

# MAINE STATE LEGISLATURE

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MAINE AGRICULTURAL FINANCE

MAINE FOOD AND FARMLAND STUDY COMMISSION HEARINGS  
HIGHLIGHTS AND WRITTEN TESTIMONY  
AGRICULTURE CONFERENCE ROOM, AUGUSTA  
MAY 19, 1978

Small Business Administration Representative

Farming costs \$300,000 per farm worker in comparison to \$40,000 per industrial job.

The SBA defines a small farm as a business with annual receipts of less than \$1 million average over the past three years. (SBA is a national program and rules must be national).

We had 18 loans totalling \$1.6 million in farm loans - it was our first full year and we didn't get a good start. We expect about \$2.35 million this year.

SBA is not in competition with FmHA. We can deal with any type of business, also may deal with non-citizens.

We can provide real estate, equipment and operating loans. SBA guarantees 90% to banks who actually make loans. We handle very few direct monies. Loans range from 1 year working capital loans to 20-year real estate loans. Loans can be paid monthly or yearly.

We can guarantee only 90% or \$350,000 maximum. The \$350,000 appears to be adequate.

We have done a lot in warehousing, some farm purchasing and have done a lot with poultry concerns. If it was not for us, the poultry people wouldn't be able to get the money from other agencies.

We also have 6-5/8% loans for water quality improvements. These can be made up to 30 years with no limit.

Our interest rate is slightly less than banks - our maximum is now at 10%. We usually loan at 2% over the prime interest rates.

SBA is now questioning whether or not we should continue to lend to farmers. The problem is that we know little about farm loans. We lack expertise in the farm business.

The SBA farm program does encourage banks to deal with farmers.

The West is full of bankers who can advise farmers on how to manage farms. Hopefully, we can produce the same thing here. Also, there are farmers who couldn't qualify for FmHA loans or get bank financing. This group we can deal with.

Of the 18 loans, the average is \$100,000. We would mess with small loans but the banks won't. A 10% interest limit is too small to induce banks to handle small loans. These should be handled as a regular installment loan. The banks would need about \$25,000 to interest them.

SBA has a secondary market. The SBA can sell 90% guarantee on the outside and return the 90% to that bank; thereby increasing the total monies available in the state.

SBA will build poultry houses!

New farmers need equity farming. This "no strings attached" money would have to stay in the business until the business could pay it off.

Banks will get back into farm loans if there is a profit to be made. Our loans go exclusively to marginal farmers who cannot do it without us.

#### Mark Katz

What impacts will low cost loans have on the resources?

Repayment loans are usually geared to farms being completely farmed. Loaning agencies must be able to allow long-term conservation practices such as rotations.

Should public loaning agencies loan money for homes to be built on prime cropland? FmHA feels they cannot make this decision. Maybe the M.D.A. could dictate a policy in this area.

I would like to know if a Soil Conservation District could get

funds for group projects such as building central poultry manure storage sites, mulching the manure, then selling the product to cropland farmers who need it.

Exhibit A: Clinton B. Townsend, attorney, Skowhegan

Exhibit B: Sanford Beldon, Production Credit Association, Auburn

Exhibit C: Roger Erskine, Northern National Bank, Presque Isle

Exhibit D: Edward L. Page, developer/faculty member (part-time),  
UMMachias, Blue Hill

PERKINS & TOWNSEND & SHAY, P.A.

ATTORNEYS AT LAW

P. O. BOX 487

37 WATER STREET

SKOWHEGAN, MAINE 04976

GEORGE W. PERKINS  
CLINTON B. TOWNSEND  
WARREN C. SHAY

TELEPHONE  
207-474-9527  
207-474-9411

March 7, 1978

Mr. Tyler Libby, Director  
Maine Food and Farmland Study Commission  
Department of Agriculture  
State House  
Augusta, Maine 04333

Dear Tyler:

It was good to hear your talk at the Skowhegan Rotary Club. I wish the Commission well.

