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The Farmer's Income

THE FARMER who works his own farm has a unique kind of independence. He is at once owner, manager, producer and merchant. He has no boss to tell him what to do. He can — and, indeed, must — exercise individuality, initiative and originality. He does not await the whims of others for his advancement, but reaps directly the benefits of his own enterprise.

To stay in business, a farmer must seek an adequate income. This demands his attention to many varied activities and fields of knowledge. He must keep his soil fertile, plan his crop rotations, balance his livestock programme with available feed, and sell his produce to the best advantage. He needs to know how to control expense and make efficient use of labour and machinery. Failure to measure up well to any of these requirements is sure to result in at least lower income and at worst financial loss.

A neat farmstead is usually an indication of a good farm manager, but hasty judgments should not be made. Not every unpainted building is an indication of slackness. The farmer may not have the time or the money to paint because he is waging a gallant battle against depletion of soil and is building up, year by year, a permanent capital in the way of productive farm land. The important things in farm management are to keep machinery in good repair, keep necessary fences standing, replace and maintain organic matter in the soil, eradicate weeds and other crop-impairing forces, and build or grow whatever protective devices are needed, such as ditches and wind-breaks.

Agriculture is anything but static. To look back at farming in Canada's early days — or even in the days of our grandfathers — is to see a picturesque scene, but that sort of farming will not do today. There are still some people content with subsistence farming, but most standards have risen. Farmers require income that provides the comforts of life as well as its necessities.

Supply and demand

The demand for farm products rises and falls in accord with the supply of produce and the purchasing power of consumers. The marketing system attempts to bring demand and supply into balance by storing produce in times of surplus for use in times of scarcity, and by fluctuations in prices.

One thing is sure: human beings will continue to try to feed themselves adequately at least three times a day. That is the sole market for farm food-stuffs.

G. S. Shepherd reported in *Marketing Farm Products* (1946) that the per capita consumption of food in the United States had remained practically constant over the preceding 35 years at about five pounds per person per day. The average consumption from 1909 to 1939 was 4.96 pounds; the average in 1935 to 1939 was 4.91 pounds.

The consumption of some foods, of course, has increased markedly, while that of others has decreased. Processing and packaging have brought changes, and methods of selling have affected the sale of food products.

Addressing the Canadian Food Processors Association in February, F. T. Sherk recalled the old days when butchers, truck farmers and others peddled their wares from door to door, and contrasted that with present-day stores and super-markets. Sales in retail food stores, he said, increased 230 per cent during the ten years 1941 to 1951, while Canada's population climbed only 22 per cent.

Changes such as these complicate the income-getting effort of the farmer. The demand for basic food-stuffs does not keep pace with rises in family incomes. Except for the very low income groups, people spend proportionately less on food as their earnings increase. Low income means a greater consumption of cheaper foods such as grain products and potatoes; with rising income

there comes a demand for meat, dairy and poultry products, fruits and vegetables.

One of the first problems to be solved by the farmer, then, is that of what to produce. A characteristic feature of agriculture is its dependence upon area. A factory or a department store can expand upwards; a fishing fleet can sweep a wider arc of the ocean; a mining concern can go deeper into the earth. The farmer must do the best he can with the area comprised in his farm, to the depth of a few inches.

Value of farms

Taking the farm as the unit of operation, the value of the capital per farm measures its resources in production of farm commodities. The census of 1951 provided figures that span fifty years in the development of Canadian farms:

	1901 \$	1951 \$	Per cent increase
Total value	1,787,102,630	9,470,876,372	430
Land & buildings	1,403,269,501	5,527,207,155	294
Implements & machinery	108,665,502	1,933,312,262	1679
Live-stock	275,167,627	2,010,356,955	630

Most striking in this tabulation is the increase in machinery. Mechanization has, more or less according to other factors, lightened the physical load of the farmer and increased his efficiency; other machinery, not on the farm, has affected him by the change it has brought about in the processing of the raw product he provides.

The change is well illustrated in an article by S. E. Johnson in the May 1950 issue of *The Journal of Farm Economics* (United States). He says that whereas in 1945 one farm worker produced enough to provide himself and about 14 other persons with agricultural products, in 1920 he produced enough for himself and nine other persons, and about a hundred years earlier only enough for himself and a little more than three other persons.

However, no matter how ingenious a new agricultural machine may be, the farm manager must have wisdom to decide whether he needs it now, foresight to decide what its use will be, economically, in future years, and skill to fit it into the general scheme of his farm.

D. L. MacFarlane, Professor of Economics at Macdonald College, made this point in an article he wrote for *Queens Quarterly*: "The presence of a tractor on a farm means neither that it is mechanized nor that it is an efficient unit. One frequently finds a tractor on a small farm in the west and on many farms where the total capital is well under \$10,000. Both are economic anomalies."

