Beyond the Land Issue: Farm Viability Strategies

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Abstract: The issue of farmland retention or preservation must focus on both the farmland base and the economic viability of agriculture. Most jurisdictions in North America have tended to concentrate their concern on the land issue, often to the detriment of structural issues in agriculture and production. The following essay outlines the structural components of significance which must also be addressed if agricultural land retention policy is to be relevant in terms of enhancing and retaining a strong agricultural base. The components include: marketing — getting a price; reducing costs of agriculture; new farmer entry; the “right to farm”, and improving managerial capability of farmers.

Getting a Price

The marketing of farm commodities is perhaps the key element in the longterm viability of the agricultural sector. Individual farmers, as well as farmers in the aggregate, must market their produce at reasonable and significant levels if they are to remain in production.

Canadian and US agricultural policies share common goals with respect to ensuring a fair return to producers. Both governments seek to equate the supply of commodities with demand, avoid extreme price variations, and encourage orderly marketing (Hjort 1978). Despite similar policy goals, two distinct economic philosophies are operative. Recent policy in the US has been characterized by a return to a free market orientation, whereas in Canada reliance has been placed on price and income stabilization policies (Warley 1977), and the control of marketing.

A variety of governmental programs are in operation in both the US and Canada which influence both the level of prices received by producers and assist in protecting them from short-term fluctuations stemming from adverse economic and production conditions. These programs may be classified under three main headings: (1) import duties or quotas protecting producers from lower-priced foreign
competition; (2) domestic supply management, price support or income stabilization programs, and; (3) crop insurance and disaster protection programs which guard individual producers against loss from adverse production conditions.

The main methods employed in the US to support farm prices and agricultural incomes derived from selected crops include direct payments to producers, price support programs and production controls (Center for Rural Affairs 1980). Target prices for certain crops are established annually by the US Congress and deficiency payments are made if the market also entitles producers to obtain a non-recourse loan against the value of the future crop (LeVeene 1980). A guard against oversupply is included in the form of compulsory noncompensated acreage set-asides, with provision for paid acreage diversion should that prove necessary (Fulton 1981).

In Canada, primary emphasis has been placed on farm income stabilization programs and the control of first-stage marketing by statutory agencies. At the federal level, the Agricultural Stabilization Act (1970) and the Western Grain Stabilization Act (1974) established floor prices and deficiency payments for a variety of crop and livestock products (Martin et al., 1978; Agriculture Canada, 1976). Some provinces have also established price or income stabilization programs for selected commodities. First stage marketing of selected agricultural commodities in Canada is controlled at both the national and provincial levels. Provincial production quotas and interprovincial trade in dairy products, eggs and turkeys, are regulated by national marketing boards and the Canadian Dairy Commission. Additionally the Canadian Wheat. At the provincial level, producer controlled mar- chase grain and is the sole export representative for Cana- dian Wheat. At the provincial level, producer controlled mar- chase marketing boards have been established for a wide range of com- modities with the ability to regulate to varying degrees, both production and pricing (Hiscocks et al., 1976).

Crop insurance and disaster protection programs pro- vide some degree of protection for producers against the risk of loss of income caused by natural hazards. In the US, protection for producers of select crops is provided by the Federal Crop Insurance Program. All-risk crop insurance is available in selected provinces of Canada through shared-cost plans established by the participating provinces under the federal Crop Insurance Act of 1959 (Canada Department of Agriculture 1970).

Reducing Costs

Whereas price support and supply management programs seek to improve the vitality of the agricultural industry by increasing and stabilizing agricultural incomes, a second major element in agricultural policy is those programs which influence both the fixed and variable costs of production of the farm firm. Production costs for producers may be reduced by the development of more efficient production technology, by grants or subsidies which reduce the direct costs of inputs to producers, by credit programs which facilitate both the short-term operation of the farm firm and influence its ability to grow and adapt to a changing economic environment and by preferential property taxation.

The impact of the allocation of funds to research and development on cost-reducing agricultural technology has led to significant increases in productivity in both the US and Canada (Ruttan 1980). Governmental support for agricultural research in the US is funded and coordinated by the Federal Department of Agriculture with research conducted both by the USDA and an extensive system of decentralized experiment stations tied to the land grant university in each state. Agricultural research in Canada is undertaken by federal, provincial, university and industrial organizations with Agriculture Canada acting as the focus for the development of cooperative programs (Statistics Canada 1978).

A second element in reducing the costs of the farming industry are those programs of grants and subsidies which reduce the direct costs of inputs to producers. In Canada, many such programs exist at the provincial level, offering assistance to producers province-wide or in particular regions. Direct grants of a similar nature aimed at the rationalization of internal structures have been provided by the Soil Conservation Service and the Agricultural Stabilization and Crop Service in the US (OECD 1974).

The special credit needs of the agricultural community, both to reduce the cost of capital and to encourage the adoption of new technology, have long been recognized by North American governments (Spitze et al., 1980). LeVeen (1980), has linked the situation to a treadmill: maintaining profitability requires adoption of technology and expansion of the land base. The continual development of new technology "fuels" the cycle and unless credit is available in forms which suit producers with diverse needs and resources, policy may encourage the growth of certain types of farm units at the expense of others (Schaff, et al., 1980).

Government intervention in the provision of agricultural credit has either been in the form of direct loans, often at subsidized interest rates, or by loan guarantees which make commercial sources of credit more accessible. In the US the federal government's Farmers Home Administration (FmHA) and Small Business Administration programs fulfill this role. A similar function is performed in Canada by the Federal Farm Credit Corporation in addition to special programs operated by provincial-level governments.

With the exception of Georgia and Mississippi, all of the states in the US had, between 1956 and 1980, adopted