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Family Farm Problems and Policies

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AMERICA WAS SETTLED BY PEOPLE WHO WANTED independence and freedom. They were hungry for land. Therefore, some of the early land policies tended to limit the size of farms and encourage farm operators to own their land. From recent discussion it appears that farmers are losing that independence. Of course this observation is due partly to the decreasing proportion of rural population in relation to the total population. But questions arise as to how the changing agricultural land policies of the United States have contributed to the present situation and what kinds of policies will help the farmer to produce economically the food and fiber needed by the world and also help him to live on a standard comparable to the rest of society. Should the family farm that has been basic to American land policy continue to persist? Is it desirable to develop new instrumentalities to strengthen the family farm when changing conditions bring new forces which weaken it?

FAMILY FARM DEFINED

The term "family farm" creates a great deal of confusion because almost everyone using the term has his own conception of its meaning. Some people think of it from the standpoint of size; others define it as a farm where most of the work is done by family members; whereas others think that any small farm where a family resides can be called a family farm. Occasionally the term is used for a subsistence farm, and some of those advocating the desirability of legislating family farm protection think in terms of increasing the population on the land.

The well-being of agriculture and the people living in the country has been the concern of many men. In fact, much has been written about the family farm. It is necessary to have a clear concept of the place of the family farm that is both useful as an analytical tool and purposeful in the formulation of agricultural policy. We are all aware that in the years ahead American farmers may rise or fall, depending on how clearly we appraise the present situation and foresee the probable demands on agriculture. In order to discuss intelligently the problems and policies, let us start from a common concept of what is meant by the term "family farm."¹ Let us say it is one:

1. On which emphasis is placed on farming as a way of life, as well as on its economic returns.
2. On which the management is vested primarily in the family that lives on and operates the farm.
3. On which most of the labor is contributed by the family.
4. On which there is opportunity for full use of the skills and abilities of the equivalent to at least one and up to two or three adult men. (This means that it would permit efficient use of labor resources of a farm family, and that it must be no greater than the amount of human effort that can be supplied by the family, with perhaps some supplementary help as may be necessary during seasonal peak loads or during the transitional stages of the family itself.)

¹ This is the working definition adopted by a national conference on A Protestant Program for the Family Farm, assembled at Garrett Biblical Institute, Evanston, Illinois, March 22-24, 1948. Present were over 30 rural Protestant leaders and about 15 technical and resource persons from the U. S. Department of Agriculture, land-grant colleges and national farm organizations. The conference was sponsored by the Land Tenure Subcommittee of the Town and Country Committee representing the Home Missions Council, the Federal Council of Churches and the International Council of Religious Education.

5. Which will provide for full and efficient use of all of the land, labor, and capital invested in the enterprise.
6. Which, from the total farm and family enterprise, will make possible for all people on the farm to have adequate: (a) diet, clothing, and housing; (b) health facilities; (c) educational opportunity for children and adults; (d) recreational and social facilities; (e) religious opportunities and activities; and (f) security for old age.
7. Which, in exchange for things purchased, will provide food, fibers, and other products needed for domestic consumption and for export.
8. Which will fully conserve and restore the physical resources of the farm, including soil, forest, and water, as well as farm equipment.
9. Which will develop the human resources, particularly the operator's family, but also the other families that work directly on the farm.

The concept as developed uses both terms "the farm" and "the family." The concept is something which actually can exist, and does not necessitate reclassification as farm technology develops and as the supply of family labor changes. In a definition of the family farm, it is necessary to associate fundamental elements of a farm as a going concern, such as land, labor, capital, and management, into a usable concept. As most frequently used, these four factors of production reside wholly within the family that works the land. Under this concept it is assumed that a family farm must be managed largely by the family that provides labor, otherwise the family would have little tenurial relation to the farm as a going concern. The amount of land and capital must be sufficient to absorb efficiently the labor of a typical farm family, with perhaps some supplementary labor during seasonal peak loads or during the development and transitional stages of the family itself.

