THE OBSERVATION POST

Philip H. Groggins

Agriculture Is Big Business

AGRICULTURE IS big business! It has to be to provide food and fiber for a population of 157 million. Successful farming is increasingly dependent on the adoption of many of the features of progressive business and farmers are becoming fully aware of the importance of mechanization, research, efficient production, and the keeping of reliable records. The processing and packaging of food is already big business. In this field a major objective is increased efficiency. This is being achieved by the steady introduction of new and improved machinery which emphasizes continuous operations, automatic controls, and the production of products of greater nutritive value and consumer appeal.

Most people know that the chemical, petroleum, and steel industries are big but only few are aware of the size of our agricultural economy. The labor force of our farms constitutes about one sixth of our population. The gross cash income from farming is over $35 billion or about one tenth of the total gross national product. The national farm balance sheet for the years 1942 and 1952 below presents the chief financial categories and permits comparisons with other segments of our national economy.

The Farm Balance Sheet

Billions of Dollars

	1942	1952
Total assets	63.8	169.0
Financial	6.7	22.9
Other physical	19.7	51.5
Real estate	37.4	94.6
Total claims	63.8	169.0
Owners equity	53.3	154.8
Other debt	4.1	7.9
Real estate debt	6.4	6.3

The assets of $169 billion are not quite so large as the national debt, but they are considerably greater than the total money supply in the United States which is about $120 billion. The enormity of the assets of our agricultural economy can readily be appreciated by a few comparisons:

	January 1952
Assets of chemical industry	$31.0 billion
Assets of steel industry	12.4 billion
Assets of petroleum industry	20.9 billion
Assets of food processing industry	17.6 billion
Annual expenditures for foods, excluding alcoholic beverages	64.0 billion

The category "other physical assets" which includes farm machinery and equipment as well as livestock and stored crops is of particular interest because it shows clearly the definite trend to increased mechanization. The 1952 figure of $51.5 billion affords an insight as to future potential markets. Investment in the principal machines on farms before Pearl Harbor and last year appear in the table below.

Value of Farm Machinery

Thousands of Dollars

	1941	1952
Tractors	1700	4200
Trucks	1100	2400
Milking machines	210	686
Combines	225	887
Mech. corn pickers	120	588

The preceding data indicate that agricultural assets have increased at a greater rate than those of the chemical industry. This is not surprising. It is merely a reflection of the rapid rise in farm real estate values (index 255 compared with 1935–39 equals 100) which comprise over 55% of the total farm assets. In the chemical industry annual net sales generally exceed the financial assets while the gross income from farming runs from 25 to 35% of assets. Farmers, however, are not confronted with the relatively high production, distribution, and management expenses of industry. Labor is an important item of expense in chemical production, but hired labor costs on farms is currently less than 10% of operating expenses. Of particular interest and significance in the balance sheets for agriculture and the chemical industry is the close agreement in net income based on assets. (See table below.)

Thus far we have shown that agriculture is big business. Because its products are the raw materials for other industries such as meat packing, canning, textile, etc., it breeds other big business enterprises. It is important to emphasize, however, that each individual farm, if managed properly, is also relatively big business.

Farmers Alert to Better Technology

The chief characteristics of the American chemical industry are the emphasis on research and the willingness to invest new capital in more efficient machines and operations. Our farmers are also alert to the need of increasing efficiency in production. This is indicated by the selective building up of cattle stocks that produce more milk or more meat per ton of feed, and of poultry that lay more eggs. Additional evidence is the investment in over 20 million tons of fertilizers to ensure a high per acre yield of crops and the use of hundreds of millions of pounds of pesticides to protect those crops. These practices confirm that domestic agriculture, like our industry, is becoming technologically mature.

A well-fed nation is a more productive nation. People have to eat and most people enjoy eating. The farmers and food processors of the nation can look forward to an ever-increasing market to take care of more people at higher nutritional levels. The future is challenging. There is every reason to believe, however, that farmers and food processors, with the aid of continuous research and development, will provide an adequate supply of nutritious foods in the years ahead.

Balance Sheet for Agriculture

Billions of Dollars

Date	Assets	Gross Income	Production Expense	Realized Net Income	Net Income % Gross	Net Income % of Assets
1942	63.8	18.6	9.74	8.85	47.6	13.6
1951	154.3	36.4	22.40	14.05	38.6	9.1
1952	169.0	37.6	23.40	14.20	37.8	8.4

Balance Sheet for Chemical Industry

Billions of Dollars

Date	Assets	Net Sales	Net Income	Net Income % of Sales	Net Income % Net Worth	Net Income % Assets
1949	23.14	26.95	2.03	9.1	13.6	9.0
1950	25.90	29.93	2.75	9.2	16.3	10.6
1951	30.17	35.67	2.85	8.4	14.1	9.4