

## THE GROWTH OF CORPORATE FARMING

The following article is condensed and reprinted by permission from the May, 1968, *Monthly Review* of the Federal Reserve Bank of Kansas City. This is the first of two installments.

The structure of agriculture, its organization and control, is changing. Although the changes now perceived are not sudden developments, they will determine the nature of tomorrow's agribusiness. The focus of this article is on corporate farming, one of the institutional changes being observed in agriculture.

Small-unit agriculture has been a dominant feature of our agrarian past. The family farm has been cherished and protected because it represents the ideal of a democratic free-enterprise society. The farmer is laborer, manager, and, frequently, land-and-capital owner all in one. At his best, he is an entrepreneur in the truest sense. The atomistic structure of agriculture approaches the assumptions of a competitive economy.

Yet, almost from the day the first fence went up on the prairie, agriculture began changing. The extension services of land grant universities distributed information on research in animal husbandry, cultivation practices, farm management, production economics, and marketing. The use of purchased nonfarm inputs increased rapidly. An agricultural revolution was under way. It has never stopped!

### AGRICULTURE IN THE UNITED STATES TODAY

Land, labor, and capital are still agriculture's principal resources, and the farmer is still the entrepreneur masterminding their productive combination. Yet, the mix of resources is ever changing and the entrepreneurial role of the farmer is much changed from the nearly self-sufficient status of pioneer farmers.

#### Land

Although our national land base has remained nearly stable at just under 1.4 billion acres for crop and livestock production during recent decades, substantial changes are occurring within this base. Total cropland has been declining at a rate of about 2 million acres per year since 1954, whereas total land in farms has been declining at an average of 3.5 million acres per year since 1950. We now have around 3 million farms as defined by the Census. The number of farms in the United States has been declining nearly 100,000 per year, causing the average farm size to increase to around 360 acres.

#### Labor

The decline in the farm labor force is evident in Chart 1. The factors leading to outmigration of rural youth and adults seem likely to continue:

1. Increasing prices for land and labor, relative to capital resources, encourage capital substitution for land and labor in the production process.

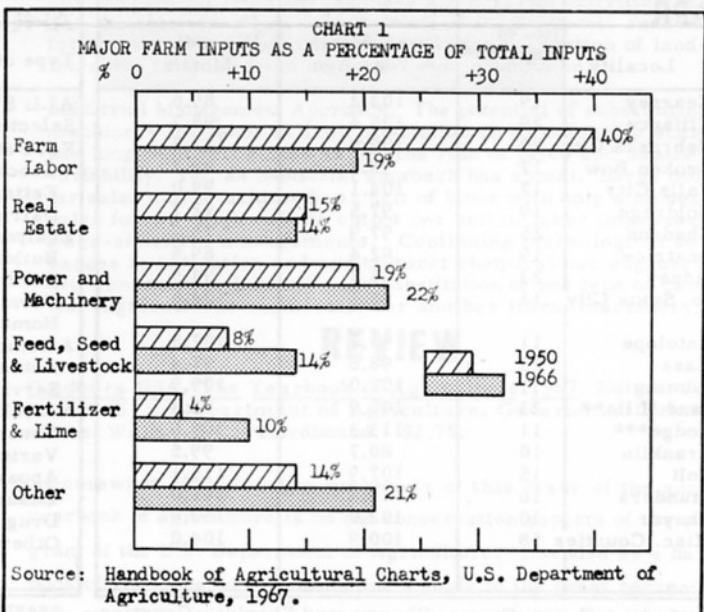
2. Inadequate supplies of seasonal labor and increasing labor skill requirements encourage mechanization - a capital-for-labor substitution.
3. Continued high levels of economic activity and a tight labor market have made movement to urban employment relatively easy.
4. The demand for additional farm land by expanding farms has made liquidation of small holdings and early retirement more feasible and attractive.
5. Rural nonfarm job opportunities have grown and the potential for continued growth in recreation and small-scale industrialization seems likely to continue to offer opportunities for rural living and nonfarm employment.

The net impact of these changes is for pressure to remain on the rural labor resource, and it is likely that substantial off-farm migration is yet ahead.

