

AGRICULTURAL MANAGEMENT - IT WORKS

VERNON CLINTON

Now please don't raise your hands, but how many of you fellows are concerned about financing your operation this year, or next? How many are worried about labor problems? And are any of you concerned about marketing your 1972 crops? And surviving to grow another crop in 1973? If so, then perhaps what I have to say may be of interest to you.

But first, I recently heard of an old man with a very long beard who joined a nudist colony. He went through the usual initiation ceremonies, then appeared among the other members, one of whom asked, "now that you've joined us, how about removing your beard?" The old man thought for a moment, and then replied, "but someone has to go to the store!"

Part of my talk will deal with getting you, as a farmer, into the store.

Now the topic I was asked to speak on is "Agricultural Management...It Works". The reason for this is that last August an article appeared in Vegetable Crop Magazine, describing in some detail, our farm program, and crediting us with several innovations in solving some of our problems. However, I'm not sure that our answers have too much bearing on your own farm operations, and so I intend leaving this area to the other speakers. Instead, I'm going to discuss the other half of farm management...the off-the-farm-half.

We're all in complete agreement with the main purpose of these meetings, and that is to try to produce better crops. But obviously this isn't the complete solution, for 50% of the farmers in California, have disappeared during the past ten years, and while the rate might not be quite as great in your state, it is alarming! For example, it is almost a certainty that 8 years from now, in 1980, fewer than half of the growers in this room today will be raising potatoes, or any other crops! So, like the bearded gentlemen, we'd better face the bare facts. Better management on the farm is only part of your job.

The other half is what happens to your crop after it leaves the farm. Let's take a look at some facts and predictions:

About 600,000 farms will be in business 8 years from now raising about 99% of our foods.

In 1970, only 45 corporations controlled 61% of California's best agricultural land.

In the last 20 years, the cost of food has dropped from 26% of personal income, to a mere 17%. Of this 17%, 3% is for non-food items. Our lawmakers claim to sympathize with the farmer, yet many boast to the other 95% of the voters that they are helping hold food costs down.

Five years ago the New York Times and other media were doing a fair job of telling the farmer's side of the story. Now most media is busy picturing the farmer as feeding at the trough of public subsidies, exploiting labor by paying as low as 40¢ per hour, housing workers in buildings unfit for animals, exposing his employees to deadly poisons, forcing children to work in the fields, and causing most of today's industrial water pollution.

As to subsidies, most consumers believe they subsidize the farmer, yet you and I know that it's really the other way around, and that farmers receive less than 5% of the \$63 billion in direct annual

government subsidies.

The AFL-CIO, in addition to spending over \$5 million annually through Chavez in an effort to unionize all farm labor, including yours, is also advocating reducing western farms from an average of 654 acres to 160 acres.

The Bank of America, which has for some years provided about 40% of the farm loans in California, has explained its current policy of reducing, or terminating many of its agricultural lending, but referring to "the increased economic pressures" on farming, stating that rising costs of land, production, taxes, labor and equipment have not been matched by increased returns from crops.

In Idaho last year, personal income rose \$167 million, while total farm income rose but \$1 million.

In 1970 the farmer was paid \$40 billion for farm products, but by the time they had reached the consumer, more than \$60 billion had been added, or 250%!

Farm prices have increased very little, if at all during the past twenty years, while most processors and retailers have been successful in taking increased costs on to their prices.

Quoting from the April 1967 Washington Spud Topics, Good prices for 1967 can come only if (1) fewer acres are planted, or (2) we have a poor growing season, and yet in the past five years you've increased your total plantings constantly.

And, if this is any consolation, in complaining about our situation, we forget that 50% of America's corporations are losing money each year!

The one note of optimism in all of this, is that each of us will have some control over our destiny during the next 8 years, to determine whether or not we're going to be one of those who will survive.

Let's talk about these chances, and how we can improve them. In doing so, we're talking about the other half of farm management.

We know that just about everything that can, has been squeezed out of the farmer. There is a point of no return. The processor and packer have also experienced rising cost, and pressures to keep their prices low. Thus, the grower, for the most part, and the processor and packer to some extent, have had to absorb, ever increasing costs, without getting their fair share of the consumer's food dollar.

Without attempting to put all of the blame on the retailer, for we farmers are notoriously disorganized, and thus in a great measure responsible for our present difficulties, let's look at what happens in the supermarket. The retailer, with some assistance from the consumer and competitors, determines what price will be charged for food and what price will be paid to the supplier.

Bag boys and shelf stockers in Southern California receive from \$3 to \$5 per hour. Even in Twin Falls, Idaho, my home town, they receive from \$2 to \$3.75 per hour, while I struggle to pay men driving expensive equipment and supporting families up to \$2.50 per hour.

