

Agriculture in Alabama in 2002

Mike Polioudakis, Department of Fisheries and Allied Aquacultures

This pamphlet summarizes the condition of agriculture in Alabama in 2002. It is based on the first conference in a series sponsored by the Butler/Cunningham grant to the College of Agriculture of Auburn University for an Eminent Scholar in Agriculture and the Environment. The current Eminent Scholar, Claude E. Boyd of the Department of Fisheries and Allied Aquacultures, organized the series. The first conference was held in November 2002 in Birmingham.

This booklet uses general material from the speakers at the first conference and uses background material available from Auburn University, the State of Alabama, and the U.S. Dept. of Agriculture. More detailed reports on the conference, and further support for the points made here, including references to primary sources, can be found through the website at www.ag.auburn.edu/BC.

Alabama Still Rural

Many Alabamans still live outside of cities (in the 2000 census, Alabama was still 30% rural compared to less than 20% for the U.S. as a whole) and many of them depend on the land for a living. Some farms are still run by families, and some farms even grow traditional row crops such as corn, soybeans and cotton; but the numbers get fewer every year. Many farms have been turned to other uses besides row crops or have been let go fallow.

Gone are the days when rural America was almost completely made up of farmers in farming communities. Nearly every farm in Alabama needs at least one person working off the farm and/or obtaining a support check. Small farms derive most of their income off the farm. Even large farms usually have at least one family member with a job off the farm so that the family can have access to medical and other benefits.

Yet since so many people still live in the country despite all the recent changes, we need to take a hard look at who they are, what they really face, and what we can actually do to make it best for them.

Changes in Land Use and Land Business

About the time of World War II, Alabama still had many viable small farms. Alabama land then was used for row crops (8,266,000 acres), for a mixture of cattle and native broadleaf trees (13,859,000 acres), and for forest alone (4,889,000 acres). Since then, in 1995, the mixture has changed considerably: row crops (4,539,000 acres), mixture of cattle and trees (1,604,000 acres), and forest alone (20,337,000 acres). The shift occurred largely because planted evergreen trees replaced cattle and broadleaf trees on the land that had been in mixed use. Now, most land in Alabama is in farms that specialize in fast-growing trees for pulp.

Agribusiness is the running of farms and tree farms as businesses, with the aim of profit, in competition with other farm and tree farm businesses, and it includes related activities such as the selling of fertilizers, pesticides, seeds, insurance, machinery, fuel and other products to farmers, gardeners and others. Agribusiness is how farming and forestry are done now in Alabama and the U.S., and has many positive aspects. Agribusiness, including forestry, is the largest economic activity in Alabama (\$9 billion in direct revenue, \$43 billion in total revenue from direct and indirect impact or 22% of the state total) and the largest single employer (476,000 jobs or 21% of the workforce). Agribusiness accounts for a large share of Alabama exports and therefore of needed revenue coming into the state.

People interpret these shifts in different ways. At one extreme, it could be said that:

- > Farming and the farm way of life, as founded in row crop farming, seem to have totally collapsed. Individualistic competition replaced a community way of life.
- > Forestry took over farmland and farming, replacing family farms with mechanized, intensive tree farms.

At the other extreme, it could be said that:

- < Many farms that were originally marginal at best have been replaced by viable tree farms that contribute to the total economy.
- < Successful row crop farming in Alabama was never that widespread to begin with. The acreage devoted to successful row crop farming declined but by no means disappeared in the areas where it was competitively viable.
- < Alabama land was always in mixed use and continues in mixed use.

The truth lies somewhere in between. Farming and rural life have changed dramatically; the traditional rural farming community ideal probably cannot be recovered. Still, rural living has not disappeared but has taken on other patterns; those other patterns might be able to serve as the base for continuous improvement.

Why Alabama Can't Compete

With Alabama's abundant sunshine and water, it would seem that traditional farming should flourish here, but abundant sunshine and water, by themselves, are not enough. They have to come in the right rhythm, so that the sun does not burn crops and so that heavy rains do not drench crops or cause them to rot. The sun and rain have to come at the right times without destructive storms at the wrong times; and the sun and rain have to fall on good quality soil. Alabama's weather is too severe, and too unpredictable, and Alabama soil in general is too poor.