#### Capital

Capital has become agriculture's fastest growing productive resource, as also seen in Chart 1. As the capital needs for efficient and profitable farming have increased, new procedures for acquiring sufficient capital have evolved. Leasing of equipment, hiring of custom services, vertical coordination, contract production, and use of merchant and dealer credit have grown in popularity. Corporate farming as a means of obtaining equity capital is often discussed, as are other credit innovations such as low equity and semipermanent financing. The

(Continued on page 4)



## Business Summary

Both physical volume and dollar volume indexes of business in Nebraska indicate that the March, 1968 levels were below those of March, 1967. For the U. S., both the dollar volume and the physical volume increased from March, 1967. Construction activity dropped off considerably more in Nebraska (-27.4%) than in the U. S. (-5.4%) from March, 1967. For Nebraska and the U. S., the dollar volume and the physical volume declined from February, 1968. This is as expected since a slight seasonal surge of activity generally takes place during the month of February.

Nebraska's retail sales in April were 2.2% higher than the April, 1967 level. It should be noted that sales ratios reported herein do not contain any adjustment for price changes. The higher sales levels in April and May of last year, caused by the rush to beat the sales tax, are reflected in the large number of low ratios seen in this month's analysis. The effect of this situation on soft goods was reduced considerably due to the fact that Easter buying was done mostly in April this year compared to being done in March last year. This is reflected in the increases for the miscellaneous categories seen in Table V. Table VI shows general business activity was not greatly affected by the decline of retail sales.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table I (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month. E. L. BURGESS

### I. NEBRASKA and the UNITED STATES

MAR Business Indicators	Percent of 1948 Average		Percent of Same Month a Year Ago		Percent of Preceding Month	
	Nebraska	U.S.	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume of Business	284.6	351.4	97.5	107.0	91.0	99.3
Physical Volume of Business	197.6	225.6	99.5	104.3	92.1	98.7
Bank debits (checks, etc.)	236.2	341.3	100.0	109.6	90.4	99.0
Construction activity	172.1	167.2	72.6	94.6	63.8	99.7
Retail sales	150.0	187.6	97.8	101.5	96.8	101.4
Life insurance sales	390.8	487.3	97.5	101.0	99.9	95.6
Cash farm marketings	201.3	159.9	98.7	100.9	126.8	98.3
Electricity produced	327.2	451.1	104.6	107.0	87.4	94.0
Newspaper advertising	154.6	147.8	100.7	100.6	89.0	94.0
Manufacturing employment	171.8	127.4	105.8	101.8	102.1	100.0
Other employment	146.0	166.4	102.7	106.4	101.5	100.3
Gasoline sales	185.1	235.5	111.4	112.1	65.1	106.9

### II. PHYSICAL VOLUME OF BUSINESS Percentage of 1948 Average

Month	Nebraska	U.S.
	1967-68	1967-68
March	198.6	216.3
April	191.6	217.6
May	195.7	216.2
June	198.7	219.5
July	196.9	217.6
August	203.2	219.5
September	202.8	216.5
October	203.0	216.8
November	190.8	219.1
December	199.3	218.6
January	210.0	224.4
February	214.5	228.5
March	197.6	225.6

### III. RETAIL SALES for Selected Cities. Total, Hard Goods, and Soft Goods Stores. Hard Goods include automobile, building material, furniture, hardware, equipment. Soft Goods include food, gasoline, department, clothing, and miscellaneous stores.

APR City	No. of Reports*	Percent of Same Month a Year Ago			Percent of Preceding Month	APR City	No. of Reports*	Percent of Same Month a Year Ago			Percent of Preceding Month
		Total	Hard Goods	Soft Goods				Total	Total	Hard Goods	
THE STATE	823	102.2	93.0	106.0	98.2	Fremont	31	97.9	88.0	106.3	93.8
Omaha	85	105.6	96.1	113.3	90.9	Fairbury	26	99.5	101.7	97.7	90.6
Lincoln	74	102.9	96.4	108.3	101.7	Norfolk	30	100.2	85.2	113.1	95.1
Grand Island	32	106.3	101.7	110.5	98.2	Scottsbluff	33	86.6	73.6	97.8	90.6
Hastings	30	98.0	99.5	96.4	92.2	Columbus	28	99.5	92.7	105.6	101.2
North Platte	20	95.7	78.5	107.7	94.9	McCook	19	99.7	101.9	97.4	89.6
						York	28	86.6	71.5	96.3	89.6