I hope the Commission will look into an aspect of the preservation of farmland which is important, but frequently overlooked. This is the problem of transfer from the older to the younger generation. Often times, of course, these transfers are done in the family context, but often there is no child to carry on the farm.

At the same time, there are many young people interested in farming, and the way of life which farming represents, but who through lack of finances and experience have no access to the farm market. It is difficult for an inexperienced young person, no matter how willing and intelligent, to get a loan to acquire a large farming operation in the absence of demonstrated ability.

It seems possible to create some form of device for getting these two groups of people together. For example, an older farmer who is thinking in terms of potential retirement might be willing to take on a younger person on a trial basis, as an apprentice, but at the same time earning a living wage, with the thought in the minds of each that a buyer and seller relationship might develop in due course. This would not imply giving up the reins immediately, but instead establishing a period of joint or cooperative management until an actual transfer of ownership.

EXHIBIT A.  
Clinton B. Townsend  
Agricultural Finance Hearings

May 19, 1978

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Needless to say, this kind of arrangement is fraught with pitfalls. Basic personal character is of enormous importance, and there are obviously also many legal angles. An institution designed to help people get together would have to be much more than simply a "dating service". It would have to be analyst, educator and counsellor for both sides, doing preliminary screening, making everyone understand all of the implications of an arrangement, and helping to straighten out the rough spots which inevitably arise in any kind of interpersonal relationship

Existing institutions such as the Extension Service are well adapted to perform the function which I have suggested. Getting people who are interested in getting into farming together with people who must consider retirement could accomplish a great deal. Many farms would remain as farms, rather than being diverted to some other use, such as residential subdivision, a possible source of help for older farmers could become available, and younger people could acquire the experience which would then lead financing institutions such as banks and the Farmers Home Administration, to look favorably upon a credit application.

To conclude, this letter is not designed to be the foundation for a program, but only to urge the Commission to give some consideration to ways in which this particular problem could be approached.

Sincerely,



Clinton B. Townsend

CBT/kay

FEDERAL LAND BANK ASSOCIATION  
PRODUCTION CREDIT ASSOCIATION

P. O. BOX 678, AUBURN, MAINE 04210

TELEPHONE 784-0193



May 15, 1978

Mr. Joseph N. Williams  
Commissioner of Agriculture  
600 State Office Building  
Augusta, Maine 04333

Dear Joe:

Unfortunately, I have a previous commitment involving several people scheduled for May 19 and thus will be unable to attend the hearing of the Maine Food and Farmland Study Commission scheduled for that day. I am disappointed not to be able to meet with you as our organization supports the efforts of the Commission to evaluate strategies for enhancing Maine agriculture.

I would be happy to meet with the Commission at another date convenient for them if they feel it would be helpful or appropriate. I have also outlined below some thoughts relative to question #1 in your letter which was the only question I felt qualified to respond to from the standpoint of a farm lender.

- (1) How can we keep farmers in farming and insure that young people can enter the business?
  - a) One continuing assist that the State can provide to help keep farmers in farming is to support the education and training of farmers in business and farm management techniques. As farming becomes increasingly competitive, farmers must become more skilled at making a wider range of financial, production, marketing and other management decisions if they are to survive. It would seem most logical for the State to encourage such training and education through the existing vehicle of the Cooperative Extension Service.
  - b) I think there are a couple of things that can be done to help ensure entry for young farmers. One is to continue existing formal educational programs at the secondary and post secondary level to provide young people with the technical skills they will need to be successful. Of equal importance would be a program to provide on the job training for a three to five year period by placing young people on farms where they can gradually participate in the full range of management decisions facing a contemporary farmer. Finally, the State might facilitate the entry of qualified, well trained, young people into farm ownership by administering a referral service to help such qualified young people

EXHIBIT B.  
Sanford Beldon  
Agricultural Finance Hearings

May 19, 1978




Mr. Joseph N. Williams  
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locate older established farmers who are interested in transferring their farm business intact over a period of time.

