The American Farmer has really been the conservative balance wheel of America. From rural America have come many of the great leaders of our nation. These great leaders have been made, in my opinion, due to the fact that they lived in a rural community, grew up where they met the problems of everyday living and started early to make decisions of their own, unlike children who grew up in a city.

Today these people are forced to leave the farm. But they face a completely different setting, which we are trying to overcome by building playgrounds, by building many other modern facilities considered important in our society.

What we have here is, I think, dreadful. Not that I am trying to say that once they leave the farms they do not have good moral characters. But the farm is the ideal setting—the family in a rural community. We see this family actually disappearing, due largely to economic forces.

We should take a look at the rest of the world to see that as countries have developed they have gone in many instances toward totalitarian governments of some type. In these you always see the disappearance of family farms. When the cycle is completed, the result is government dictatorship of some kind and government ownership eventually. As family farms disappear they are replaced by a corporate agriculture with a few large landowners. And then those nations that have returned to a true democracy have divided up the land again. This is one of the first things that happens in many of these foreign nations as the change develops from some type of totalitarian government back to a democracy.

1 President, National Farmers Organization.
TRENDS IN AGRICULTURE

There is a trend toward a corporate agriculture—a vertically-integrated agriculture. It gets the blessing of people that are supposed to be intelligent. People supposed to be the best observers of what is happening in agriculture actually are saying that this is the type of agriculture we should have. This, to me, shows a lack of understanding of the problems of rural America, the problems of our nation and, in the end, lack of understanding of what has happened in other nations. We had better take a leaf from history and note what has happened and what is happening in America. Now if this sounds alarming, it is just that we are about to have a complete development of a corporate, vertically integrated agriculture. This is more of a reality than many people realize.

I once saw a publication giving some government statistics. This report pointed out that in about 1958 there were predictions that one million farmers would leave the farm in the ten-year period from 1960 to 1970. This report showed that it is not going to take that ten-year period but is going to be accomplished in five years. It indicated that 150,000 left in 1960, 150,000 in 1961 and more than 200,000 in 1962, and it predicted that far more than 200,000 will leave again this year. This is going to happen in a period of five years. But this is not going to stop at the end of five years because the same factors which cause this to happen will continue to operate unless we do something about it.

What is really happening in rural America? I think my community is typical of any community. Not long ago, I visited friends living ten miles from my home. They brought to me the stark realization that this is far more serious than I had realized during my travels to many areas. They talked about a fertile area of northwest Missouri, a good productive agricultural area. This family told about a situation that is common throughout rural America. Of the farmers living on a ten-mile stretch of road in a fertile agricultural area they could only think of three that they considered to be young farmers. And when they named them, I didn’t consider two of them as young as my friends did. One of them was 42 and the other one was 39. The other farmer was 33 years old.

My friends had worked hard all their lives. They had reared three boys. They had hoped that one of these boys would stay on the farm. Consequently they had made sacrifices beyond just doing without luxuries; in some cases they have gone without necessities. They had accumulated quite a lot of land and now they were in their late sixties, with not a boy there. One son had
started out farming and had decided that he could get a better livelihood by going to town. Who was going to take this large farming operation over? Were they going to rent it out or hire a hired man? This was impossible. This is the situation all over America.

When they sell that farm or when it changes hands, what happens? In all likelihood it won't be a young farmer who will buy this operation. It will be someone with 10, 15 or 20 years of labor, experience and investment behind him. He will not have a $100,000 investment. He will probably tie that with another $100,000 investment. And when this happens he will have farm units from then on representing a $200,000 investment.

At some point the investment becomes so high that the means of getting the young farmer started in the farming business has been destroyed. So much capital has been brought together that there is no way of really dividing it. The only thing that can really take that operation over in the end will be a corporate structure or a vertically integrated set-up. In such an operation, outside capital is first. Outside capital carries on the operation, and those that do the actual work are, for all practical purposes, nothing more than hired men.

