

Farm Talk

Jerry Webb

Who hates large farmers?

There seems to be an almost open hostility against some of the large farmers who operate in this area.

For example, following a speech to a service club recently, I was questioned rather extensively by a gentleman who seemed convinced that large farming operations were being put together by what he called "syndicates" and that they were crowding out the small farmer.

That's an interesting line of thought, and it does make one pause to consider what is happening. Are company farms and foreign investors crowding the typical family farmer, and what is a family farmer anyway?

Well, the Agriculture Department defines a family farm as one that runs mostly on family labor. That allows for the hiring of some full-time employees and seasonal labor, but it means that the decision-making and most of the business of farming is conducted by the farmer and immediate family.

That really doesn't limit the family farm to any specific size or number of people. You read in the

farm magazines about parent-child operations and other farm family arrangements that may involve as many as a half-dozen individuals and their families, all related, all operating out of one central base and by any definition considered a family farm. These are big units, some of them in the thousands of acres and grossing in the hundreds of thousands of dollars.

And then there are the other farms owned by corporations, investment groups, even foreigners where a board of directors makes the big decisions and a paid manager carries them out. The work is done by hired laborers, and the profits disbursed through dividends or some other sophisticated financial device.

There seems to be a fairly strong bias against these kinds of farmers. They're considered by many to be outsiders who have no place in the agricultural community. Some states have even legislated against investors, insisting that farm owners must live on the farm and that outside investment must be limited to certain dollar amounts or certain numbers of

people.

In my judgment, that kind of control is a mistake. Farmers face enough problems without being handicapped in the way they finance their operations.

I doubt that anyone wants to see America's food supply fall into the hands of the corporate giants, and most of us would like to see the family farm survive and prosper. But it seems to me to be a mistake to allow state or federal governments to start making decisions about who is allowed to own farmland, invest in agricultural enterprises, or otherwise become involved in the rural scene.

The traditional way of getting into farming and growing in the farm business just doesn't work anymore. You can't start out with a tractor and a few implements, rent a little farm and grow into a solid family farm within a generation.

Lots of farmers have tried this, and most of them are now part-time farmers. They must maintain an off-farm job just to be able to afford the luxury of a small farm, and they have no easy way to increase their holdings or strengthen their financial position. But some creative farmers have been able to grow through partnerships, off-farm investors, incorporation, whatever works for them to provide the money needed to buy more land, add new enterprises, improve buildings and machinery, or whatever.

Why restrict a farmer as to where he gets his money or who his partners might be? What's the point in joining forces with another farmer who is also in dire financial straits? Sure it makes a bigger operation, but it still has the same

cash-flow problems and the same under-capitalization. Wouldn't it be better to take on a partner who has plenty of money from some other source that can help get the farm business going again?

Business in general finds its money wherever it can, and farmers should be allowed, in fact encouraged, to do the same thing. Most of them have reached the point where borrowing money is not considered sinful as long as it's borrowed from the hometown bank or Production Credit. And some have reached the point where they're willing to consider limited partners who are not farmers. Other farmers have found even more creative ways to generate the financial support they need. Why be stuck on the bottom rung of the big-time farm ladder simply because a unit cannot generate from within the money needed to take the next big step?

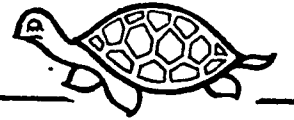
Consider this. An incorporated farm controlled by a family farmer with shares sold to whoever wants to buy them is still a family farm, controlled by a farmer. As long as he owns 51 percent of the stock, he controls the operation. What difference does it make that the other 49 percent is owned by lawyers, doctors, dentists, factory workers, and wealthy widows? The

implement dealer doesn't mind when that farmer goes to buy a new tractor. The banker doesn't care when that farmer pays off his loan. The fertilizer dealer doesn't care when that farmer orders next season's supplies, and you can bet the neighboring farmer doesn't mind when he wants to retire and sell his farm to that farm corporation.

Farming is changing and the way it's financed and owned is changing, also. Family farms are still the backbone of American agriculture, and I think they always will be. But that's not to say there won't be more off-farm capital finding its way into agriculture and more creative ways of financing and operating a modern farm.

Sure there are some large farming operations in this area and I suppose you could say some of them are run by "syndicates," but most farming is still done by family farmers even though their holdings may have quadrupled over the last generation, even though they're incorporated and their sons and daughters are part of the business, and even though they may be going beyond the local banker for the huge amounts of capital they need for expansion and day-to-day operation.

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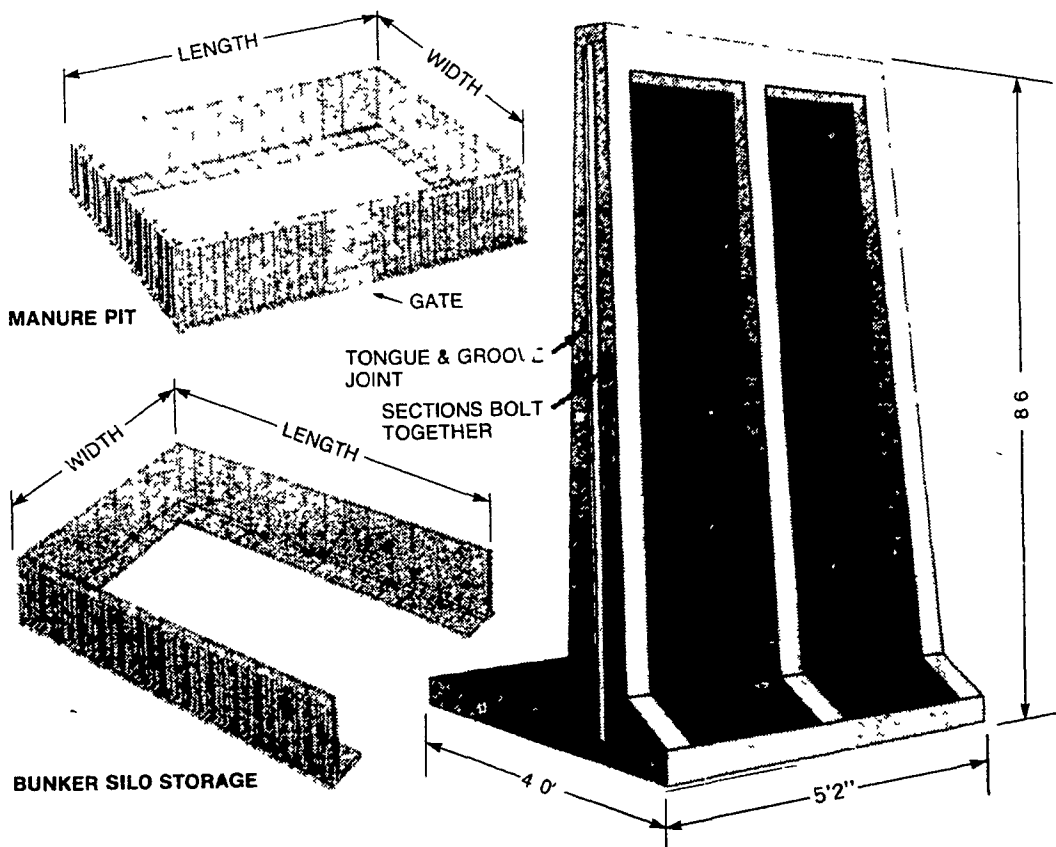
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