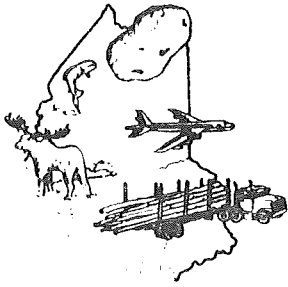
Other than these few observations, our organization is not really qualified to address the questions posed in your letter. As indicated, I would be happy to meet with the Commission to elaborate on these thoughts or answer any questions they might have about our lending programs, source and availability of lending funds, credit standards and requirements and the like. Please let me know if you think such input would be helpful.

Sincerely,



Sanford A. Belden  
General Manager

SAB:pl



# NORTHERN NATIONAL BANK

187 STATE STREET BOX 1029

PRESQUE ISLE, MAINE 04769

A CASCO/NORTHERN BANK

*Can  
write to you*

May 24, 1978

Mr. Joseph N. Williams, Commissioner  
Maine Department of Agriculture  
600 State Office Building  
Augusta, Maine 04333

Dear Commissioner:

I was unable to attend the May 19 meeting of the Maine Food and Farmland Study Commission, and when I called to say that I could not be there it was suggested that I might write you in reference to questions which were to be raised at that meeting.

I really don't feel I have much to contribute and the questions are obviously complex ones, but I did agree to submit a letter and for what its worth, here it is.

As to question (1) relating to young people entering the farming business and others staying in the farming business, the answer, I think, is largely, profits-related. Farming is a high risk, high capital investment enterprise, as you well know, and the high risk factor creates problems for lenders, particularly where equities are small. The high risk factor also makes some young people look toward more secure positions even though they might have a serious interest in some type of farming. It seems to me that the answer to the question has to concern itself with developing more economic stability in agriculture.

I do not have answers to question (2) relating to Federal and State programs.

Again, it seems that the answer to preserving our essential cropland becomes primarily a matter of economics. I recognize that if a land owner is offered two or three times the agricultural value of his farmland in order that it become a shopping center he generally will be extremely interested in consummating that sale and I do not believe he should be prohibited from that. I would be very averse to legislation which would become too restrictive in that area. Conversely

EXHIBIT C.  
Roger Erskine  
Agricultural Finance Hearings

May 19, 1978

Mr. Joseph N. Williams, Commissioner  
Maine Department of Agriculture  
Augusta, Maine 04333

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5/24/78

I do not believe that in a healthy Maine agricultural environment we would lose great slices of our essential farmland to industry or housing.

Question (4) relates to more self-sufficiency in food production and I assume this really is focused on the home gardener and the market gardener type of situation. If the question relates primarily to commercial-type farming, I believe that Maine farmers will produce any crop to which their land is well adapted, if they have assurance that production of that crop should be profitable to them. As to local sources of fertilizers and soil improving materials, farmers have, I think, a good knowledge of the value of cover crops and crop rotation. We do have within the State several sources of lime deposits which I think are now being made use of. Beyond that, I doubt that anything can take the place of commercial fertilizers and those sources aren't within the State of Maine.

Question (6) relates to how to increase diversification, and, although I will sound like a broken record, commercial farmers are in business to make a living and to generate profits. I don't believe they should be expected to individually do a lot of experimentation on diversification, particularly in view of the fact that we have the State University and Extension with some responsibility in those areas. The diversification to any crop that is adapted to the area would automatically and quickly develop if the profitability of that particular venture were assured.

The last question related to transportation and marketing systems and my familiarity with either is pretty much potato oriented. Aroostook County is at an extreme disadvantage so far as transportation is concerned, both by virtue of inadequate highways north of Houlton and by the fact that the trucking industry is largely restricted to a one-way haul with their either refrigerated or insulated trailer units. I am sure that you are much more familiar with the deficiencies of the potato marketing system than I, but I think you will agree that the potato industry has too many shippers, too many dealers, and an ineffective advertising program. I hope and expect that those criticisms are not true of the rest of Maine's agriculture. Direct marketing is not a tool for every farmer. Those who have done it successfully do not need to be further encouraged to continue their direct marketing of milk, or potatoes, or whatever. I think those who are unfamiliar with it would be well advised to tread lightly as commercial operators.