This concept of the family farm is not in accord with that held by many who uphold it as an ideal. In Canada the concept of the family farm takes in a larger number of farms than does the concept outlined above. That is, they include many subsistence farms and many farms which employ a great deal of outside labor.

France, on the other hand, restricts utilization of outside labor more definitely than does the definition developed by the conference. Also in France, a clear distinction is made between owner and tenant operation. In many European countries which have a large rural population the family farm tends to be smaller in acres and in

production. Even there, however, there is strict adherence to the family labor concept. The major difference in their concept of family farm is the necessity of maximizing production through the application of a relatively large supply of labor.

In evaluating the economic, social, and political implications of family farms, we need to consider many factors.² The farm as a going concern embodies land, capital, labor and entrepreneurship or management. The size of the parcel farmed is not the major factor to be considered. Instead, intelligence with which it is cultivated with relation to conservation, markets, prices, and the general cultural and economic welfare of those farming it are paramount in importance. It is significant that agriculture is almost the only great productive industry in this country which still retains a small-scale-unit-production in large numbers. There are more independent proprietors among farmers than among all other occupations in the United States, as shown by the statement that well over one-half of our total management and supervisory force, of an estimated eight million workers, is located in agriculture.

The farm home is an integral part of the farm business, especially on a family farm. Unlike the subsistence farm, the family farm should provide a satisfactory living and, in addition, a chance to accumulate savings for old age. This fact increases the competition for family farms, and frequently causes real estate investments to be higher than the productive value of the land. There is a feeling of security and family stability on the family farm. Members of the family have a better chance to plan and work together than under any other kind of experience. Family farms offer a favorable environment for rearing children, partly because of the low net cost of food produced on the farm and the value of the work contributed by the children. Individuals on family farms tend to develop a variety of skills and interests because, as a rule, many types of productive enterprises are undertaken. These enterprises stimulate economic and psychological incentives.

But all is not perfect. We may well ask if the family farm provides an opportunity for all its members to participate in well-balanced social experiences (security, educational, religious, cultural, medical, recreational, etc.). In areas where family farms prevail,

² Ideas for this section (which follows) were gleaned particularly from Chapter XV of *Family Farm Policy*, edited by Joseph Ackerman and Marshall Harris, and from pages 14-18 of "A Protestant Program for the Family Farm", *Proceedings of the Town and Country Committee on Land Tenure*. See bibliography for complete citations to these references.

differences in social and even economic situations are minimized, and community development is stimulated. Experiences on family farms help the individual to develop a spirit of independence and self-reliance and capacities for accepting responsibilities in social and community life. It should be borne in mind, however, that this apparent element of strength in the family farm—*independence, segmentation, or whatever term you choose to call it*—may constitute one of its important weaknesses. Certainly closeness of family ties is often not conducive to active cooperation. In fact, detachment from problems which do not directly affect the family or the farm may cause its members to be uninterested in questions of broad policy and legislation affecting society as a whole. Since it is estimated that over a period of fifty years 80 per cent of all urban people will have come from the farm, it is important that farm families should have a broad knowledge and interest in the world outside their own fences.

The family farmer in and of himself has little political power. In fact, such power grows less as the farmer population decreases in proportion to the total population. In 1790, 90 per cent of our population was rural, but in 1945, the rural population had dropped to 25 per cent of our 138 million people. Yet, we must not be discouraged by this, since farm organizations so far have been able to wield an important influence. In a society where the division of labor and of functions has brought about a sharp separation of capital, labor, and management, agriculture, with its family farms, is in a unique position to balance the social and political conflicts between labor, management and capital, for the simple reason that farm people are entrepreneurs, capitalists, and laborers all in one. Studies show that where family farms predominate, there is greater support of established institutions and policies than in other communities. From this may we not infer then that policies and programs designed to strengthen the family farm will serve also to strengthen democracy?