### IV. RETAIL SALES, Other Cities and Rural Counties

APR Locality	No. of Reports*	Percent of Same Month A Year Ago	Percent of Preceding Month
Kearney	19	103.2	89.6
Alliance	29	125.4	98.7
Nebraska City	20	109.9	122.5
Broken Bow	17	95.8	92.7
Falls City	17	104.1	99.0
Holdrege	19	97.5	92.7
Chadron	25	97.9	73.7
Beatrice	19	92.4	89.8
Sidney	23	95.7	94.5
So. Sioux City	11	95.1	104.6
Antelope	11	90.7	107.8
Cass	23	98.8	97.4
Cuming	11	107.0	109.9
Sand Hills**	23	100.9	82.4
Dodge***	11	113.3	109.6
Franklin	10	80.7	99.5
Holt	15	107.9	115.1
Saunders	16	119.8	111.0
Thayer	10	102.0	150.0
Misc. Counties	58	100.9	104.0

### V. RETAIL SALES, by Subgroups, for the State and Major Divisions

APR Type of Store	Percent of Same Month a Year Ago			
	Nebraska	Omaha and Lincoln	Other Cities	Rural Counties
ALL STORES****	102.2	104.8	100.5	101.2
Selected Services	96.7	90.0	106.1	106.8
Food stores	105.4	109.1	101.7	105.5
Groceries and meats	105.7	110.0	105.4	101.7
Eating and drinking pl.	103.4	108.2	91.8	110.3
Dairies and other foods	109.9	106.4	108.9	114.5
Equipment	97.6	110.5	91.9	90.3
Building material	113.5	123.2	99.4	117.9
Hardware dealers	105.6	118.1	108.1	90.7
Farm equipment	98.0	141.7	78.0	74.2
Home equipment	81.7	78.5	83.4	83.2
Automotive stores	90.8	86.8	93.2	92.4
Automotive dealers	87.2	80.3	90.4	91.0
Service stations	103.7	113.1	104.3	93.7
Miscellaneous stores	107.0	108.1	106.0	106.8
General merchandise	100.5	99.4	100.4	101.7
Variety stores	110.2	106.0	111.6	113.1
Apparel stores	117.3	121.7	114.2	116.0
Luxury goods stores	107.9	110.2	111.4	102.0
Drug stores	101.7	100.8	101.4	102.9
Other stores	106.8	114.4	99.8	106.2

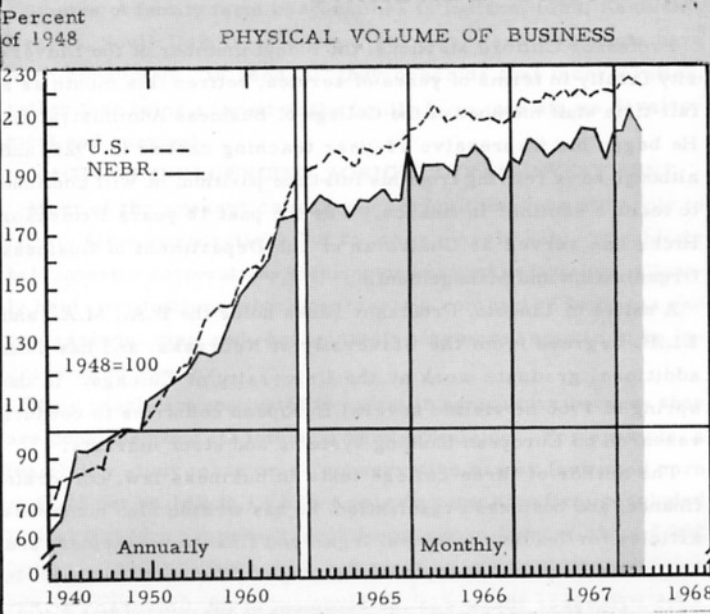
\*\*\*\*Not including Selected Services

UNADJUSTED CITY INDEXES

Percentage Change, Apr. 1967 to Apr. 1968

-5 0 +5 +10 +15 +20 +25

PHYSICAL VOLUME OF BUSINESS



SO. SIOUX CITY . . . . .	22
FALLS CITY . . . . .	21
COLUMBUS . . . . .	19
MCCOOK . . . . .	18
BEATRICE . . . . .	17
FAIRBURY . . . . .	16
NORTH PLATTE . . . . .	15
HOLDREGE . . . . .	14
KEARNEY . . . . .	13
BROKEN BOW . . . . .	12
GRAND ISLAND . . . . .	11
YORK . . . . .	10
OMAHA . . . . .	9
(STATE) . . . . .	8
HASTINGS . . . . .	7
LINCOLN . . . . .	6
CHADRON . . . . .	5
SIDNEY . . . . .	4
NORFOLK . . . . .	3
FREMONT . . . . .	2
NEBRASKA CITY . . . . .	1
ALLIANCE . . . . .	0
SCOTTSBLUFF . . . . .	0

Figures on this page are not adjusted for seasonal changes nor for price changes. Building activity includes the effects of past as well as present building permits, on the theory that not all building is completed in the month the permit is issued. E. L. B.