I am greatly concerned with Maine agriculture and particularly with Northern Maine's agriculture because even though Maine is relatively close to a tremendous market area spreading southward from Portland, the potato crop, at least is certainly not marketed well. We are taking second place to potato areas

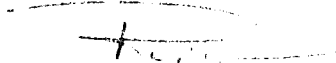
Mr. Joseph N. Williams, Commissioner  
Maine Department of Agriculture  
Augusta, Maine 04333

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5/24/78

much farther from those same markets, we are not marketing our best fresh product, nor are we showing any collective strength in that particular industry. I sincerely hope my criticisms are peculiar to the potato industry and expect that they are.

Volumes could be written about the questions raised by the Farmland Study Commission, and I would have been very interested to have attended the meeting last week, but more for my own enlightenment than because of any contributions that I might have made. I don't think my comments come as any surprise to you, nor that they will be enlightening to any of the Commission members. I am, however, glad that the concern is being expressed, and hope some progress may be made by the Commission to the benefit of Maine agriculture.

Very truly yours,



J. Roger Erskine  
President

P. O. Box 237  
Blue Hill, Maine 04614  
1978 May 9

Mr. Tyler J. Libby  
Project Director  
Maine Food and Farmland Study Commission  
600 State Office Building  
Augusta, Maine 04333

Dear Mr. Libby:

This is in reply to your letter of May 3rd in regard to "Determinative Agricultural Corporations". The brief excerpts in The New Englander did not really present the concept adequately at all. I believe that the accompanying enclosure will do so much more effectively.

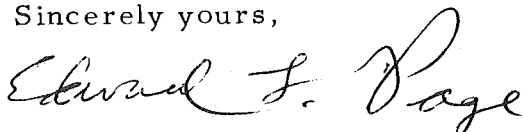
In seeking to implement the Determinative Approach in an agricultural context, it has become very apparent to me that farmers are failing, agricultural land is going out of production, and many younger persons who enter farming are not making it, because guidance, as well as some resources beyond what individuals can provide just by themselves, is needed.

Certainly Mainers should produce much more of what is consumed in Maine, especially those items for which Maine is particularly well suited for producing. But most of all, the irrationality of reimporting goods into Maine which were produced in the state in the first place needs to be overcome. For example, pork produced in Maine is slaughtered in Connecticut and then sold in Maine! Similarly, Maine blueberries are purchased in New Jersey by local Maine retailers!

The problem is that the necessary managerial guidance or direction simply is not provided by the existing marketing, processing, and supply organizations. You are not going to change their ways. Therefore, new entities, Determinative Corporations, are needed which could not only provide the managerial guidance required, but also act as a guarantor of the risks individuals feel they cannot take. Thus, acting under a corporate umbrella, many smaller individual producers could successfully prosper as the corporation would be owned and controlled by those it serves.

It is hoped that the Commission will find this information of value. I am seeking to implement this concept on my own, but perhaps the Commission could put me in contact with persons who could help me.

Sincerely yours,



Edward L. Page

P.S. And just who am I? See the attached biographical brief.

EXHIBIT D.  
Edward L. Page  
Agricultural Finance Hearings

May 19, 1978

78 Mar. 11.  
P. O. Box 237  
Blue Hill, Maine 04614  
(207) 374 - 5347

EDWARD L. PAGE

Biographical Brief

Currently - Part-time faculty member, Business Administration, University of Maine at Machias and coordinator of Cooperative Education. Rest of time private developer and consultant, interested in business expansion and economic development.