PROBLEMS FACING FAMILY FARMERS

As a nation, we have always looked with favor upon the family-type farm, but we have not always followed through with the development of a consistent policy to adequately implement what was advocated. The chief fear expressed by some who feel that the family farm has received too much emphasis is that any general policy of extending family farms might again start an increase in the population in many areas which would prevent social progress,

particularly in the methods of producing goods and services for human consumption. The family farm has been called the seed bed of our population. However, in advocating the operation of the family farm on a basis which will offer a good life for those who operate the farm, we need to be concerned as to whether it can withstand the economic pressures and can adjust to the technological changes in this dynamic society, as well as to whether it will increase the population. There are many people who regard an increase in agricultural population as socially desirable. They say that it is better to live a wholesome life in the country, even at a low economic level, than to be unemployed over a long period of time in the city.

There are those who question whether the family farm is able to compete economically with highly commercialized industrial type farms. Is the family farm being supplanted by large-scale farms operated by big corporations using mass production methods? During World War II unofficial reports bobbed up which indicated that the number of farm operators had dwindled and that many small farms were being combined into one operating unit. Farm labor programs during that period also seemed to benefit the large fellow more than the smaller farmer. Census figures did show that there was some increase in farm ownership by corporations during the depression period of the 1930's, but it was an "involuntary" ownership through foreclosures on mortgages by insurance companies, banks, and trust companies. Much of that land reverted to individual ownership during the war. Many farms sold during the war were bought by non-operators who wanted an investment hedge against possible inflation—but that is a different problem.

To get back to the question of corporations vs. family farms, most economists feel that corporation farming will not make much headway because:

1. Advances in mechanization of agriculture make it possible for the family farm to compete effectively with larger units, since many technological advances have been in the direction of small and medium-sized farms.
2. Prospects of lower farm prices in years ahead tend to discourage large-scale investment in farming.
3. Farm production has been increased a third over pre-war levels and there is a question as to how much longer foreign outlets will continue. Government support programs tend to hold prices above world levels—will corporation investments be likely when there are such uncertainties about production controls, foreign trade, price levels, etc.?

4. Farm labor may be another deterrent for there will be reluctance to accept reductions in wages.
5. Social security, if extended to farmers, is likely to discourage corporation farming as such benefits would increase labor costs.

If the family farm is to continue to hold an important place in our economic, social, and political life, it must provide the great majority of the persons engaged in agriculture with a fair opportunity of becoming independent farmers. This does not mean necessarily that all farmers would have to own the land they operate, but certainly it implies that they would need to operate with independence and security. Quite frequently those who criticize the family farm say that the income has been inadequate. This means, in most instances, that the farm has been too small, the yields too low, or the operation inadequate to have proper allocation of resources and full utilization of labor and capital. In other words, the technical skills and the ability of farmers and their families determine, in a large way, the utilization of the resources at hand.

The maintenance of farms as economic units is of paramount importance. This involves the whole question of land transfer from one generation to the next, as well as the changes of farming practices to meet conditions wrought by alterations within the family. Of course, some claim that the human family itself shows so many variations in size and characteristics that it is impossible to fit the individual family and the individual farm together. There is either: (a) insufficient labor for optimum output during certain seasons, or certain life periods, or (b) surplus of labor which is costly and inefficient. Therefore, we need careful planning and good farm management practices.

As we look forward to the continuation of the family farm it is important that land should not be divided into uneconomic-sized units for the type of farming to be followed. The desirable thing, of course, from the standpoint of maintaining an adequate unit, is to transmit a farm to a single heir. This makes it necessary to satisfy the claims of other heirs without subdivision of the farm and also without loading down the operating heir with an impracticable burden of debt. Perhaps this can be done by making him liable for the rent value of the property plus an additional sum which, within a reasonable period of years, will amortize the capital value of the property. Such a manner of purchase removes the hazard of variation in price levels and is based upon careful appraisal of the productive value of the farm. There is a question as to the best time for perfecting a transfer. It seems that many farmers are not ready