This is the situation throughout rural America. Some people say it is unimportant because only 8 percent of the population are farmers. We could even do without that 8 percent as far as economists in our country are concerned. It doesn't make any difference whether you are 8 percent of the population or whether you are 25 percent of the population as far as spending or the cost of the production of agricultural commodities is concerned; it is still the same as far as land is concerned, largely speaking.

When farmers' profits are not sufficient to buy new tractors, new trucks, paint buildings and build new fences, there is a great drag on the entire economy.

This does not refer to just the 8 percent of the people that live on the farm. This includes the people that live in every rural town in America, that take up another good-sized percentage of the population. This is at least 20 percent of the people, and more likely 30 percent of the people who are directly affected by the income level of farmers. It is important because there is not a single town in the state of Iowa that does not depend on agriculture. In this great Midwest, the heart of the agricultural area, there is not a town under 15,000 that has any other source of income for all practical purposes than the purchasing power of the American farmer, even though there may be a small factory in the town.

Those small rural communities are service centers for
American farmers. That is the only reason they are there. When farmers leave the farm, the same percentage of those service centers necessary to accommodate the farmers in that area are forced to leave also. So all this adds up to one of the basic reasons why there is a continuing economic drag in this country. As many economists pointed out in the past, the level of agricultural prices has been one of the major causes of depression. There are many built-in factors today that did not exist in the past. But still there is a greater backlog of purchasing power in our American agriculture than in any other segment of our economy. So it does not only affect directly the farmer but it affects also every American. Therefore, let us look at the type of economy we have. The average age of farmers is considerably above 50. In any rural community very few of the boys and girls graduating from high school are staying on the farm. Most polls indicate that very few parents are even suggesting that their children stay on the farm. Not because they do not like the rural community, not because they do not like their farms, but because there is a lack of profit in the American agricultural industry. The entire industry, representing more than 13 percent of the nation's total investment, last year returned less than 3.1 percent of the national income.

It is not good business for the American farmer to continue to operate this way. Those leaving the farm are leaving it because of (1) age, desire to take social security or health reasons or (2) economic reasons. The latter can be divided into two categories. Either they have lived off their depreciation as long as they can or else they, as businessmen, can see that they are going to use up their depreciation and therefore take what assets they have left and go into some other field. They likely may pick up a lunch bucket, with no investment, and enjoy a far higher standard of living than on the farm. This adds not only to the problems of rural communities but also to the total problems of urban areas.

I'm not saying that the farmer must have a larger farm than 50 years ago to be a part of the modern agricultural technological industry. But there is more to having an efficient industry than just being efficient in production. The guide rules of economics in every other segment of our economy say increase your efficiency and you'll increase your profits. But this has been untrue as far as agriculture is concerned. In fact as we have increased our efficiency we have really been penalized for that efficiency. We have become the most efficient industry in America and in the world. We have more than doubled our efficiency in the last ten years. Fewer people produce more food than our people consume.
We can be proud of our efficiency; we can be proud of our achievements. With one hour’s wages the American people are able to buy more food than ever before in history. We have been able to subsidize the rest of the economy with low agricultural incomes. We have done this as a result of long hours of labor and a lower standard of living simply because we enjoy living in rural communities and have been willing to make the sacrifices necessary in order to stay on the farm. This is a fast changing situation. The area is dotted with commercial feedlots. We hear more and more about vertical integration, about contracts with processors, chain stores and such. We see this agricultural economy tying directly from the financial standpoint to outside investment interests for the first time.

We must not only be efficient in producing but also efficient in selling. We of the NFO have supported any legislative programs or administration policies that we feel will increase farm income. This we feel is not only the duty but the responsibility of any farm organization that is supposed to be representing farmers. We feel that if we do not support efforts that will increase farm income until farmers have equitable prices we would not be fulfilling our responsibility to farm organizations.

WHAT NFO IS DOING

The NFO has supported and will continue to support any legislative programs and administrative policies to increase farm income. We in the NFO strongly advise our members, for example, to vote “yes” on the wheat referendum. The passage of the proposed wheat program will either make or break the farmer. We are joining with the National Wheat Growers, National Farmers Union, MFA and Grange.