Developmental Experience - Developed concepts of: The Determinative Approach, Contract Services Corporations, Mini New Towns, and Productive Condominiums 1971-78. University of Kentucky, College of Business & Economics, Project Director, developed and submitted proposal on "Social Enterprises" to HEW, 1971-72. Founder and general manager, Employment Enterprises Development Corporation, Ann Arbor, Mich. 1965-68. Hospital staffing and methodology research, University of Michigan, 1963-64. Basic research in MTM, University of Michigan, 1955-56.

Academic Experience - Taught Business Organization, and Management and Organization, University of Maine at Machias, 1977-78. Taught Principles of Management & Organization, and Production & Operations Management, University of Maine, Orono, 1976-77. Have taught Basic Marketing, Business Law, Introduction to Business, Management Analysis, Methods Improvement (Motion Study and Work Simplification), Personnel Administration, Plant Layout & Materials Handling (Facilities Planning), Production Processes, Supervisory Management, and Work Measurement (Time Study). Lawrence Institute of Technology, Detroit, Instructor, 1947-48. University of Mich. Ann Arbor, Instructor to Associate Professor of Industrial Engineering, 1948-65. Kentucky Business College, Lexington, Instructor, 1975-76.

International Experience - Portsmouth Polytechnic, Portsmouth, England, School of Management Studies, Visiting Professor, 1969-71. Instituto de Aeronautica, San Jose dos Campos, Brazil, Professor of Production Technology, 1960-62, Waseda University, Tokyo, Japan, Advisor to the Institute for Research in Productivity, 1956-58.

Other Experience - President, Socio-Economic Institute, Ann Arbor, 1968-69. A consultant to over a dozen companies in regard to: equipment replacement studies, inventory analysis, job evaluation, organization and executive development, personnel recruitment, plant layout and material handling, supervisory training, wage incentives, work simplification, and work standards. Served on labor arbitration cases involving work standards. Held various mechanical engineering positions, 1940-47.

Education - MSc. (industrial engineering, equivalent to MBA), University of Michigan, 1953. BSc. (mechanical engineering) University of Michigan, 1940. Graduate of Northwestern High School, Detroit, Michigan, 1935.

Publications - include nearly two dozen articles on socio-economic, industrial engineering and educational topics. Written a book entitled "The Determinative Approach" for which seek a publisher. Author "Material Handling Equipment Outline" 1953, and "Technidata" Norman W. Henley Publishing Co. 1942, and co-author of two sets of "Notes" on Industrial Management and Motion & Time Study, 1955.

Personal Data - Born October 8, 1916 in Quincy, Mass. Married with three children (grown up). Height 5' 10", weight 160 lbs. Health and physical condition are excellent. Hobbies include sailing, horseback riding, and skiing.

SUBJECT: A Determinative Corporation for Maine  
By Edward L. Page

What are the objectives of such a corporation?

- 1) To produce products now imported into the state in quantity and which are practical to produce in Maine.
- 2) To utilize indigenous resources to the maximum practical extent including agricultural, land, mineral, marine, stone and wood resources.
- 3) To reactivate idle resources such as farms, hydro sites, mines and quarries.
- 4) To utilize available human resources which are idle, under-utilized, or likely to leave the state for want of in-state job opportunities.
- 5) To earn a reasonable, not a maximum, profit from each of the foregoing.

Why are such corporations proposed?

To show that a decent profit can be made with appropriate management, economic integration, and with a minimum of government involvement.

How would such corporations operate successfully?

The objectives would be achieved by:

- 1) Determining what can be done and then proceeding to do it by raising the needed capital, organizing the personnel, acquiring the resources and facilities, and distributing the output.
- 2) Arranging for economic integration to the extent practical within each type of undertaking and between different types of activity.
- 3) Establishing an over-all managerial umbrella which would effectively coordinate the activities of various independent producers working under mutually agreeable contracts thus maintaining the independence of the individual while achieving business success.

Where would such corporations be located?

Such corporations could be located in whatever communities have a group that is willing to participate and raise the capital required. Of course, the amount of capital needed is dependent upon the type of activities which are suitable for a given location, but \$250,000 would be sufficient to get most local Determinative Corporations operational.