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transfer

to transfer their property when a son wants to marry and start out for himself. In that case, satisfactory arrangements between father and son, or father-son partnership agreements which look ultimately toward transfer of property, are desirable. One thing is fairly certain, if the family farm is to continue as a going concern, the units must not be divided into sizes which will allow only improper allocation of resources. The farm must be sufficiently flexible so that it can adjust itself to the variances of entrepreneurial skills and ability and family size. On most farms, adjustments can be made in the type and intensity of operation without making too great adjustments in the acreage of the farm, even though additional land may be available in some areas.

In a study made of the family farms in Denmark, Elizabeth R. Hooker reported in "Land Policy Review," summer 1945, that the predominance of family farms in Denmark conditioned in various ways the economic, social, and political situation of the entire country. She found that agricultural production, particularly of animal products, was greater than it would have been if land had been held in large estates. Cooperative agencies helped farmers to improve the quality of products sold, and, what is even more important, because family farms ranged in size from tiny holdings to fairly large commercial family farms, they provided a genuine agricultural ladder. From the social point of view, it was evident that family farms contributed actively to the social well-being of the community because they constituted a stable and contented rural population. Since there was no large landless agricultural labor class, Denmark did not have the hotbed of discontent which was found in many countries where laborers felt they were improperly treated.

Dr. A. W. Ashby, English economist, speaking before the Third International Conference of Agricultural Economists in 1934, expressed the feeling that the family farm finds its justification on general political and social grounds and on its appeal to a certain type of human individuality—a type which is, for the most part, reared and trained in close connection with the institution itself. He felt that it is practically certain that large-scale units would prove to be more economical than the present jumble of units of all sizes, because technical developments are more adaptable to large farms and because widely varying qualities of management, working under all sorts of conditions of organization and disorganization, make it difficult for the family farm to survive. Even though he points out that the family farm may not have economic advantages, he says perhaps no other system would give the same satisfaction to the

majority of those who have been reared on family farms, and that even higher material rewards or possibility of higher standards of living might not compensate for the change in status of an employer-employee relationship.

Certainly it would require considerable psychological change in the minds of American farmers if they followed any other type of farm organization than that which they have generally followed. As a nation we are interested in having a system which will provide a good living for those who remain in agriculture. At the same time, it is necessary to take into account the total national economy. Agricultural problems cannot be considered separately and apart from other national problems. We must be interested in having a system that will provide for conservation of our resources as well as efficient production of food and fiber.

Much has been said recently about the need of not only maintaining fertility, but of improving it and stopping soil losses. Frequently much of the loss has been attributed to the fact that farms were too small or too heavily mortgaged. Furthermore, a large percentage of our farms are operated by tenants under short leases with no assurance of continued occupancy. In this discussion there is no point of raising the question of whether the family farm should be operated by the owner or by a tenant, provided those who have the responsibility for operation and management of the farm have reasonable assurance of continued occupancy so plans can be made to allocate available resources in order to obtain maximum production. We have observed that the impacts of price and income disparity are particularly heavy on highly encumbered owners and also on tenants who are operating inadequate-sized units.

At present, with the increase in costs of local government, particularly schools, fixed charges are becoming relatively high. In addition, the technological advances have changed the entire composition of income and expense of our farm operators. Today, consequently, it is necessary to have a relatively large operation in order to meet fixed charges.

As we look forward to problems which may arise on the family farm, it is necessary to find some way of helping farm operators adjust their programs to these high fixed land and operating charges. Possibly our total tax program needs adjustment. Since a large percentage of our farms are operated by tenants, it may be necessary to find means whereby rental charges can be adjusted, particularly when they threaten to impair the best utilization of resources, both human and physical.

