
REVIEW

American Agriculture in Decline?

*Steven C. Blank, **The End of Agriculture in the American Portfolio**, Quorum Books, Westport, Connecticut, 1998*

Reviewed by Alistair Watson

Although much of this book could have been written about Australian agriculture, a similar account of contemporary developments in Australian agriculture could not have been published in this country. The Australian market for serious books on agriculture is not large — certainly not large enough for a book that falls clumsily between two stools. The small number of specialist readers in Australia would find many of the ideas in this book familiar and acceptable but would recoil from the exaggerated claims and categorical statements apparently intended for a very much larger non-technical American target audience, presumed by the author to be unconcerned with fine distinctions between questions of degree and questions of kind.

The style of the book and its deficiencies are clear from its title and the statement on the first page that ‘the production of food and other agricultural products will disappear from the United States because it will become unprofitable to tie up resources in farming and ranching.’ The relative decline of agriculture is a truism of economic development. Economic processes underlying that relative decline are well understood from the seminal work of Theodore Schultz in the 1940s together with later refinements such as research by Kym Anderson of the University of Adelaide extending the analysis to countries with a comparative advantage in agriculture like Australia. It is not hard to think of developed countries where agriculture could also undergo a significant absolute decline in output, especially in the absence of artificial props to politically powerful farming interests. However, in countries with abundant land, skilled farmers and sophisticated techniques of agricultural production such as the US and Australia no amount of urbanisation, wage [income] increases and increased demand for land for non-agricultural purposes will eliminate agricultural production altogether.

In effect, the essential error of Blank is to extrapolate the long-term decline in the proportion of the workforce directly engaged in agriculture to zero. In the process, Blank neglects gross farmer, farm and regional differences in production possibilities and productivity and the diversity of US agricultural industries with respect to factors such as perishability of products. This is, of course, not much different from the loose thinking that lies behind vacuous concepts of industry, or

worse still, national 'competitiveness' that so excite lay observers of Australian agriculture. Ideas like diminishing returns, comparative advantage, income elasticities of demand, von Thunen's 'rings' as a reflection of the pervasive influence of transport costs on agricultural production and Marshall's concept of the marginal firm [farm] are far more fruitful ways of thinking about the contraction of agriculture than absolutes like 'the end of agriculture'.

The major contribution of this book is the elaboration by Blank of important principles of agricultural development and marketing, finance and agricultural trade. The apocalyptic view of American agriculture is not supported by the analysis. To a considerable extent, the 'end of agriculture' is a rhetorical device. Parts of American agriculture are labour-intensive and thus vulnerable on the cost side to slowing down of immigration and imports of products from developing countries in the western hemisphere where wages are lower. There are also far greater pressures from urbanisation in the United States than Australia and the demand of city dwellers for land for recreation is correspondingly higher. This is especially so in north-eastern United States and California.

Returns to farming in these parts of the United States include a substantial element of capital gain associated with the transition from farming to other uses. Farmers are often warehousing land for subsequent residential or recreational use. One implication is that agricultural production will be maintained for a long time even though rates of return on farm assets appear lower than on other investments. In Chapters 4 and 5 of his book, Blank describes the adjustments taking place as farmers respond to pressures of urbanisation and the increased financial risks of capital-intensive agriculture. The price of agricultural land rose rapidly in the 1970s fuelled by inflation, commodity prices and misguided expectations about world food supply. The end of inflation and falling grain prices after the mid-1980s brought about a major realignment of the land market exposing the financial position of farmers and agricultural lenders alike.

The United States has a legacy of federal government intervention in commodity markets and agricultural finance that dates from the 1930s. Many of these programs are now obsolete. Blank describes with much vigour and insight the unplanned and illogical consequences of these programs. The benefits of government subsidies are concentrated in particular commodities and regions. The top ten congressional districts for disaster assistance received about one-third of total disaster assistance from 1985 to 1993 and over 60 per cent of disaster assistance went to ten states. Support is skewed towards the larger producers. Little wonder that students of public policy have had a field day explaining these outcomes in terms of private interest theories.

