Spend a dollar, make a dollar (or more)

Farmers — and our government — need to see the value of investing now for improved returns later

When the economy is bad, people find it hard to part with their money. When the economy is good, people still find it hard to part with their money, but it doesn’t hurt as much. Unfortunately, the desire to keep their money close often clouds judgment when offered investment opportunities.

I used to see this all of the time when I worked in Extension. I was trying to convince farmers that it was OK to spend a dollar to make a dollar (hopefully more). Some reluctance to invest was based on good business sense. For example, debt levels perhaps were too high to justify borrowing for new machinery. In other cases, farmers wouldn’t even recognize immediate payoffs, like feed purchases for dairy animals.

I also saw this during my term on our local school board. Our county commission refused to provide adequate funding for schools, so our budgets were always tight. Math teachers are always hard to find, but occasionally a great teacher would apply after all positions were filled. I fought a losing battle to get us to go ahead and hire during midyear even if it hurt our budget, because then we would have a good math teacher on hand for the next opening. We might actually improve the math instruction, too.

The same situation arose on our farm this spring. We had committed to hiring a seasonal worker from planting to harvest. Then, a super-qualified individual came looking for a full-time job. We made an offer in order to have him employed for the future, even though we didn’t absolutely need him and it would increase our labor costs for this year. We spent a little more than we had to now, in order to make more later.

Agriculture has several such stories. Boll weevil eradication is one. There was a lot of initial resistance to the costs of eradication, and the early costs were substantial. Now, with the weevil all but eradicated, farmers are enjoying increased profitability due to drastically reduced spray programs and yield losses.

Unfortunately, agriculture is facing similar reluctance to control glyphosate-resistant weeds. Despite the horrific tales of pigweed infestation in western Tennessee and southern Georgia, there are many farmers who do not believe they will have a problem. They are refusing to pay more for residual herbicide programs to control pigweed.

The difference here, however, is that the costs of a pigweed problem can be devastating, especially at these high commodity prices. Losing 100 pounds of cotton lint per acre will cost much more than $100 per acre this year, even above the costs of residual herbicide programs.

That’s one example of shortsightedness on a local scale. It’s happening on the federal level, too.

Government has funded public agricultural research knowing that future returns will be higher than the initial investment. Economic studies show that the median annual return to agricultural research is about 45%. Over the lifetime of accruing benefits, each dollar spent returns about $10 to the economy. One USDA publication rightly points out that today’s investment in research drives tomorrow’s growth in productivity.

WASHINGTON MINDSET

Budget reformers in Washington, however, appear to behave more like the farmers who won’t feed cows, eradicate weevils or control pigweed.

Expenditure cuts seem to be made without regard to accruing benefits. Cuts are proposed for agricultural research. Commodity support is also a target despite research-based evidence from Georgia that 4% more tax revenue is generated by cotton programs and collected by federal, state and local governments than is actually paid to support farmers.

I hope Congress learns quickly that the companion of “Spend a dollar to make a dollar” is “Cutting a dollar may lose more than a dollar.”

Ford is a northern Alabama farmer who holds a doctorate in agricultural and applied economics from the University of Minnesota.

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