VI. CITY BUSINESS INDICATORS

Percent of Same Month a Year Ago

State or City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	106.6	118.3	123.8	102.2	108.2	105.0	101.2	106.8	106.5
Beatrice	113.8	117.1	100.8	92.4	101.9	69.2	169.6	101.8	99.9
Omaha	107.0	111.1	94.4	105.6	98.1	92.8	93.4	113.4	95.1
Lincoln	105.9	111.0	96.5	102.9	92.0	74.9	84.2	72.2	107.1
Grand Island	108.9	100.6	106.5	106.3	95.8	100.0	99.3	91.5	-
Hastings	106.3	112.0	79.3	98.0	88.2	72.7	117.8	87.8	69.8
Fremont	102.4	92.6	134.9	97.9	94.0	NA	90.8	100.2	NA
North Platte	113.4	127.7	110.8	95.7	102.9	73.6	115.2	89.8	110.3
Kearney	111.8	100.1	137.9	103.2	127.8	66.8	106.3	103.3	NA
Scottsbluff	NA	NA	NA	86.6	NA	90.8	NA	NA	87.1
Norfolk	102.9	97.5	101.9	100.2	82.6	73.6	100.0	87.8	101.3
Columbus	114.2	107.7	107.4	99.5	90.3	71.3	101.3	89.7	105.0
McCook	114.2	98.7	76.5	99.7	93.4	82.0	NA	78.4	89.0
Sidney	104.8	111.1	62.2	95.7	88.6	87.9	154.6	114.8	NA
Alliance	NA	NA	NA	125.4	NA	94.8	NA	NA	97.3
Nebraska City	96.7	95.5	71.7	109.9	104.6	76.9	103.9	72.8	NA
So. Sioux City	116.8	104.1	161.6	95.1	116.7	57.8	NA	176.4	NA
York	108.5	101.4	197.5	86.6	87.7	74.1	145.5	101.3	102.5
Falls City	115.3	90.9	155.6	104.1	94.9	69.2	109.3	114.4	108.7
Fairbury	113.6	96.6	153.1	99.5	96.1	NA	92.5	91.3	101.4
Holdrege	111.9	102.6	91.5	97.5	101.4	65.1	179.5	117.0	141.8
Chadron	105.4	102.3	129.2	97.9	97.2	79.0	105.2	90.1	NA
Broken Bow	110.8	133.5	99.1	95.8	105.6	85.0	119.0	88.8	114.9

Percent of Preceding Month (Unadjusted)

State or City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	98.0	107.4	102.0	99.3	96.2	81.7	98.2	87.2	98.5
Beatrice	101.1	117.1	100.8	91.5	101.9	69.2	169.6	101.8	99.9
Omaha	95.2	111.1	94.4	92.7	98.1	92.8	93.4	113.4	95.1
Lincoln	94.2	111.0	96.5	104.3	92.0	74.9	84.2	72.2	107.1
Grand Island	100.0	100.6	106.5	100.0	95.8	100.0	99.3	91.5	-
Hastings	87.5	112.0	79.3	94.7	88.2	72.7	117.8	87.8	69.8
Fremont	95.6	92.6	134.9	95.7	94.0	NA	90.8	100.2	NA
North Platte	105.2	127.7	110.8	96.7	102.9	73.6	115.2	89.8	110.3
Kearney	103.2	100.1	137.9	91.8	127.8	66.8	106.3	103.3	NA
Scottsbluff	NA	NA	NA	92.3	NA	90.8	NA	NA	87.1
Norfolk	95.6	97.5	101.9	97.0	82.6	73.6	100.0	87.8	101.3
Columbus	100.0	107.7	107.4	103.4	90.3	71.3	101.3	89.7	105.0
McCook	87.5	98.7	76.5	91.6	93.4	82.0	NA	78.4	89.0
Sidney	98.8	111.1	62.2	96.7	88.6	87.9	154.6	114.8	NA
Alliance	NA	NA	NA	101.4	NA	94.8	NA	NA	97.3
Nebraska City	92.1	95.5	71.7	126.3	104.6	76.9	103.9	72.8	NA
So. Sioux City	122.2	104.1	161.6	106.3	116.7	57.8	NA	176.4	NA
York	99.1	101.4	197.5	91.1	87.7	74.1	145.5	101.3	102.5
Falls City	103.4	90.9	155.6	100.5	94.9	69.2	109.3	114.4	108.7
Fairbury	95.1	96.6	153.1	92.1	96.1	NA	92.5	91.3	101.4
Holdrege	103.9	102.6	91.5	94.6	101.4	65.1	179.5	117.0	141.8
Chadron	96.5	102.3	129.2	73.7	97.2	79.0	105.2	90.1	NA
Broken Bow	103.6	133.5	99.1	94.6	105.6	85.0	119.0	88.8	114.9