POLICIES TO BE DEVELOPED

In appraising the position of the family farm in the national economy today, it is apparent that it has gained and strengthened its competitive position in the United States. This contradicts those who feel that large corporations or farms using outside labor are beginning to have the advantage over family farms. Some of the factors which enable the latter to forge ahead and remain a part of our economy result from technological advances. Many of the developments in crops, livestock, and equipment are such that they provided family farmers with opportunities for better allocation of resources and more efficient utilization of labor.

Information disseminated through extension services and the United States Department of Agriculture and other educational agencies bring to the attention of farmers, skills and abilities which help them to make necessary adjustments to better utilize their resources. Fundamental developments in cooperative marketing, credit, etc., have made available to family farmers economies which were formerly possible only to large-scale enterprises. As more information reaches the American farmers, they are adapting their production so as to more fully utilize family labor through diversification and use of various combinations of crops and livestock enterprises. Because of the various degrees of skills in management, because of customs, and because of regional differences, to mention but a few factors, there are still many farmers who need help in making adjustments to the resources at their command. Demonstration units, educational programs, farm accounting aids, and general guidance are but a few methods of assisting farmers who are operating family farms but who are not making the contributions they should to society as a whole.

In many instances, the reference to tremendous increase in acreage and the reduction in the number of family farms merely refers to a shift toward fuller utilization of machinery, land, and equipment. This is particularly true in extensive wheat production areas of the Great Plains. The income from these enlarged enterprises is sufficient to provide families with adequate living. There is some question as to whether the family farm in the high risk area will be able to survive the variations in yield and income that are likely to occur as prices change. They seem to have come through the last depression and have strengthened their competitive position during the war to the point where it would appear that, with certain social inventions which are likely to occur, such as crop insurance, flood

control and irrigation projects, flexible payment plans on mortgage indebtedness, etc., greater stability in farm organization will result. There seems to be some trend toward greater specialization and toward larger scale enterprises which will necessitate hired employees, at least part of the time. This trend will have a direct effect on the family farm system. Looking over the horizon one can already foresee certain demands on the part of permanently employed hired laborers for social security, insurance benefits, and other forms of social legislation which have been accorded to industrial workers, all of which tend to strengthen the family farm.

We have reached the point where careful land use planning is necessary for the maintenance of a sound and lasting agricultural economy. It is the responsibility at the national and state levels for our government to initiate well-considered over-all policies with respect to land and land tenure. The history of our land policy indicates that these have been conflicting programs regarding the family farm. Some help to hold the family farm ideal; others oppose it.

The family farm ideal generally has been held basic to our land policy, but the struggle between the family farm and the concentration of land in the hands of a few is constant and severe. In developing a long-time policy we must be realistic, recognizing that past developments may need modification in order to achieve the best results. For example, society should, through educational programs, research and even legislation when necessary: (1) foster as the mainstay of its agricultural economy the family farm which is large enough so that it can make effective use of modern methods of technology; (2) discourage excessive subdivision of farm units and farms too small to provide adequate family living; (3) encourage the enlargement of farm units which are now too small to provide adequate income under any feasible plan of operation; (4) improve tenure conditions on family farms which are tenant operated; (5) bring about equality between peoples and increase the dignity of all farm people by reducing the wide gap between large land owners and sharecroppers and laborers; (6) provide a means of transferring surplus population from rural areas through employment agencies or other means; (7) devise standards and means of attaining adequate housing; (8) provide training programs and educational courses, and develop institutions to enrich the lives of farm families by supporting programs looking toward a well-integrated community life.

Policy decisions need not be made only on economic bases but social and political implications need to be kept in mind. On the

basis of values attributed to the family farm it, therefore, is consistent with long-time policy to develop programs which will enable the family farm to remain in favorable competition with other types of agriculture and with other occupations.

Farmers generally are in a stronger financial position than they have been for years. Heretofore they used their incomes for the expansion of their businesses and have capitalized on some of the increased income and land values, but perhaps it is time to encourage utilizing increased income for better living, better homes, better institutions and better citizens in a free democracy.

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