When should such corporations be established?

Each local Determinative Corporation should be established just as soon as an interested group indicate a willingness to make conditional commitments, that is, contingent upon a) the required capital being raised, b) marketing assurances being completed, c) the necessary processing facilities being made available, and d) an adequate supply of raw materials being arranged.

Who would be involved?

All who want to participate as customers, investors, marketers, processors, or suppliers of material.

## WHY DETERMINATIVE CORPORATIONS ARE NEEDED IN MAINE

By Edward L. Page, Formerly Professor of Management at the Universities of Michigan and Kentucky, currently at University of Maine at Machias

Maine sorely needs to raise the level and increase the range of economic activities in order to expand business opportunities, increase employment, and reduce youth going off to other states for lack of job opportunities. Maine has the resources but they are not being adequately utilized. Where prosperity exists, there is good management of available resources, be it a single company, a conglomerate organization, or states. With the appropriate type of managerial direction by the private sector, Maine could become far more prosperous than it is.

The appropriate type of managerial direction would generate new business activities as well as enable various existing individual producers to expand their activities and earn a better income of an assured nature while still maintaining their independence. This managerial direction would also stimulate local ownership and control and thereby reduce the draining off of the economic vitality of the state to absentee owners.

Mainers could, and should, be producing much more of what they consume and are now importing into the state. A century ago Maine communities were 90% self-sufficient, today they are over 90% dependent. This is a situation that could be greatly altered to the advantage of local citizens if a deliberate effort were made to do so. Such an effort requires a corporate approach.

The real key to business success is economic integration. This is well illustrated by poultry production in Maine, entertainment centers, industrial and research parks, and by commercial malls. The benefits of economic integration can be increased further by integration between, as well as within, industries. Economic integration can be successfully implemented on a small scale if only the necessary guidance is provided by a single management operating as an umbrella over a group of independent organizations with contracts that spell out the integrated relationships, pricing, and other aspects.

There are many business opportunities in this state which are not being developed because they are beyond the resource capabilities of most individuals. These opportunities are essentially intermediate in scale so often involve intermediate scale technology and specialization which is not of interest of large organizations. Anyway, other areas closer to population centers tend to offer a greater appeal to large organizations.

Organizing the local consumption of products produced in Maine would broaden the marketing base for Maine products and thereby warrant increased local productive output and employment. In order to bring about increased local consumption of Maine products, a tangible organization which has this as its purpose is needed. This is what a Determinative Corporation would help to achieve by determining: 1) what products are imported into the state that could be marketed effectively and in what quantities, 2) how to produce these items on a scale that would be commercially viable, 3) the price structure which would assure competent producers a reasonable profit, and 4) where and when the output would be distributed.



The economic pieces already exist by which Maine communities could become much more self-supporting and more prosperous. The trouble is that these pieces consist of many individual economic activities all largely operating without professional managerial guidance, on too small a scale, with a short-range viewpoint, and failing to take advantage of the opportunities for economic integration with complementary activities. Consider the following.

A few years ago it was decided to revive sheep raising in Hancock County and so the necessary financing of production was arranged along with the marketing of the output in Boston. The venture was a failure for 3 reasons. First, time was not allowed to properly prepare the land. Second, western sheep were raised and they became infested with parasites which more appropriate eastern breeds would have avoided. Third, only half of the planned and required pasturage was actually available. Each of these reasons were only poor management.

Maine potatoes are declining in quality because of single cropping. Yet, grains, peas, and other crops could be economic alternative crops, though not quite as profitable as potatoes. But potato farmers, seeking maximum immediate profits, take a short-range viewpoint, which is clearly poor management considering the detrimental long-range results.

Poultry producers import grain from the Mid-West because it tends to put slightly more flesh per dollar of feed on the poultry than locally grown grain at current prices. But, by taking a longer-range viewpoint and integrating poultry and potato production, it is possible to provide the crop rotation the potato farmers need while providing a local supply of poultry feed at reasonable prices.