If little use is made of a machine the high proportion of total annual expense represented by depreciation makes the cost per day or per acre or per hour extremely

high. As to operating costs, it will be recalled by many that early in the 1930's many farmers put aside their tractors and returned to the use of horses because the machinery used a fuel that had to be paid for in cash whereas horses consumed one grown on the farm.

Farm income

With the mechanization of farms there has gone a corresponding decrease in the need for manpower, so that more and more workers have been released to enter industry and services. So great development has taken place in secondary industry and in services that only \$1,900 million of the national income amounting to \$19,043 million in 1953 was directly attributable to farm produce, less than 10 per cent.

All revenue from farm operation is obtained through the sale of crops and live-stock, plus a little received in payment for off-farm and non-farm work. In 1954 the cash income from the sale of farm products amounted to \$2,409 million. It first passed the \$2,000 million mark in 1948, and since then has averaged \$2,566 million a year.

Many devices have been tried in the effort to stabilize farm income. High prices for his product do not spell prosperity for the farmer if to attain them he has to reduce his volume so much that his total income is reduced. Nor has any solution yet been found in schemes to reduce the marketing expenses.

These are changing times, and nowhere are changes more apparent than in the production and marketing fields. Mention of a few examples will illustrate the fact. There is an increasing amount of time utility embodied in consumers' goods: many foods that were formerly seasonal are now provided the year round in various preserved forms. There is a new demand from consumers for goods in more elaborate form. They want foods in small quantities and in such shape that little or no processing at home is required. Bread, pastries and cake are bought, for the most part, ready-baked; vegetables come in tins, ready-cooked; bacon is sliced. The work our parents did in baking and preparing meals and cooking is now done by processors between the farmer and the consumer, and must be paid for. The costs include: processing to a more finished form, handling in smaller units, and wrapping in expensive packages.

This is a trend that shows no sign of changing. Half of the book *Marketing Farm Products* is given over to discussing the question in the farmer's mind about the spread between what he gets for the raw material and the consumption price at the end of the chain of distribution.

There is little an individual farmer can do but accept the current price when he chooses to sell. He will do

what he can to lower the cost of producing the commodities he sells, and lowering costs has the same pleasant effect upon net income as raising the price.

The business of farming

Poets and some philosophers have praised agriculture as an ideal way of life, sylvan, idyllic, "close to nature"; but farming is a business. The satisfactions that accrue to a farmer and his family in economic terms are fully as important as those that are social and aesthetic.

No other industry demands so high a percentage of managers among its workers. The man who operates a farm needs an understanding of basic economics and knowledge in several natural sciences and some applied sciences such as agronomy and animal husbandry. After all is said that can be said regarding the economizing of land and the care of crops and live-stock, the actual working out of problems is the task of the farmer. Wise legislation and new scientific discoveries may create favourable conditions, but upon the farm manager rests the responsibility of making agriculture on his farm respond to these favourable conditions.

Managerial skill in farming, as in any other enterprise, consists mainly in being able to see through the trees to a distant horizon, to work efficiently today, with tomorrow in mind, to plan so that a proper balance is kept between spending now and investing for the future. H. R. Hare, of the National Employment Service, said in his textbook *Farm Business Management*: "Surveys reveal that management is the dominant factor in determining the net returns from a farm business."

The farmer who wishes to improve his income surrounds his farm with a business atmosphere. He keeps abreast of improvements in farming methods, crop varieties, fertilizers and machines, even though he cannot put them all into practice at once. He plans his farm work well in advance, and completes ploughing, seeding, cultivating and harvesting at the proper time and with a reasonable degree of thoroughness. If not the first, at least he will not be the last, to adopt an improvement. Even if he is not mechanically minded he will learn enough to enable him to keep his machinery in running order and preserve it for long service.

Planning

The job of determining what to plant was easy for Louis Hébert when he turned over his first sod at Port Royal in 1604. All the farmer of that day had to do was to consider his family needs for food and clothing, and produce accordingly.

The income wanted today is of a different sort and amount, and the penalty of failure to reach the desired objective is greater. The need for setting an objective and planning how to reach it is an imperative demand.

Yet, by the very nature of agriculture, it is impossible to work by inflexible rules. Adjustments must be made to meet the conditions of climate, varying from year to year and from month to month, and the vagaries of the market in which a long-term trend may be halted or speeded up by sudden social or political changes at home or abroad.

What is needed, then, by the farmer seeking to make the most of his life, is a general plan for years ahead, with specific plans for individual years, and detailed plans for the next twelve months. This demands basic knowledge gained from textbooks, personal experience and the experience of others, plus a continuing study of new information, some of which will be used now and some used to form opinions of what is to be expected in future.

Where can the ambitious farmer obtain the information he needs? He will have a library containing a few reference books and many bulletins dealing with agricultural subjects. These bulletins are available in great variety from provincial and federal departments of agriculture, for the mere cost of a postage stamp. They are written by men who know farming on all levels — the level of the man behind the plough, the level of the government department seeking to help him make good, and the level of the economist who is watching the trends of national and international supply and demand.