What do we feel is the basic problem that the American farmer faces? Our feeling is that if we want to succeed in the type of agriculture we have, we must make a profit.

It doesn’t make any difference whether a man is a farmer or a businessman living on the corner of Main street. He must profit in his business or he will start to live off his depreciation. When this happens, his days and years are numbered because it only takes about so long until he has to risk his capital assets even to stay in business. It then comes to the point that he has to make the decision of risking further capital assets or of taking the assets that he has and getting out of that business and into some other.

This is the situation of many farmers today. They are trying
to determine whether to keep their assets and their liabilities in agriculture. This is a decision they must make in the next two or three years, and it can vitally affect the entire future of American agriculture. It is said that the inefficient must go. But for many it's not a matter of inefficiency; it's only a matter of reserve. It makes a great deal of difference when a man started farming. If he started in 1938 or 1940 his farming operation was uninterrupted during World War II. He can be an efficient farmer in the eyes of many people because he can continue to farm. He has a reserve.

But those who came back from World War II and enjoyed two or three years of high farm prices face a different situation. They may be far more efficient than the farmer who started farming in 1938 or 1940 or 1942 or 1944. But it is a matter of reserve. We recognize that in any business or in any industry a man must be efficient in producing. Efficiency is the basic principle of the American free enterprise system. But at the same time we must not say that people are inefficient because they are forced to leave the farm due to circumstances beyond their control. That is not a matter of inefficiency; that is a matter of having started at an inopportune time, and this is the situation developing throughout rural America. There is more that goes into an efficient industry than just efficiency in producing. There must be efficiency and effectiveness.

First, farmers must organize, because there is no substitute for organized strength in an organized economy. If farmers want to price their products, they must go to the market place with equal or greater strength than those that buy their products. Therefore, they cannot solve their problems and then organize. They must organize to solve their problems. This we have been doing over a large territory covering the areas from the Pennsylvania line to western Kansas and Nebraska, from Canada to Kentucky and Oklahoma.

Secondly, farmers must bring together enough of the total production so that the present marketing system cannot fulfill their needs from other sources. Every effort in the past has been directed towards an area of agriculture, and the processors — the buyers of farm commodities at this point — only move supplies from one area to the other and kill the efforts in that local area. A state may be considered a local area in this type of agricultural economy because it doesn’t take very long to transport hogs, cattle or milk four or five hundred miles. Therefore, the total supply is affected. If the total supply is not affected, it means that the present buyers of farm commodities only assist each other in meeting problems. Only when the total supply is
affected will the processors providing farm commodities fight each other for the available supplies.

Third, all the production in America can be brought together, but if the farmer does not use his bargaining power and make his bargaining power felt, he would still not have a collective bargaining organization. All he would have done is to establish another marketing agency. It doesn’t make any difference whether farmers go to the market places as individuals or in packs and say, “What will you give me?” If you would establish the ability of farmers to price their products, you first must organize, secondly bring together enough of the total supply so that the present marketing system cannot fulfill their needs from other sources. Then you must make your bargaining power felt.

And how do you make your bargaining power felt? By the use of holding actions. There has never been a commodity or a service priced in America on which the holding action has not been used. If you do not believe holding actions are widely used just try to drive up to a filling station, pay what you think is a fair profit and drive on home. Or go into your market for a quart of milk, pay what you think is fair, and go on home with it. They’d send a sheriff after you. They’d probably charge you with stealing. This has been happening to American farmers for years. They have hardly raised a hand to complain.

Holding actions are not to be used indiscriminately. They are not to be used just for the fun of it. They are to be used for a specific purpose— to bring constant pressure on processors and buyers of farm commodities. In other words, if it were not for the fact that labor, for example, can use the strike or the threat of the strike, they would never get any contracts with an employer. Similarly a businessman could not maintain his position in the economy if he let his products be sold as farmers try to sell their products.