There are vast amounts of potato wastes which currently constitute a disposal problem. If these wastes were cooked, perhaps using stoves fueled with methane gas produced from chicken manure or other organic wastes, hogs could be largely fed from what is now a waste product and disposal problem. Clearly, the economic gains would be substantial.

The agricultural output sold through farmer's markets is produced on so small a scale, by part-time producers, that the prices that must be charged are little different from the prices of commercially produced goods imported from distant locations. In addition, such markets capture only a limited share of the total potential sales because many persons simply prefer to buy their fresh fruits, vegetables and meats where they have to go to buy their groceries anyway - the local retailer.

In order for local producers to supply much more of what local residents consume, local producers must become specialized, full-time operators, and operate, as a group, on a scale that is commercially viable and produce, process, and store sufficient quantities to be able to assure local retailers of a year around supply at competitive prices. This is what Determinative Corporations could arrange.

The proposed Determinative Corporation could provide local producers with general professional guidance which would result in good management coupled with a longer-range viewpoint than that of most individuals. The corporation would also bring about specialization on a scale commercially feasible as well as integrated with other complementary activities. In these ways local production would be expanded, idle lands brought back into usage, idle or under-employed persons put into productive work, and new business opportunities created. The key is the managerial direction that a local Determinative Corporation could provide.

## HOW DETERMINATIVE CORPORATIONS WOULD FUNCTION

By Edward L. Page, Formerly Professor of Management at the Universities of Michigan and Kentucky, currently at the University of Maine at Machias

Determinative Corporations would be well-managed for a number of reasons. They would have a clear set of objectives, well developed plans based on long established practices, and the necessary resources to implement the plans and objectives. This would include the hiring of competent managers, organizing the necessary staff, effectively directing the physical and human resources, and exercising the necessary controls.

These corporations would be able to take a longer-range, and ultimately a more profitable, point of view than can most individuals, because the payoff period for investment need not be so immediate for a corporation as for most individuals. As a corporation, there would be long term continuity, limited liability, tax and financial advantages. The scale of operations would be large enough to be commercially viable, but not so large that control becomes impersonal, unduly complex, or necessitates absentee participation. Through negotiated contracts, the corporations would coordinate the activities of various independent producers so as to bring about a degree of economic integration that otherwise would not occur.

The gains from local production (over imported production), involves much more than just the savings in transportation costs from the out of state locations. Out of state producers usually have storage costs, financing costs, and insurance costs which all tend to be proportional to the transport distances and the time in storage. In addition, there are the overhead costs, risk costs of price fluctuations which cannot be covered by insurance, and profits which must be paid to out of staters on each item imported. Therefore, by producing within the state, these costs can be considerably reduced and this provides a good cushion within which to operate and still earn a reasonable profit, create local jobs, and support local businesses and government.

To effectively market locally produced food requires that simultaneous arrangements be made for: 1) the processing of the various outputs, 2) assuring a year around supply for local retailers, 3) guaranteeing veterinarian services are available to livestock producers, and 4) marketing whatever cannot be consumed locally. These are the arrangements that the local Determinative Corporation would carry out, but which few individuals are in a position to make.

Idle farms and idle human resources would be put into productive use by arranging marketing commitments to take the planned output contingent upon meeting pre-agreed price, quality and service requirements. Then appropriate idle farms would be leased, purchased, or obtained through ownership shares in the corporation. Then, under the guidance of a professional agricultural manager, the farms would be operated <sup>by</sup> either employees of the corporation or under contract with owners. Finally, the output would be distributed by the corporation to retailers, institutions, and participants.

Energy would be produced in a variety of forms including solar panels, wood chips, and methanol. These are all producible from renewable resources which Maine has in reasonable abundance. The wood chips can be used to heat housing clusters of four or five units or comparable institutional or business structures. Methanol can be produced during the colder months as a by-product of heating clusters of buildings with many small woodlot owners supplying the fuel.