While the system is obviously a mess, there should be no automatic presumption that the internal inconsistencies of current programs, budget deficits, pressures from urbanisation and urban environmentalism will bring about the rapid decline in agricultural production envisaged by Blank. Even without government intervention, the United States has abundant land that would remain in agriculture, albeit with a different pattern of production and ownership. It is also plausible that pressure on agriculture to adjust to market forces will decline

rather than increase over time. This is because the smaller the sector becomes in the economy, the easier it is for subsidies to be maintained. Moreover, in an increasingly urbanised economy it is much easier for farm pressure groups to play the Willie Nelson card and appeal to the nostalgia of those Americans now forced to do their vicarious pioneering in front of the television screen.

A similar story is being played out in Australia where progress in reform of agricultural policy has stalled. Although farmers were at the forefront in pursuing the agenda that led governments away from direct involvement in the economy, farming in Australia is now being treated more and more like a special case. The most obvious example of this change in attitude is the timid and opportunistic reaction of farm leaders and politicians to droughts in eastern Australia in the 1990s. Rural fundamentalism is alive and well in Australia and the US.

The book is written in a popular and occasionally grating style. Blank appears to believe that rural dwellers use a completely different subset of the American language and thus the author includes a glossary of agricultural colloquialisms. Most of the entries in the glossary are not exclusively agricultural at all. Like Australia and other lands of recent European settlement, there is no real peasantry in America. Differences in culture exist but they are regional or related to patterns of migration rather than purely occupational. Nevertheless, the book is often perceptive, highly entertaining and a good read. Like Australia, the United States has inherited an inflated agricultural research and education system from an earlier period of its history. Those involved in this elaborate infrastructure usually find it much harder to adjust to economic changes than farmers themselves. In an interesting chapter on the effects of contemporary developments on agricultural researchers and educators, Blank cites a line from the 1960s rock band The Doors, 'Hello, I love you, won't you tell me your name?'. I know of only two Australian agricultural economists whom I am absolutely confident have ever heard of The Doors but I know many many more who follow the grant chasing approach attributed by Blank to their US counterparts.

If anything, the situation in Australia is worse for morale and quality control in agricultural research and education. This is largely because vertical fiscal imbalance is a much greater problem for the Australian federation. Federal agencies and programs have encroached dramatically on established [and Constitutional] responsibilities of the Australian States for the administration of agricultural land. Loss of autonomy and direction of agricultural education in Australia is also largely the product of excessive central control. By and large, the States and agricultural academics find it far easier to take whatever money is available to indulge Canberra fantasies about the role of the Internet in Australian farming and engage in tawdry and misguided excursions into value adding, benchmarking and 'world's best practice', regional programs, sustainability, agribusiness initiatives and farm financial management than to waste time trying to convince the Commonwealth to change its priorities.

What is lacking in Australian agricultural policy and this book is a rigorous approach to determining appropriate roles for the public and private sectors in agriculture and, when public economic activity is judged necessary, some

discipline in deciding which tier of government should be responsible for funding and implementation of programs. Successive razor gangs have certainly used the blunt side of the razor in assessing the hotchpotch of Commonwealth agricultural programs that have emerged in Australia in the 1990s.

An area of particular concern for Australia is expenditure on the environment where grants-based funding and excessive bureaucracy have so debilitated research agencies and educational institutions that their energies are dissipated struggling with Byzantine funding arrangements rather than developing practical and intellectually defensible solutions to environmental problems. The goodwill of rural people and urban taxpayers has been abused by poor policies and public administration. A damning report in 1997 by the Australian National Audit Office of the administration of Commonwealth National Resource Management and Environment Programs — in essence, the much-hyped 'landcare' — was effectively ignored. Instead, the conceptual problems and confused objectives of landcare, as well as serious administrative problems documented by ANAO, have been joined by a further round of extravagant environmental funding from the National Heritage Trust created by the present government from proceeds of the part-privatisation of Telstra.

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