ent farming is a problem - implying that the need for credit will continue to be extensive.

### CAPITAL AND CREDIT USE IN AGRICULTURE

Requirements for financing production assets and production expenses have increased steadily in the aggregate and at a much rapid rate on a per farm basis. The total investment in production assets has increased from \$125 billion in 1956 to \$215.4 billion in 1967. On a per farm basis, the increase has been \$28,456 to \$73,120 in 1967 - an increase of 156 percent. In addition, rising prices, farm mechanization, production specialization, enlargement of farm size, and more rapid capital turnover and technical obsolescence have increased the needs for more credit in agriculture.

Production expenses have risen from \$22.3 billion in 1956 to \$34 billion in 1967. Average expenses rose from \$4,957 in 1956 to more than \$10,000 in 1967. However, almost the entire increase has been for large farm operations. Although 90 percent of all farms had sales over \$20,000 in 1966, they accounted for 70 percent of all production expenses, averaging \$10,000 per farm. More importantly, these farms realized 60 percent of the total net farm income in the United States. These conclusions thus seem apparent: the most profitable farm operations have large gross dollar sales and are very capital intensive. The magnitude of these requirements places substantial demands on rural financial resources and on traditional methods of obtaining credit. One of these methods - the use of credit - has been the principal means of obtaining funds by corporate farms.

According to the June 30, 1966, survey of farm loans at commercial banks in the Tenth Federal Reserve District,<sup>1</sup> corporate farm borrowers held approximately \$85 million in outstanding loans, 31 percent of the total dollar amount of all farm loans in the District.

Partnerships held 5.5 percent and sole proprietorships 63.5 percent of the total dollar amount of all farm loans in the District. Corporate farm borrowers accounted for the remaining 90.1 percent. The growth of corporate farm loans has been impressive in the District. A similar survey in 1956 revealed that farm corporations in the Tenth District had \$21.8 million in outstanding farm loans, 13.1 percent of the total loan volume. From 1956 to 1966, the total farm loans increased 288 percent, compared with 176 percent for all Tenth District farm loans and 132 percent for all farm loans made by commercial banks nationally. In addition, it is important to remember that these surveys measured only identifiable agricultural loans to corporate farms. The use of bank credit by predominantly nonfarm corporations engaged in agriculture may not have been measured adequately.

The major purpose of corporate farm loans in the District was to purchase feeder livestock. Nearly \$56 million in corporate farm loans - 66 percent of the total - was used to buy feeder livestock. The increase in number of large commercial incorporated farms has been a significant factor in the growth of bank loans to agricultural corporations. Purchase of other livestock and operating expenses accounted for 17 and 13 percent, respectively.

Over half of the corporate farm borrowers in the Tenth District had a debt-to-asset ratio of between 50 and 74 percent. The availability of credit, as reflected by average effective interest rates, is shown in the table on the right. Both corporate and partnership farm borrowers paid considerably below the average rate for all

### AVERAGE EFFECTIVE INTEREST RATES FOR AGRICULTURAL LOANS BY FORM OF ORGANIZATION AND DEBT-TO-ASSET RATIO

Tenth Federal Reserve District  
June 30, 1966

Total Debt of Borrower as a Percent of Total Assets	Form of Organization			Average for Debt Ratio
	Sole Proprietorships	Corporate Farms	Partnerships	
		(Percent)		
Less than 25	6.6	5.8	6.3	6.5
25-49	6.7	6.3	6.2	6.6
50-74	6.8	6.3	6.3	6.8
75 and over	7.0	6.1	6.3	6.7
Not reported	8.4	5.9	6.0	8.4
All Borrowers	6.7	6.2	6.2	6.7

borrowers.