It is not a question of whether crops can be grown at all but whether they can be grown competitively in the agribusiness world. Although Alabama can grow almost any crop, in the business of farming, Alabama cannot compete with other parts of the country, such as the Midwest, where there may be less sun and water but where the sun and water are steadier and more gentle, and fall on better soil.

Row crop farming can continue only in areas of Alabama, such as in the “Black Belt” and near Huntsville, where the land fertility compares to other parts of the U.S. The amount of land for row crops in Alabama is a small part of the total but will likely not diminish too much more in the future. Because it is such a small part of the total, land for row crops cannot serve as the basis for a traditional family farming way of life in general.

Alternative Land Uses

Besides forestry, the most important recent alternative to traditional row crop farming has been animal rearing. Of non-forestry agribusiness in Alabama (about \$3.8 billion), animal husbandry is now by far the largest component (about \$3.2 billion). Chickens and pigs are the most common animals grown. Chicken farming, including both meat and egg production, is the single most productive agricultural enterprise in Alabama outside of forestry (\$2 billion per year, 66% of all animal production, and about 50% of all non-forest agriculture).

Modern animal agribusiness is not like traditional animal husbandry. A modern animal farm is called a “[concentrated] animal feedlot operation” (AFO or CAFO) and resembles a factory more than Old MacDonald’s farm. Typically, thousands of animals are kept in pens in a large air-conditioned building, where they are fed controlled portions of pre-mixed rations, and where they grow quickly to harvest size. Nearly all the meat and eggs that Americans now eat are produced in this manner.

Most CAFOs in Alabama are located in the northern hilly areas, a region that had been characterized by small, marginal farms and a dense population. Animal husbandry in those areas has allowed some, but by no means all, of the small farmers to remain on the land. It gave some of the many people there, who otherwise would have had nothing, a business or a job.

Even so, CAFOs are not like family farms, and it is possible only for a portion of the farmers in a given area to run a CAFO. Nearly all CAFOs receive their young animals, their feed, and the chemicals they need, from large corporations; they sell their animals back to the same corporations. Therefore CAFOs have not formed the basis for a return to the traditional American rural way of life and probably cannot serve that role.

Another alternative to traditional row crop farming is aquaculture, which is the growing of fish, crawfish, and other aquatic animals, in ponds. Alabama is the second largest producer of farmed catfish in the U.S.; Alabama catfish farmers get the highest production from their ponds in the U.S. Aquaculture grew rapidly in the 1970s as row crop farming declined. The total amount of land suitable for catfish production is limited

and so the number of farms and the total production leveled off during the 1990s. Still, catfish production is the fifth largest agribusiness in the state with \$82 billion in total revenue.

Hunting and fishing are a traditional part of the American way of life and are still important in the South (overall accounting for about 30,600 jobs and \$2.8 billion in revenue in Alabama). As farmland was left fallow after the 1950s, game returned, and some Alabamans found that they could get along by hunting or by letting people pay to hunt on their land. Some farmers now deliberately “let their land go” or plant crops to attract game so that they can charge people to hunt. It is not clear how much land is used this way or how much revenue it generates but there might be more than a hundred thousand acres. Landowners typically charge \$100 to \$500 yearly per person for hunting access to a farm (probably about \$10 to \$20 per acre), depending on the size of the farm, on the type of land, how it has been developed for hunting, and what rights to the game the hunters get.

The growth of urban populations and retired populations in the South spawned a rapid development in the 1990s of truck farming (fruits and vegetables) and horticulture (mostly flower growing). These aspects of agribusiness will likely continue to expand at least through the first decade of the 21st century.