These three steps would be useless without a final step. And that fourth step is contracts with processors in order to stabilize prices and marketing conditions into the future. Without contracts you have no ability to maintain any gains that you have achieved, and without contracts you cannot meet your marketing problems. Therefore there is more to pricing products for American farmers than just establishing a temporary price. You must meet the marketing problems of the American industry. Products for which a price can be got must be allowed on the market. Products for which a price cannot be obtained must be diverted from normal market channels and production.

Many of these problems can be met only through contracts with processors. These are the things we have been moving
forward on. We have been doing it under NFO, to which only farmers and producers can belong. This means that whenever they join the NFO they sign a membership agreement. This membership agreement authorizes the NFO to be the bargaining agent for all the commodities marketed from their farms with the exception of those presently covered by marketing contracts. But they are free to market as they choose until a contract is consummated with the processors. The only way a contract can be consummated with a processor is by a two-thirds vote of the members attending meetings. A ten-day written notice must be given, indicating name, time, place and purpose of meeting. Members sign a three-year membership.

Today a small percentage of the total production is used to kill the price level on all production, either in one commodity or all commodities. Therefore, there is another basic principle that we must not overlook. That is, we cannot just work on one commodity. If we were to try to raise the price level of just one commodity, we would have very short-lived success. Every farmer would want to start producing that commodity. But if we work on all the commodities, raising the general price level, then there can be no expanding or transferring of one commodity to the other any more than there is today. But it means then that agricultural production will be increased; the size of the entire agricultural fund will have to be increased. Past history—the 1890's, the early 1900's, the 1920's, the 1930's and again now—shows that the greatest increase in agricultural production has been in the years of the cost-price squeeze. It did not come during the years when the OPA went off nor in the times of the higher price levels. There is always the time when farmers are trying to meet their obligations in a cost-price squeeze.

The contracts the NFO is signing with processors are quite numerous. Some said we would never get any farmers to join our organization, that when we started talking about holding actions we would never have one. Some said that processors would never talk to us. And some said we'd never sign any contracts. We would never have signed any contracts if it had not been for our all-out holding action. As a result of the strength we showed with that holding action, we have been able to continue to look forward to signing contracts with processors, and when progress slows down it is our responsibility, of course, at the most opportune time, to use the strength of our organization to put enough pressure on processors that they will continue to bargain in good faith.

These master contracts recognize the problems of our industry. They also recognize the problems of the processors. A
base price is established. There are seasonal variation prices according to the difference in cost of production throughout the year. There is a surplus disposal program set up with these master contracts. A master contract will not go into effect unless 60 percent of the total U.S. output has been contracted for. With one exception this provision is contained in all of our master contracts, that is on Grade A, Class 1 milk which is represented by the 60 percent of the 10-state midwestern area output. Finally, let me mention our master contracts for livestock. I’ve tried about three times to out-guess the markets. I raise about four or five hundred head of hogs a year. I’ve looked at those hogs and estimated that they would weigh 200 pounds. I checked the market and found out that they didn’t like them if they were under 200 pounds. If I missed my guess a little, if my hogs shrank a little more than I expected, they would drop the price maybe 75 cents a hundred, maybe $1.00 or $1.25. They liked hogs around 230 or 240. So I decided to feed them to that weight. When the hogs got there, they liked them at 190 to 210.

Our master contract provides that if they try to change our incentives, they have to raise the general price level. This could have taken care of any excess tonnage in the past in our opinion. If not, we have to use our surplus disposal program.

A farmer who went to the market one day with his cattle was told that if he had been there the week before, the price would have been much better. He said, “I’ve been selling cattle 30 years and I told them so, and I told them I never sold last week yet.”

We believe this is a problem of our industry. We don’t know what all the problems may be as time goes on, but we know that no longer can farmers as individuals meet these problems. In an organized economy they are either going to organize and meet their problems as an organized industry, or they are going to have to relegate themselves to lower and lower incomes and a lower and lower standard of living. This is their choice.