These data define the magnitude of agriculture's capital and credit needs. The dimensions are large and growing. The increasing importance of nonfarm capital in agriculture will continue to influence structural and organizational change.

### CLOSELY HELD AND PUBLICLY HELD FARM CORPORATIONS

A closely held corporation is one in which the ownership and the control of the corporation belongs to a small number of shareholders. The entire outstanding stock may be owned by a single individual, the members of a family, or a small group. Officers and directors own the majority of stock and, thereby, control the corporation.

A publicly held corporation generally has widely distributed stock held by unrelated stockholders. The right to buy and sell stock in publicly held corporations at competitively bid market prices is not normally restricted. Separation of ownership from management is quite common.

Most farm corporations are closely held family corporations. Their reasons for incorporating are typically: (1) to facilitate gift transfer of property for estate and retirement planning, (2) to provide for business continuity, (3) to gain income tax advantages, (4) to limit personal liability, and (5) to improve access to capital. These motives, however, are not always clear-cut advantages for the closely held corporation. Liability may not be limited if the major stockholder must sign personally for obligations of the corporation or if most of his assets are invested in the corporation. There is no assurance of improved management through incorporation, since owner, director, and officer are likely to be the same person after incorporation as before. The availability of equity and debt financing to a farm may not be enhanced. An established market does not exist for the securities of a closely held farm corporation, but family members may choose to leave capital in the farm business rather than receive dividends. Some financial institutions place restrictions on lending to farm corporations.

Tax considerations are numerous and complex, requiring careful attention prior to incorporation. Some of the most important are amount of net farm income, motives of property transfer and estate development, and alternative tenure arrangements.

To date, most studies of corporate farming have dealt with the family farm and closely held corporations. Most findings have been favorable toward incorporation. There is general agreement that the corporate form does facilitate the transfer of the farm from generation to generation within the family. Also, as farm size increases, capital, tax, business continuity, and liability considerations encourage the investigation of the corporate form of organization.

(Continued on page 5)

do, Kansas, Nebraska, Wyoming, and parts of Missouri, Mexico, and Oklahoma.



es of family farm corporations in Indiana, Iowa, Kentucky, South Dakota, Alabama, Michigan, and Minnesota have conducted. In general, they conclude that incorporation, than being a threat to the family farm, can aid its development and survival.

**FACTORS INFLUENCING AGRICULTURAL INVESTMENT**

of the present concern in agriculture does not apply to farm corporations but to other closely held, or publicly traded corporations entering or engaged in farming. Close corporations which represent a compact of business and professional men and, occasionally, farmers, appear to be increasing in number.

people are motivated to invest in agriculture because they are convinced that its future is very promising. For example, a study made on a "conservative basis" (assumed corn yield of 100 bushel per bushel) in 1966 by a private consulting firm concluded that with good management, a continuous corn farm of about 2,000 acres in Iowa could yield 12.1 percent on stockholders' equities in the first year and 18 percent by the sixth year. Farmers are more likely to invest their savings into agriculture and land values are expected to climb. Although studies follow different assumptions and computational techniques, they do show returns sufficient to attract new investors.

Other factors also may be encouraging agricultural investment. An inflation hedge, is a primary consideration. Speculation in further real estate appreciation for land near urban or suburban centers, or on land with mineral or irrigation potential, may induce some agricultural investment. Other personal motivations, such as the desire to be a "part of agriculture," must also be considered.

Another line of thought by investors in closely held farm corporations reaches the same investment decisions, but for different reasons. These investors anticipate farm prices remaining low and support levels. They anticipate continued increases in prices of purchased farm inputs and only modest increases in farm product prices. Because of this squeeze on farm earnings, they conclude that only the best-managed, adequately financed, and efficient farm operations will remain in business. These investors view profits in agriculture as a function of the operational efficiency of production, and marketing procedures. They conclude that incorporation with sufficient capital can provide a competitive advantage in reaching profitable operating and support levels.