Types of Rural Residents

Besides these new developments in agriculture, Alabama still has many poor people who live marginally off the land, gardening and hunting as they can, making very little cash income directly from the land but able to grow enough to eat. Until the 1980s, many poor rural people left the land for factories but in the last twenty-five years people have come back to the land from the city. White people came from the 70s onwards while Black people began coming in the 80s. It is not clear how many poor rural people now live in Alabama but the total number has increased in the last twenty years. How much further it can increase given the lack of opportunities in the countryside is not clear.

Besides poor people, many modest retirees have chosen to live in the rural South where the climate is not too cold. Between gardening, hunting, pensions, and the occasional job, these people can get along even if they don't live richly. For now, many of these retirees are content with a garden patch and a mobile home.

As traditional retirement areas such as Florida fill up, more retirees are likely to look for a place to live in the belt that runs from north and central Alabama across Georgia to the Carolinas. This belt has good weather and easy access to most of the South, and still has moderately low land prices. Eventually these new retirees will be wealthier than many of the present retirees. The wealthier retirees tend to live in modest towns such as Auburn and Eufala. The influx of wealthier retirees will stimulate the development of such amenities as restaurants, golf courses, apartment complexes, recreational community centers, and health care facilities. Land speculators have already noticed this trend.

In addition, the last twenty years have already seen a resurgence of people moving to the “green acres” of the country in a grander style. The market has grown steadily for 10-plus acre plots, large houses, and multi-vehicle garages. The money comes from urban jobs or previous financial success, so these people are sometimes called “exurbanites”. Some of these new rural people can be called “gentleman” or “lady” farmers as they also raise horses (or more exotic animals such as llamas) and grow a few crops. Many gentleman farmers manage to take the cost of pickup trucks and other equipment off their taxes. In some counties, these well-to-do exurbanites have become a force for preserving the countryside and have become a political force.

The Cycle of Rural Life, and Possibilities for Rural Recovery

With these recent developments in agriculture and with some movement of people back to the countryside, it would seem as if Alabama agriculture and rural life might recover on their own, but this has not been the case. Partly, recent developments in alternative agriculture and in hunting simply have not been enough. Too much land for traditional row crop farming and for mixed woodland-cattle was lost without being replaced by other farming that stimulates community. Tree farms, CAFOs and catfish farms bring money to their owners and to the state economy but they do not necessarily stimulate traditional farming communities or provide the base for other development that would. Partly, the problem lies with the nature of modern development. To better understand development in general in Alabama we have to look at what has happened to rural communities as farming changed, at development needs, at the structure of Alabama taxes, at the role of federal subsidies, and at the role of corporations.

Good traditional farming communities sustained themselves in a cycle. Smart, hard-working farmers brought in money. Grain dealers, machinery dealers, insurance companies, chemical companies, banks and other businesses built an infrastructure on that base. Everybody paid taxes, which in turn funded schools, hospitals, safety, recreation and all the other facets of life needed for a good community. Children got a good education, and, because their home was a good place to live, they stayed in the community and used their education locally to make it an even better place to live.

When any link in that chain breaks, the whole cycle turns inside out. Everything goes the opposite of what is intended. If farm income, the base of the cycle, is not steady (it does not have to be high to serve as a base) then everything else that depends on it falls apart. When the children, the apex of the cycle, stop thinking of their home as a good place to live, then they leave, and the cycle cannot continue on itself. The community is done, and it is very hard to rebuild. Sometimes many elderly and other hangers-on scrape by from government check to government check. Then we have a vicious cycle of poverty. Many Alabama farming communities have fallen into this new cycle and now cannot get out.

It is true that low wage costs, low land taxes, and low profit taxes appeal to industrial developers (manufacturers) but those inducements alone are not enough anymore to cause development. Many sites, both in the U.S. and in the Third World, can offer such

inducements. In the long run, these inducements alone are not the cheapest and most cost-effective conditions for a developer. Rather, for lowest long-run costs and best long-run operation, a good factory also needs moderately well-trained labor with a low turnover rate; local schools that can produce good labor and that have a low drop-out rate; local schools that can provide a reasonable liberal arts education to the children of all company employees including the children of management; a safe community including police and fire protection; good quality medical facilities with resident doctors; an interesting community including parks, recreation, and opportunities for amusement such as theaters and concerts; a community relatively free of ethnic strife; and a community free from the obvious sores of poverty. Where these conditions do not already exist, an industrial firm often has to help create them, a process that can be expensive and take much time. The process can even require unanticipated taxes. Firms are willing pay a bit more in present wages and taxes for a good site so as to maintain a reasonably low level of taxes and employment costs in the future.