Too many huge, air-conditioned supermarkets have been opened across the country, and not only do they feature more carpeting, fancy fixtures, air conditioning, more items, and remain open longer, overhead increasing hours, without building additional sales, but too many have been built only to later close their doors for lack of business. It's doubtful that more and more supermarkets sell more food,

but we do know that increased competition results in greater pressure on the producer to sell for even lower prices.

Whom does the consumer blame for high prices? In a large measure, the farmer. The retailer shifts some of the blame to others by reporting his net profits on total sales, not on invested capital. With an inventory turn of 15 times per year or more in the food department, a 2% net profit on sales is actually better than a 20% return on invested capital! And with far less risk than the grower or processor runs. No wonder new supermarkets are crowding one another!

In addition to pressures from the retailer to maintain low wholesale prices, labor unions, consumer groups and the Department of Agriculture are committed to this philosophy. Incidentally, recent dock worker strikes have cost farmers \$1 billion to date, and U.S. longshoremen are being joined by Canadian and Mexican dock workers, and the Teamsters in their strike!

If we farmers, that is the 6000,000 or so who will survive, think that we can avoid becoming very much involved, in the marketing of food, then we are dead wrong. I know of no other major industry that does, or could afford this luxury.

Why mention these topics in a talk on farm management? Survival is the object of better farm management, and to survive we must become involved with our suppliers, with the processor and the retailer...like it or not.

Speaking of survival, let's consider, crop financing. To do the right thing at the right time, you must have adequate facilities, management and financing. This means a year round program, with sufficient funds to permit the farmer to begin next year before the last has ended, and to efficiently expand his operations with long term capital. But in meetings with the presidents of two of the largest banks in the west this week, both said money for agriculture will become even more scarce this decade. So, it's possible that if the public wants to continue low food prices, it is going to have to provide, even more low cost funds, possibly through the co-ops. Not to save the farm that's going under, anyway. But to enable the farmer, who has the will and ability to survive, to do so with a dependable line of credit. I would suggest to our friends, the commercial banks, who have financed farms for so many years, but may now wish to reduce their commitments in agriculture, to help get the co-ops on the way by participating with them in farm loans.

Let's try to sum up what I've been saying about the off-the-farm part of management, which is so important to your survival. First, you have to decide whether or not you have the desire and the capacity for survival during the next few years.

If your answer is "yes", then I suggest that you not only think about increased yields, but about further controlled expansion, and better organization of your farm management team, so that you can become more involved in solving off-the-farm problems. Don't leave the job to your neighbor...he probably won't do it for you.

You might also begin by taking a closer look, at the farm organizations to which you belong. Size up their leadership, their programs and policies, and their effectiveness.

Perhaps it's time now for us to follow the 50 year old example of industry and unions: put together one large, strong and effective organization. Perhaps by merger. Insist that it employ the best management available, even if they're paid 10 times your own earnings last year.

We farmers can change most of the things we don't like for we control the only product every human has to have: food. With that power, surely we can do as well as a plumber's union, which sees that their members make up to \$30,000 a year, working 35 hours a week.

Most legislators I've talked to are fed up with the in-fighting between existing farm groups. Politicians are tired of hearing the farmer cry, when we can't agree on what we want. The consumers agree. Minority groups agree. It's time we

got together and agreed. And make our wants known in one unified voice.

Next, we should discipline ourselves by finding a way to curtail the overproduction of certain foods, and to dispose of any overproduction, without adversely affecting the retail marketplace.

At the same time, we should insist that food processing, distribution and retailing become even more efficient, so that some of the savings can be passed back to the farmer...and the processor and packer.

We're going to have to dispense with the luxury of fighting among ourselves, and our organizations, to face coming unionization; more and more interference from government and consumer groups on prices, labor, fertilizers, pesticides, pollution, and safety. And this is just a taste of what we can expect, in the next few years. It's coming fast. Not only in farming, but in every other type of business. And on top of this, more difficulty each year in obtaining proper financing. And less sympathy each year from the general public for our problems.

In conclusion, my suggestion is that you continue exercising the first part of good management, by doing the right thing at the right time, and that you also become an activist off the farm. Lend your time, abilities, intelligence and some of your money to your farm association. Insist that they do a better job. Accept responsibilities. Get in and learn. Take part in decisions. Free their policies and programs from prejudice and incompetence, and see that they reflect seasoned judgement, based on the realities of the day.

Improve your own knowledge of what's going on in the food industry. And then, if you aren't willing to make the effort, to face these facts, then you may want to turn your farm into a nudist colony...and grow a beard.