

Nikoloff Tells Seedmen Outside Influences Cause Many Of Our Farm Problems

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HARRISBURG — According to John Nikoloff, executive assistant to Pennsylvania's secretary of agriculture, we have a situation where especially in the last 15 years the greatest influences in agriculture have not originated in the ag sector of the economy. Speaking last week at the Pennsylvania Seedmen's Association summer meeting in the state ag building, Nikoloff likened the ag economy to a roller coaster going 90 miles an hour—over the speed limit.

"In 1969 to '70 fed. policy decided we were going to double our money supply," he said. "And of course farm prices more than doubled at that time. Things were looking

good and farmers took the opportunity to buy land. Unfortunately a lot of farmers leveraged according to the high-rolling land values. Then about 1975 the federal government decided to bring the economy back into the speed limit so they slammed on the brakes. And a lot of farmers hit the windshield. Some of them still haven't recovered. And a lot of them have gone out of business."

"Five years later we started changing the system again. Interest rates went up. Deficits started growing. And farm investors took advantage of this situation. But soon the value of the dollar increased abroad. And subsequently farm products became harder to export. We had

increased farm production costs. Decreased selling prices. And land prices started dropping while surpluses started piling up. The results of this new situation can be seen on the news every night," Nikoloff said.

"I can't think of another business that is getting as much coverage from the national press as agriculture. Of course, we should understand that while Pennsylvania has many of the same farm problems as the midwest, we also have many advantages. We are very diversified on smaller farms. Our farm prices didn't take quite the roller coaster rides on milk, meat and vegetables as the grain prices. In addition, the urban sprawl has kept land prices from taking the

huge drop as in many other areas. And of course our farmers are just naturally more financially conservative. Our farmers have not extended themselves as much as midwest farmers have done. The farm credit situation that you hear so much about in the western states is not really evident in Pennsylvania. Farm credit is not all that bad a situation. The major farm credit lenders don't have a crisis in Pennsylvania. We don't have a serious foreclosure problem. We are going to lose some farms but that's not new."

"Over the last 50 years we've been losing 50 percent of our dairy farms in Pennsylvania every 20 years. So we expect to lose farms. Twenty-five years ago we had 106,000 farms. Today we have about 53,000. So we've lost half our farms in the last 25 years. But our production has more than doubled. And our farm cash income has gone up more than four times," Nikoloff said. "So something is still going right. We are the largest non-irrigated ag state in production and food processing. We have more than a dozen food categories where Pennsylvania ranks as the leading state. And while we see the number of farms decreasing yet the amount of cropland being farmed is increasing. In addition, we are increasing our share of the

markets in the northeast. And to show our growing self-sufficiency we became a grain surplus state in 1984 and 1985 for the first time in our history."

"Agriculture supports 1,900 related farm business and supply companies with 12,000 employees. In addition, 3,000 manufacturing firms with 300,000 employees support agriculture. Two thousand five hundred wholesale businesses and 30,000 retail establishments make up the ag-related economy. So you can see how important ag is. And we can't increase or maintain our position in production agriculture without these support business," Nikoloff said.

One of the very interesting points that Nikoloff made was to show that in Pennsylvania where the most urban pressure exists we have had the most growth in agriculture. This is especially true in the southeastern part of the state. It's also the area where we have the strongest support businesses and the strongest financial institutions that take an interest in ag lending.

Nikoloff concluded that over one million people have jobs in ag and related industries. That's 21 percent of the state work force. So obviously maintaining a healthy agriculture is a top priority of the state.

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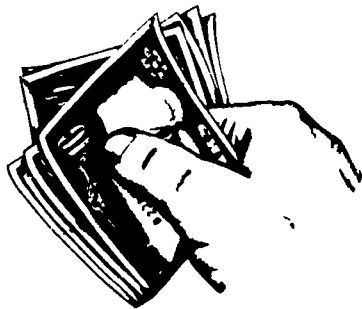
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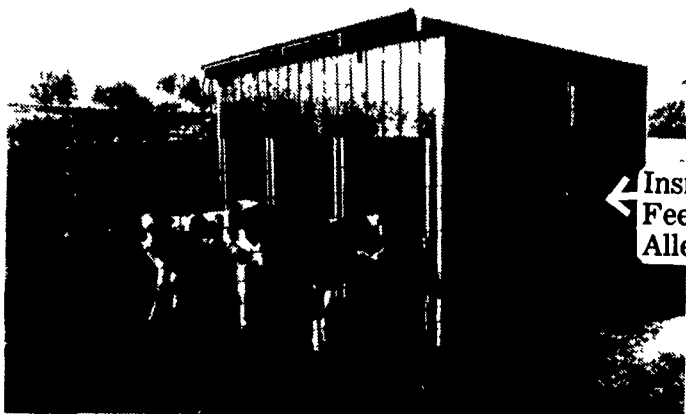
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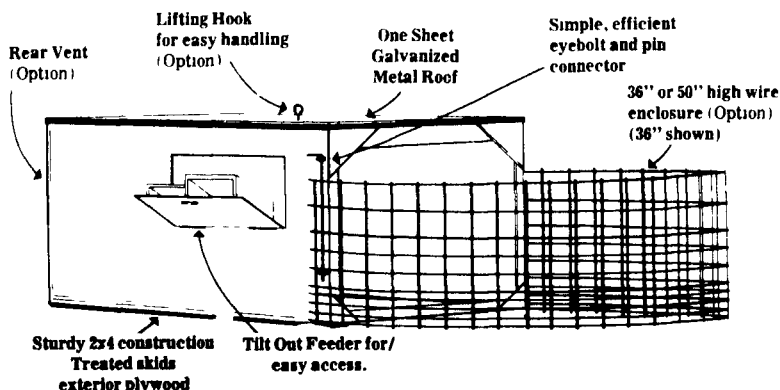
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