A healthy rural community can offer an appropriate environment to lure moderate industrial development into a local town. A healthy rural community should already have the kind of people and community that a developer looks for. Once the local area gets the development, then industry, the farming economy, the town life, and rural life, all feed on each other in another beneficial cycle.

A poor rural community cannot compete for development, no matter how much it promises to lower wages and taxes. There are no bootstraps by which to pull itself up.

Of course, even poor communities that have unusually good leaders, unusually good citizens, great dedication, or some of the needed attributes, can break the cycle and make the jump. But it is very hard.

In difficult conditions, people often look to the government for help. Alabama does have some programs, and many energetic government officials, to help rural communities. But it does not have enough. Moreover, the ability of rural communities to develop, and of the government to help communities develop, are often hampered by the Alabama system of taxes.

Taxes, Land Use and Rural Life

Alabama has one of the most regressive tax systems in the U.S. Low-income people pay proportionally more of their income (and wealth) in taxes than do rich people, and often receive a proportionally smaller share of benefits as well. This happens because Alabama relies heavily on sales taxes and on the taxing of wage income. Alabama is one of the few states to tax food and medicine. Alabama does not tax property very much and provides many adjustments for profit-based income.

A well off community can maintain the features that continue to make it well off. A poor community can do little to raise revenue to build the features that it needs to develop. The state of Alabama can do little to raise revenue to help poor communities. Distinct

self-perpetuating cycles of rich communities and poor communities arise, and help keep people separated.

Alabama has the second lowest rural land tax rate (\$1.37 per acre) in the U.S. (average \$5.94 per acre). Because land taxes are often the major source of funding in rural communities, and are usually the major base for funding education, rural communities are in a particularly touchy position. Once the land tax base for education begins to erode, it can disappear quickly and not return.

Alabama taxes rural land on the basis of its productivity rather than on the basis of its market price. The state does this so as not to penalize farmers for accidentally being located near a shopping center or for being the target of land speculators. For those reasons, this productivity-based tax system seems to be a good idea. Based on productivity alone, tax figures indicate that rural land in Alabama should cost an average of about \$500 per acre. However, rural land in Alabama actually costs an average of about \$1490 dollars per acre. Because the tax system offers a discount to farmers (as it does to nearly everyone else), if the land were to be offered on the actual market based on its productivity alone it likely would go for a bit more than \$500 but still considerably less than \$1490. Alabama land costs less than land in Florida (\$2260 per acre) or North Carolina (\$2160) where retirees and exurbanites exert such a big influence but costs about the same as for land in Georgia (\$1560) and South Carolina (\$1520), which are in a situation similar to Alabama. The Alabama price is about the same as for rural land in Iowa (\$1700), and above the price for land in some highly productive agricultural states such as Kansas (\$580).

Given the limited ability of Alabama land for competitive agricultural productivity, it seems as if the cost of rural land here is rather high. The difference between the value based on productivity and the price based on the market is probably because of the utility of the land for non-farming rural residence and for speculation on future use, especially for retirement.

Some Effects of Subsidies

Before thinking about how we might modify the tax structure to aid development, we need to look at government agricultural subsidies. The current system of subsidies was begun in the 1930s as a way to stabilize agricultural markets; keep farmers in business; maintain rural communities; insure that some important crops were always grown domestically; and provide abundant, cheap food to urban dwellers. It largely succeed at those positive goals, but it also made farmers dependent on the government; gave bureaucrats power over farmers; increased the power of large corporations; promoted large, corporate-style farms; allowed some farmers to remain in farming when perhaps they should have left; allowed some crops to be grown too abundantly; and turned food and farming into a political football.