Immediate news will be learned from newspapers, daily, weekly and farm. A survey reported in *Food for Thought* a few years ago showed that 69 per cent of farmers in Canadian Farm Forum homes take a daily newspaper, 69 per cent take a local weekly newspaper, 91 per cent a farm paper, and 82 per cent take more than one farm paper.

A survey conducted on behalf of *The Country Guide* in 1950 showed that in the three prairie provinces almost half of all farmer households subscribe to three or more farm papers, while nine out of ten farmer households subscribe to at least one farm paper.

Obviously, Canadian farmers appreciate the sound contribution made by the agricultural press to the advancement of farming and the enrichment of rural life.

As a clinching argument for the need for planning better farm methods, consider this statement by K. E. Boulding, of Iowa State College, at a meeting of the Canadian Political Science Association: "The mass of the agricultural poor in India, China, Eastern Europe, Africa, South America, even the Southern States, are poor not because they are exploited but simply because they are miserably unproductive and produce so little."

Getting and keeping control

The keeping of records is a burden to many people, to be avoided when possible, but it is only on the basis of records—our own and other people's—that we can foresee probabilities and make plans to meet them.

This bank, as well as other agencies interested in the well-being of agriculture, has for many years tried to make it easy for farmers to keep records. Our *Farmers' Account Book* gives the diligent farmer a practical and simple way of determining what farm enterprises are revenue producing and those that might better be dropped. It discloses where too much work is being done for the income obtained. It helps to show up little mistakes in management which may be replaced by profitable efforts. The book is free, and may be obtained at local branches of The Royal Bank of Canada.

To keep farm records is not a matter merely of having rows of figures in neat columns, but of using the facts they reveal so as to make decisions that are right. As Mr. Hare says: "Farm records and accounts cannot create profits directly, but they . . . express the results of farm management in unmistakable terms of high or low profit or loss. They remove all doubt."

The man who has gained a farming reputation that extends beyond his fence lines will be found to be a man who gives himself every management chance by knowing where his income came from, what it is now, and how he can obtain an increased income next year.

Farm records are useful in subsidiary ways. They help in obtaining low cost credit, for example. The farmer who can present a clear statement of his business shows that he knows what he is doing, and has a strong quality to recommend him as a good borrowing customer.

Keeping records helps to control expenses, and low expense per bushel of wheat, per gallon of milk, per pound of beef and per dozen eggs is the key to profits. The margin between income and outgo is just as satisfactory if it is widened by efficient curtailment of outlay as if it is expanded by obtaining higher prices.

Economy does not mean buying less fertilizer than the land requires, or buying inferior seed. It may even be that one's farm records, when compared with authoritative records from comparable farms, will show the need to increase expenditure for seed, fertilizer and pest control preparations, when this expenditure can be expected to increase production per acre or per animal.

Above all, it is good economy to conserve the farm's soil. This vital factor in income has been dealt with in

several Monthly Letters, notably those of August 1946, February 1951, and September 1952, copies of which are still available.

Farming is different

Farming has been, since the beginning of history, something different, something set apart. There is a flavour in farm life with a fundamental appeal to human nature, as witness the number of people who express the hope that some day they will achieve their life-long ambition: to live on their own farm.

One of the bases of our western way of life is typified by the family farm in Canada. It has values that are not to be found in any scheme of collective farming. It not only provides satisfactions for the individuals engaged in it, but it is efficient in meeting the food needs of the country. Failure of collectivized agriculture in Russia was one reason given for the political upheaval in the U.S.S.R. early this year.

Those who see deeper than others appreciate the character and dignity of rural life and work. The farm provides independence, the satisfaction of close communion with nature, and health-giving qualities. These are essential ideals of humanity, and must not be deprecated, but there is the other—and an important—side to farming. It is a business, and a business must yield an income. There must be enough financial return to make possible the achievement of the dividends of life that advanced farmers desire.

The young man thinking of taking up farming on his own should know that agriculture is a composite of many economic activities, of modes of living and of social functions, but it is still a business in which the character and energy of the manager count more than any other factor.

Impatient people, people who want quick returns on their investment of money and labour, will find little in farming to attract them. People who lack initiative and enterprise and energy will prefer jobs where decisions are made for them; where they are always told by some authority what to do next. People who are timid, who recall the poet's lines: "His life is a long-drawn question between a crop and a crop", will seek first of all the security of working for someone else.

But the farmer who approaches his job with the idea that farming is something to be made efficient and so profitable as to yield income sufficient to enable him and his family to enjoy the advantages and comforts of life will find many other things added: the loveliness of every year's seed time and harvest, closeness to the heart of life and nature, and the spirit of the giant of antiquity, Antaeus, whose strength increased every time he touched the ground.