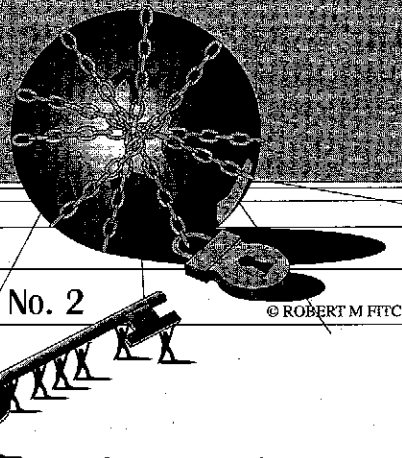


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THE RELATIONSHIP BETWEEN PROPERTY TAXATION AND THE CONCENTRATION OF FARM LAND OWNERSHIP

by Dr. Mason Gaffney, Riverside, CA

(editor's note: Dr. Gaffney's presentation, as well as Arthur Yeatman's, was made at the Council of Geogist Organizations conference, Sept. 22, 2000, in Des Moines, IA during a Panel on "Sustainable Agriculture and Taxation Policy: Public Finance Incentives for Community Agriculture, Organic Production and a Vital Rural Economy.")

I have two ways of looking at this question of the effect of property taxation on the size of farms: interstate comparisons, and intertemporal comparisons, or time series analysis. The latest data I used came in large part from the 1987 "Agricultural Economics and Land Ownership Survey" (AELOS). It was the first study of land tenure since 1940 that distinguished between land values and building values. Between the years 1900 to 1940, the U.S. Census reported regularly on the concentration of farms, and they divided their subject into land value, building value, and population. In 1945 they stopped doing it. The reason they started in 1900 was because of the influence of Henry George and his followers, who were many, strong and enthusiastic at that time. The reason they stopped is because the Henry George movement had petered out and lost its radical edge at that point. But in 1987 they did it again. Better yet, they used ownership units as well as operating units (although that part of the study was technically flawed, and hard to use). We had a conference on it and we chewed over the data.

Here and now, in this brief talk, let's look just at the trend over time. The national average of farm property tax rates peaked in 1930 at 1.32 percent. It fell to 0.77 percent in 1945, and stabilized at about that level -- it was 0.85 percent in 1987. The revenues were replaced by sales and income taxes, which on the whole bear heavier on urban activities.

Vanishing Farmers and Unaffordable Farms

You might say this would be a blessing for the farmers who were now more free of these property taxes. However, it didn't work out that way. The mean acres per farm (the average, that is)

had remained fairly constant for 65 years (1870-1935) at about 155 acres, despite two major industrial merger movements, including the steel industry. After 1935 the mean value took off and had tripled to 462 acres by 1987. As the number of farms were falling, national population was on the rise. In 1900 there was one farm per 11 Americans; in 1987 there was one farm per 113 persons. Farms became unaffordable for folks starting at the bottom of the agricultural ladder.

Real wage rates, meanwhile since 1955, have not risen as fast as real land prices, and they haven't risen at all since 1975. This has raised the labor-price of land (the number of days/years a person must work at the average wage rate in order to raise the price of a farm.). Coupling this with rising acres per farm, the labor-price of a farm roughly tripled, from about 6 years' wages (before payroll deductions) in 1954 to about 17 years' wages in 1987. That, of course, doesn't mean you could buy a farm in 17 years, unless you didn't eat anything and saved every penny of your wages to buy a farm. (continued on page 2)

ORGANIC PRODUCTION AND A VITAL RURAL ECONOMY

by Arthur Yeatman, School of Living, Cochranville, PA

(Yeatman credits the writings of Wes Jackson and Alanna Hartzok for much of the information in his presentation.)

Twenty years ago Wes Jackson, a world renowned farmer, geneticist, and teacher called for a revolution in agriculture. He said the number one environmental problem, aside from nuclear war, is agriculture. Why? Because sterile agriculture destroys the water-holding capacity of the soil and sends it sea-ward. Studies done here in the corn belt states show that on an average with a 2" soil loss, the yield is reduced 15%. With a 6" soil loss, yield is reduced 30%. With a 12" soil loss, the yield is reduced 75%. The nitrogen, and phosphorous and potassium can be replaced at some expense. (continued on page 13)