farm labor. Farmers were able to expand production sharply because a ready supply of industrial inputs was available. At the same time, farming became increasingly vulnerable to inflation in the overall economy, especially in prices of machinery, fuel, and chemicals.

The industrialization of farming and the urbanization of rural life have been accompanied by significant changes in the financial position of farmers. The current value of farm assets has increased sharply, from $203 billion in 1960 to $455 billion in 1973. More than half this gain was real because price increases in the same period were about 50 percent. Annual cash outlays for current production expenses more than doubled, rising from $26 billion to $64 billion a year in the same period. Most of these changes occurred on the relatively large and expanding farms, but small farms operated by men who regularly work off the farm have also been mechanized, with attendant increases in financial obligations.

Rising employment of farm people off the farm brought major gains in rural incomes and further integration of the farm and nonfarm economies. American farmers increased their off-the-farm earnings from an average of $2,140 in 1960 to $8,249 in 1973. Most of these gains went to some 2 million small farmers whose average sales of agricultural products were $10,000 per year or less. Farmers with annual agricultural sales of $5,000 to $10,000 now earn an average of twice their farming income from nonfarm jobs. On 1 million of the smallest farms, where annual agricultural sales were under $2,500, more than eight times as much was earned from nonfarm jobs as from agricultural production in recent years.

Integration of the farm and nonfarm economies by means of increased capital investment and employment of farm people in nonfarm sectors may well accelerate in the next decade.

Distinctions between agricultural and industrial production will diminish further, and farm and non-farm people will realize similar standards of living, a development already far advanced. In 1973, the average per capita income of farmers, including small farmers, was greater than the average income of the rest of the labor force. This represents a sharp improvement upon the situation of fifteen years ago, when farmers enjoyed only half the income level of families in the rest of the economy.

Current Perspective

Spokesman Review Editorial Jan. 1975

Putting two and two together, it is obvious this country has been lax in agricultural planning. It is crucial that we form a national policy for food production and encourage other nations to do the same. Beyond that, we should be giving far greater weight to agricultural research.

Summary: With world famine and worries about our own capabilities, we are having to put a new emphasis on food production.

Doane's Agricultural Report - Jan. 10, 1975

"Borrowings by farmers will post another record increase in the current year, even though the availability of funds at some institutional lenders will be fairly tight," forecasts the Federal Reserve Bank of Chicago. They look for outstanding farm debt to reach $108 to $111 billion by year end, compared to around $95 billion outstanding at the end of 1974 and $84 billion the year before. Debt 1973-75 - up 32%.

Total Washington Farm Expense & Income

.000 added

	Gross Production Expense		Net Farm Income		% Change
1972	$ 852,200		$ 383,000		45%
		22%		76%	
1973	1,041,600		673,900		67%
			Better margin		22%

Source - The Farm Income Situation - Published by Economic Research Service, U.S. Department of Agriculture.

SPUDS

	Harvested Acres		Production	
1972	75,000		31,365,000 cwt	
		9.4%		11.4%
1973	82,000		35,260,000 cwt	

ECONOMIC DATA

Net Income/Production Cost (except rent & sprinkler costs)

1972	55%
1973	66%
1974	98%

1972-1974 Costs up 62%
Values up 154%

Conclusions

1. Your costs are going up - inflation
2. Your returns are going up -
   a. Unit values (however cyclical)
   b. Operating efficiencies
   c. Greater unit productivity
3. Inflation will continue at somewhat gradually lessening rates
4. Consequence of a recession?
   a. People must eat - staple foods
   b. Food demand last to falter
5. Certainty that funds to finance agriculture will be available
   a. At a price
   b. Priorities of realistic needs

Guidelines to Farm Operating

1. Management
2. Know & control your costs
3. Structure your debt realistically
   a. Clean up annual operating line - avoid carryovers - performance
4. Avoid capital expansion
   a. Cost & availability of funds
   b. Priority
5. Avoid price speculation except for profit margin in crops
6. Retain your earnings
7. Austerity and self discipline