People commonly think that government programs allow corporations and rich farmers to become richer while average farmers cannot benefit and sink further behind. To some

extent, this is probably true, but the actual statistics show a somewhat different picture. In fact, the farmers that receive the most benefits are small farmers, especially those who would otherwise take a loss without subsidies and those who grow traditional crops for which the domestic market is no longer consistent (such as tobacco and cotton). People hanging on to the land and “gentleman” farmers can take advantage of government programs as often as can large family farms growing corn or raising catfish.

Pros and Cons on Land Taxes

Now it is possible to see the effects of land taxes in a fuller perspective.

For Increased Land Taxes

Some people see in this overall situation a clear call for raising land taxes, including rural land taxes. They reason in this way:

> Much land in Alabama is held for speculation rather than used to its best productivity. The very low land taxes here allow speculators to do this. Therefore, land in Alabama continues to be used poorly and continues to generate less revenue for communities than it should.

> Speculators do not use the land to best productivity while they hold the land for future sale because: to get best productivity from the land, they would have to invest in the quality of the land itself, in buildings and machinery, and in operation of the farm; they would not get the full value of any such investment back when they eventually sold the land; so they might as well not make the investment to begin with. Their actions make sense for themselves and, as business people, perhaps they should not be criticized for seeking the highest profit; but their actions do not necessarily lead to the best community welfare.

> Much land is farmed now not with the idea of making a profit from the crop alone but with the help of government subsidies. It does not pay to invest heavily in land that is worked in this manner so as to develop the land to its full agricultural productivity.

> Low basic taxes on land, the tax system that taxes land only on productivity, and the existence of government programs, can all combine to give an even greater weight to holding land for speculation rather than improving land for productivity. A person could easily plant land in a subsidized crop such as cotton, and pay low taxes only on a poor rate of productivity from the land. If we can distinguish between “real” farming from “strategic” land holding and/or farming, then it might be useful to tax token “strategic” farms at their full market value rather than at their lower productivity value.

> “Gentleman” farmers ought not to get the same tax allowances as “real” farmers.

> Alabama desperately needs money for schools, for community development, and for building the kind of infrastructure that would allow for further development.

- > Taxes could easily be raised on Alabama land without causing hardship to most owners, and without causing them not to be competitive with farmers or tree growers elsewhere.
- > Increased taxes would stimulate landowners to improve their land and to use it for best productivity.
- > Increased land productivity and profits would stimulate community development and subsequent industrial development.
- > Exemptions can easily be made for poor rural people and for genuine rural retirees.
- > Poor people desperately need an alternative to sales taxes and incomes taxes.

Against Increased Land Taxes

Other people offer counter arguments:

- < Small increases in land taxes could in fact make Alabama farming and forestry unable to compete with other areas.
- < People everywhere are afraid that their housing plots would be taxed.
- < An increase in taxes would not cause Alabama landowners to improve their land so as to make it more productive and to make it competitive. The good farmland in Alabama already has been improved, is productive, and pays a lot in taxes. Most Alabama land just cannot be competitive as farmland and cannot easily be made competitive without very large changes in how farming is done. No amount of taxes would make land in Alabama competitive with land in Iowa.
- < Many people are afraid that money raised for schools in name would not be used for schools in fact, or, if used in the educational system, would not be used to improve the quality of education.
- < It is very hard to distinguish (Group 1) “real” farmers and rural residents from (Group 2) “nominal” farmers and rural residents.
- < Group 1 “real farmers” includes row crop farmers, fish farmers, “real” foresters, hunting landowners, CAFO operators, and horticulturalists, the rural poor, and average rural retirees. Group 2, “nominal” farmers and rural residents, includes land speculators, farmers who raise crops in anticipation of government subsidies, landholders who keep token farms for speculation, “gentleman” farmers, and “big house” exurbanites.
- < While it might not be fair that Group 2 gets the same benefits as Group 1, the first group is likely to lose more than they gain from any significant changes in the tax system.

The 2003 tax plan of Governor Riley addressed some of these issues, and was defeated by the voters.