Closely held corporations investing in agricultural production and marketing or diversifying into agricultural production are numerous. Concern has been expressed with their entry into agricultural production. Their motives are frequently questioned by economists and farm-related organizations and may be quite different from those previously discussed. Some additional considerations regarding their entry into farming are the following:

**Vertical Integration.** Technological innovations have been a primary consideration in integration. The reasons for integration into contract agricultural production by vested interest are usually suggested as being (a) to protect their market for farm inputs, (b) to increase volume of farm input margins, (c) to guarantee an ample supply of farm products, or (d) to insure consistent quality of product.

**Diversification.** Conglomerate firms and nonagricultural firms entering agriculture may be doing so for protective diversification into the food industry - a reasonably stable industry with growth closely tied to population. A desire to offset seasonal or Government related business vulnerability may also

Published three times in January, February, September, October, and December, and twice in other months, by the University of Nebraska Office of Publications, Nebraska Hall, Lincoln, Nebraska 68508. Second class postage paid at Lincoln, Nebraska.

Vol. 47 Lincoln, Nebr., June 17, 1968 No. 28

**BUSINESS IN NEBRASKA**

published monthly by the University of Nebraska College of Business Administration Dr. C. S. Miller, Dean

**BUREAU OF BUSINESS RESEARCH**

309-10 Social Science Building, City Campus, Lincoln, Nebraska Member, Associated University Bureaus of Business and Economic Research

Director	Dr. E. S. Wallace
Associate Director	Dr. Edward L. Hauswald
Statistician	Dr. Alfredo Roldan
Editorial Assistant	Mrs. Dorothy Switzer
Assistant, Economic Education	Mr. David Smith

**Graduate Research Assistants**

Miss Loisjean Drake	Roger K. Rebman
L. Kenneth Hubbell	Fred Schroeder

BUSINESS IN NEBRASKA is issued as a public service of the University and mailed free upon request. Material published herein may be reprinted with proper credit.

be an issue.

**Tax Advantages.** The possibility of realizing substantial capital gains, of realizing favorable rates of depreciation on machinery and equipment, and of incurring losses through cash accounting methods in certain years may produce considerable tax savings to some firms and individuals. These motives are not well understood and are difficult to research.

**Inflation Hedge.** Past rates of appreciation on farm land and rural real estate with development potential have been impressive. Although there is no assurance of continued increase in land prices, acquisition of farm land remains an attractive inflationary hedge for firms with adequate liquidity. Because of other considerations such as rapid transportation, urban sprawl, population growth, and expanding recreation needs, land may be acquiring a renewed investment appeal.

**World Food Needs.** Although world famine is not new, our awareness and sensitivity to it is. Major industrial firms reviewing the development of our commodity donation programs and the expansion of dollar export markets, and sensing a clash of population growth with food needs, may anticipate that the United States will assume a role of increasing responsibility in feeding much of the world. Firms desiring to capitalize on the world's food needs may be selecting agriculture as a vital growth area.

**Nonland-based Production.** Except for range livestock operations, livestock production no longer requires an extensive land base. Beef feedlots; egg and broiler production; turkey production; lamb feeding; pig farrowing, weaning, and feeding units; and dairy farms are increasingly established as confinement systems independent of productive farm land. The separation of intermediate production steps such as specialized feeder pig production, cattle feedlots, or custom-hire field work has been facilitated by technological change. The separation of farming from agribusiness and nonfarm activities has become less distinguishable. Many of the economic reasons for small-scale farms disappear with the separation of land-intensive farming from nonland-based production.

**Industrial Management Approach.** The potential of substituting machinery for labor in crop production on an extensive scale has long been recognized as has the risk of price and weather variability. Yet, an industrial approach has appeal. Large dollar sales can be achieved per unit of labor with only a modest sales force. High volume output per unit of labor impresses wage-sensitive managements. Continuing technological advances in irrigation and agricultural chemical use suggest a new dimension to farming - the substitution of one type of capital (agricultural chemicals) for another (farm machinery).

**REVIEW**

Outdoors USA, The Yearbook of Agriculture 1967, Editor, Jack Hayes, U. S. Department of Agriculture, Government Printing Office, Wash., D.C. Hardbound. \$2.75.

Somewhat surprisingly, emphasis of this issue of the annual yearbook of agriculture is on the conservation aspects of the program of the U.S. Department of Agriculture. Intended as a handbook of resource conservation and a guide to the great recreation potential of the American outdoors, it (Continued on page 6)

# TWO RETIRE FROM FULL-TIME TEACHING

After 36 years as a member of the faculty of the College of Business Administration, Dr. Edward B. Schmidt, Professor of Economics and Agricultural Economics, retired this month. His plans for the future will keep him very busy, however, for he has contracted to do some work for the city of Lincoln on a part-time basis, and he has purchased a trailer and plans to do some traveling. Professor Schmidt expects also to have more time to pursue his



hobbies - golf, bowling, and fishing.