P. O. Box 237  
Blue Hill, Me. 04614  
1978 March 14

## WHERE, WHEN & WHO OF DETERMINATIVE CORPORATIONS

By Edward L. Page, Originator of the Concept of Determinative Corporations

The Bangor area would be a good location for a Determinative Corporation because, as the commercial and industrial center of a large area at the extreme eastern limit of the U.S., it would gain from the economic revitalization that such corporations could bring about. Consequently, the 6 to 8 persons who could put together such a corporation could probably be found in the Bangor area since many existing businesses ultimately would become benefactors.

Alternately, Washington and Hancock Counties would be a good location for a Determinative Corporation since these are two of the most economically depressed counties in a minimum wage state with high unemployment and welfare rates. In addition, these counties do have a variety of available resources which are not being adequately developed or utilized and which the organizational effort of a Determinative Corporation could bring into productive and profitable usage.

The establishment of a Determinative Corporation awaits only the raising of the initial capital in order to get started. It does not require any new developments, any special approvals, or the widespread or extensive collection of data and information. All the knowledge required exists, but it does need to be utilized. Thus, a Determinative Corporation could be established whenever a group, or individual, puts up the money needed to get started. This money would have to come from persons who want a reasonable return on their investment, but are willing to accept considerably less than the multifold return expected by venture capitalists.

What would I, the originator of the Determinative Approach and founder of the Corporation, expect to get out of it? It is my intention to 1) organize the corporation, 2) see that it is established on a successful basis, and 3) set the stage for future expansion. For this I would be paid a modest annual salary (\$18,000) as long as I was actively engaged in the management of the corporation and in addition I would be issued five percent of the stock to reflect my conceptual and organizational input.

1978 March 15

## MISCELLANEOUS COMMENTS ON DETERMINATIVE CORPORATIONS

By Edward L. Page

The PHILOSOPHY and objectives of Determinative Corporations are those of cooperatives, namely, to serve participating consumers, many of whom may also be producers or employees, to improve their economic well-being. However, the organization and management is that of a business corporation because this is by far the most effective way to obtain desired results and assure success.

The SHARES held in a Determinative Corporation would be proportional to the input of money or the value of land, productive output, or labor put into the corporation. Thus, corporate democracy would prevail in which control is proportional to the number of shares held. (There would be a limit, such as 5%, on the number of shares any individual could own.) This contrasts with the political democracy of cooperatives in which members have one vote per person irrespective of economic input. Unlike cooperatives, dividends would be paid on the basis of profits, not patronage, and external financing would not be frowned upon, but only through bonds, not shares of stock.

OUTRIGHT OWNERSHIP by individuals is practical with Determinative Corporations because they are essentially condominiums. This contrasts with the shared ownership of cooperatives and which results in a minimum sense of responsibility. Condominiums permit the individual ownership of particular parts of a large complex, privately owned, and under a single management. The terms of the individual ownership are very specifically spelled out in a contract or franchise.

The CAPITAL of the proposed Determinative Corporation would be used mainly to back up the additional risks taken on the part of individuals who expand production, processing, or marketing, or the extra risks of those who enter into production, processing or marketing under the guidance and umbrella of the corporation. The Determinative Approach would be followed. This is primarily concerned with fulfilling local needs and wants, not in out-competing other producers or other areas.

The DETERMINATIVE APPROACH differs from the present competitive approach, the success of the latter being dependent upon competitive capability, economic conditions, foreign trade factors, and variable prices which reflect the frequently changing supply and demand situation. Thus the present system's effectiveness is contingent upon numerous variables over which most investors, producers, distributors and consumers have little, if any, control. On the other hand, the Determinative Approach arranges through negotiated contracts to supply a finite local market. As a result, supply, demand, prices, and incomes can become relatively fixed relationships and thereby inflation could be brought under almost complete control - for the participants - and contingency factors would be reduced to minor considerations.