Three More Issues

Three more issues will increasingly affect farming and rural life:

Corporations and Operation of the Agriculture Market

Large corporations can bring many benefits, especially in research and development and in the dissemination of knowledge. They can also bring problems. All large agribusiness corporations now are international, originating both from within the U.S. (Monsanto) and outside the U.S. (Nestle). Many such corporations that were formerly independent now have forged various ties with one another. “Vertical” integration refers to controlling all aspects of an industry, such as the corn industry from seed, to growing, to milling, to marketing. “Horizontal” integration refers to controlling all the units at any level of an industry, such as controlling all the corn seed production. Corporations create a complex net of ties so as to gain effective vertical and/or horizontal integration. When fewer than six corporations control more than about half of a market, horizontally or vertically, economists say that the market is “distorted” and does not operate as it should. Usually, a distorted market means higher prices, less choice, and less independence (like the U.S. automobile market in the 1970s).

Agriculture used to be the best example of an ideal competitive market that led to the best results for consumer and producer, but, lately, as international corporations have grown increasingly powerful, that is no longer so. As mentioned, a few large corporations dominate the animal raising industry. Alabama traditionally had many small lumber mills and processors, but many of those have disappeared, and the products even of the small mills go to a few large marketers. Farms with close ties to corporations have not usually formed the basis for communities and for general development. It is not clear what impact large international corporations will have on Alabama in the future.

The Environment

The 1950s-60s were probably the worst era for pollution and environmental problems caused by farming. Farmers had just discovered heavy chemical use and had not yet accepted modern conservation techniques such as no-till. Since then, farmers have increasingly understood the inter-relations between the farm and the natural environment, and have acted to make the inter-relations better. In general, Alabamans now benefit from a good natural environment.

Problems in the future are likely to come from sources just now arising or just now understood, such as the spread of genetically modified organisms (GMOs). In Alabama, CAFOs are probably the single largest source of environment questions for two reasons. First, a poorly managed CAFO can smell horribly for miles around, and too many

CAFOs are not managed as well as they should be. Second, it is not possible to process and transport all the animal wastes created by CAFOs only in northern Alabama, either locally in that region, throughout the state, or even throughout the country. It is not clear what will happen to surplus wastes in the future, especially if an international market for meat causes an expansion of local CAFOs.

The “Urban-Rural Interface”

As farmland has been decreasing, urban land has been increasing. The contact zone between rural people and urban people (the “urban-rural interface”) is now much larger than ever before in American history. It will get even larger in Alabama as more retirees move into this area and identify with suburbanites. The urban-rural interface also has come to involve more and more suburbanites who have money, power and strong ideas about the kind of life they seek. Since many suburbanites move out of the city just because they want a peaceful idealized semi-rural life, we might think that farmers, the rural poor, other traditional rural residents, and suburbanites all would get along well, but that is not always true. Real rural life might not meet the idealized anticipations of suburbanites. Real modern farms use chemicals, run animals, operate machines, make noise, generate smells, and keep odd hours. At the same time, suburbanites can cause problems for nearby farms, for traditional rural residents, and the rural poor. Housing complexes and suburban shopping centers create chemical run-offs from lawns, from stores, and from sewage facilities. They use a lot of electricity, especially during peak hours, and they create traffic congestion. They change the watershed and divert natural waterways. Generally, when farmers and suburbanites get together to talk things out, they can come up with reasonable solutions. Such meetings are likely to be a regular part of rural life in the future.

Does the farming way of life have a future in Alabama? Traditional row crop farming, and the communities based on it, probably will neither decline nor expand much in the future. Nor is traditional row crop farming extensive enough here to serve as a base to maintain the traditional ideal American farming community for the state as a whole. In some places, a viable new rural way of life can be built around new economic developments: fish farming, hunting farms, horticulture, retirement, etc. It might even be possible for some rural areas to attract light industry and further development as they form attractive local communities. Good tax laws and evenhanded statewide support for education can help. The full ideal probably cannot be met throughout the state but it can probably be met in enough places to provide models and general incentives.