After receiving his B.A. degree from Nebraska Wesleyan, Dr. Schmidt was a teacher and school administrator for eight years before taking up graduate work in economics. He has the M.A. and Ph.D. degrees from the University of Nebraska, where he has taught public finance since the retirement of the late Dr. G. O. Virtue under whom he studied in this area of economics. He has taught also a course in governmental accounting. Dr. Schmidt

has held the rank of full professor since 1952.

From 1950 to 1958 he held the chairmanship of the Department of Economics and in 1963 served as Acting Director of the Bureau of Business Research for several months. Professor Schmidt has represented the Department of Agricultural Economics on the Great Plains Tax Study Committee for the past 10 years and has long been a widely acknowledged expert in his field. He is the author of several books, monographs, and articles dealing primarily with Nebraska tax problems and has been called upon frequently to serve as a tax consultant.

Dr. Schmidt, who is a native Nebraskan, served as an officer in the U. S. Army Air Corps during World War II. He has maintained a life-long interest in Nebraska Wesleyan and served for many years as financial adviser to his social fraternity, Theta Chi. At the University of Nebraska he was for eight years adviser to the professional business fraternity, Alpha Kappa Psi. He has thus been receiving the good wishes of many Wesleyan graduates as well as the felicitations of countless former students at the University, many of whom now hold positions of distinction in government, higher education, and other professions, and in business and industry. Professor Schmidt's retirement has been the occasion for a number of events in his honor, including a dinner sponsored by the Department of Economics.

(Continued from page 5)

turns out also to be a primer of natural beauty. Effectively illustrated with many color photographs - some of them hauntingly beautiful - the yearbook tells its story largely in terms of people. It stresses the fact that rural America has breathing space - room for people to live and work; to enjoy recreation and be close to the land.

In the foreward of the yearbook, Secretary Freeman makes the point he has made in recent speeches, that through conservation and development of natural resources, the nation's rural areas can become ideal sites for the communities of tomorrow - communities where there need be no urban blight and sprawl. He cites the fact that each year 3 million more Americans squeeze

Professor Clifford M. Hicks, the oldest member of the University faculty in terms of years of service, retired this month as a full-time staff member of the College of Business Administration. He began his impressive 43-year teaching career in 1925, and although he is retiring from his full-time position, he will continue to teach a seminar in finance. For the past 18 years Professor Hicks has served as Chairman of the Department of Business Organization and Management.

A native of Lincoln, Professor Hicks holds the B.A., M.A., and LL.B. degrees from the University of Nebraska, and has done additional graduate work at the University of Chicago. In the spring of 1966 he visited several European countries to conduct research on European banking systems and stock markets.

The author of three college texts in business law, corporate finance, and business organization, he has written also numerous articles for leading business, legal, and finance magazines, and has made a special study of the European Common Market. In 1955 Professor Hicks was the recipient of the University's Distinguished Teaching Award.

Professor Hicks is listed in "Who's Who in America," is a member of several professional and honorary associations, for many years served on the National Budget Committee of United Community Chests and Councils, is a past Chairman of the National Board of Directors of Camp Fire Girls, and is active in a number of civic and social organizations.

For the past several years, Professor Hicks has been a consultant with Haegen Associates Incorporated, a national custom pension plan consulting firm, and is currently an associate of the firm in their new Lincoln district office.

In recognition of his leadership and inspiration in the broad educational area of business organization and management, an endowed fund has been established by former students, with initial gifts to the University Foundation of \$25,000. Some of America's best known corporations are headed by his former students, and colleges and universities from coast to coast have deans, chairmen, and faculty members who did graduate work under Professor Hicks.



into our already jampacked cities until today 140 million people - or 7 out of every 10 Americans - are crowded onto just one percent of the land.

The reader may be astonished to learn that some 50,000 USDA workers, constituting about half the total staff, are employed on some phase of conservation: helping to develop farms that besides growing crops offer good hunting, fishing, and other recreation; helping develop forests and wood resources; and helping build watersheds, river basins, fish-stocked lakes, and ponds for boating and swimming, as well as storing water. Thus the department claims that its conservation programs can benefit some 81 percent of the nation's total land.