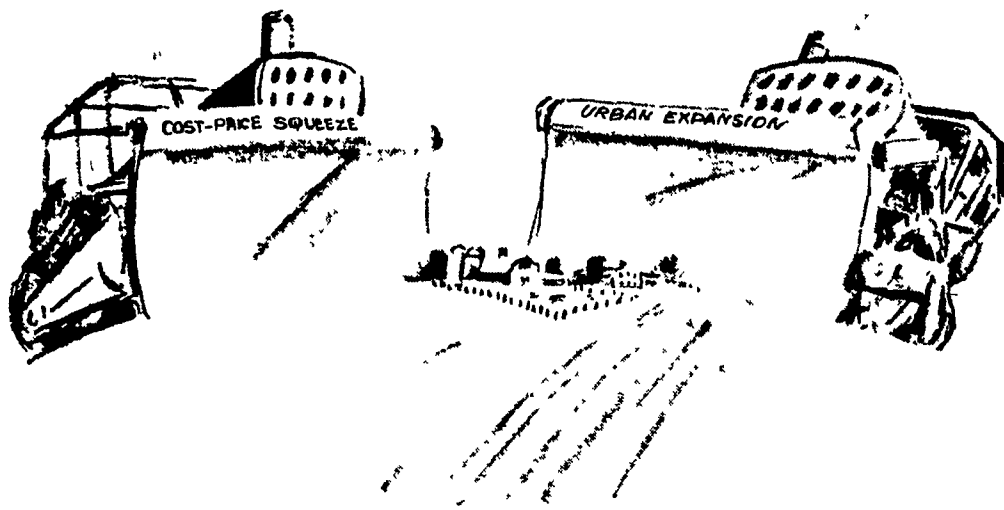


The American Farmer

# Efficiency is Key to Survival



(Editor's note: This is the fifth and final article in a series on the American farmer. The articles, furnished by DEKALB AgResearch, Inc., were written to help increase the public's understanding of the American farmer and the importance of agriculture to our economy.)

Efficiency is the name of the game. The gap between costs and prices represents profit. It's this gap that every farmer tries to keep as wide as possible.

The farmer has little control over the prices he receives. He can protect himself by hedging in the futures market, but this market, in itself, reflects a totally free supply-demand situation. Another alternative is to contract for sale of his crops, but when he does this he often trades off op-

portunity for top profits in favor of security.

Since the market doesn't respond to the farmer's wish, the most practical means of assuring himself of a profit is to keep his production costs as low as possible. This is hard to do when the costs of his inputs keep rising. For example, between 1957-59 and 1969, farmers were faced with a 77 percent increase in hired wage rates, a 33 percent increase in the price of motor vehicles and a 106 percent increase in taxes.

Faced with a situation like this, farmers have been forced to seek efficiency — or else stop playing the game!

Even with recent increases in prices of agricultural commodities, the average income of

the American farmer is still below that of his urban neighbors. In 1972, disposable income per farmer was still only 78 percent of that enjoyed by non-farmers. It's ironic that this is the way the American farmer is rewarded for his increase in productivity — an increase that far exceeds the increases in productivity of both his blue-collar and white-collar neighbors.

The cost-price squeeze is making it difficult for young farmers to get started. A recent study in Illinois found that nearly 20 percent of the farm boys who entered farming during the period 1945-54 failed to make it in that vocation.

Food prices have been drawing headlines recently. But, compared to income and increased prices of other products, food is still a bargain.

Given recent increases in food prices, it is a fact that these prices are lower now, in proportion to expendable income, than ever before in history. For example, consumer income increased 63 percent in the 1960's, while the food expenditures were up only 31 percent during the same period. Income less food expenditures was up \$960 or 73

percent. Still, someone has to absorb the blame when prices do change.

The farmer is seldom the cause of such increases, and he seldom benefits from an increase. He receives an average of 40 cents out of each dollar spent on food at the grocery store — the remainder goes for processing and marketing. Compare this 40 cents to the 50 cents he received from each food dollar in 1947-49.

Because of the many steps involved in food production, perhaps no one segment can be saddled with the blame when food prices rise. But keep in mind that the farmer does not willfully cause food prices to increase. He does not set the price on his goods at the marketplace. What he sells for a profit today may bring him a loss next week because of the simple economic law of supply and demand. How many other segments of our economy are willing to settle for that kind of security?

**His Future**

What about the future of the American farmer?

He's likely to continue to decrease in number unless the rules of the game change. The relentless pressures of economies

of scale, increasing technological complexities, high "start up" costs, and his minority political position combine to suggest that farms of the future will be fewer and bigger. But he's not going to be driven off by big, vertically integrated conglomerates. He's too tough a competitor, too flexible, too dedicated, for them.

He's important to America. He has made it possible for Americans to eat the best food at the lowest price in the world, and he is by far our biggest producer of foreign exchange. He's tired of being criticized because government production controls are necessary to avoid disastrous overproduction. Instead of being appreciated because he produces food at the lowest cost in the world, he hears demands for price controls when the price of his product starts moving upward for the first time in 20 years.

The United States faces a national policy choice: to continue to encourage him, to help him survive as the world's most efficient food producer; or, by shortsightedness, to force him into the control of marketing conglomerates through the

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