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THE TREND TOWARD LARGER FARMS has continued unabated. The rapid advance in technological developments has made it not only possible for farms to become larger but often necessary for them to become larger to maintain their incomes. The total number of farms declined about 15 percent between 1959 and 1964, but according to the Census of Agriculture, farms with annual sales of more than $20,000 increased 29 percent.

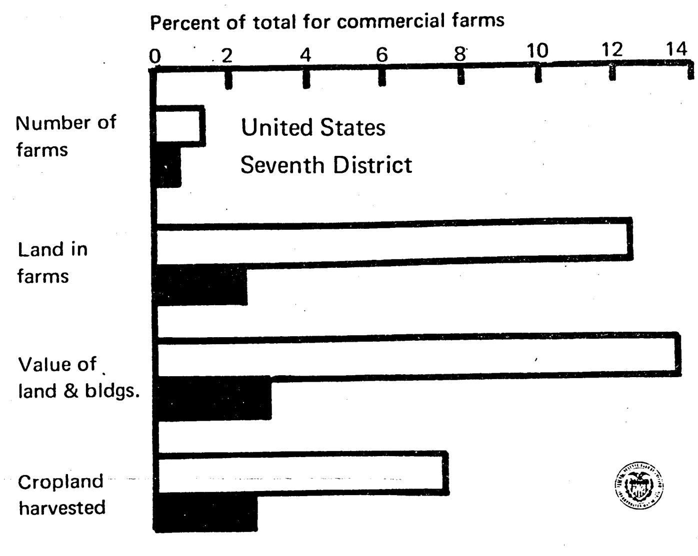
The increase in the number of very large farms was even more pronounced. Between 1959 and 1964, the number of "large-scale" farms (those with annual sales of over $100,000) increased 57 percent. Although the number of these large farms has increased rapidly, they still represent relatively few units. Only about 34,000 farms—1.4 percent of all commercial farms—had annual gross sales of more than $100,000 in 1964. Yet, because of their size, these farms are much more important in the agricultural industry than their number alone might indicate. For example, they accounted for about a fourth of the value of all farm products sold from commercial farms in 1964. For some commodities the proportion was even higher. These farms accounted for more than a third of the sales of cattle and poultry, nearly half the fruits and nuts, and about three-fifths of the vegetables. In production, they accounted for nearly 80 percent of the sugar cane, 43 percent of the rice, and 30 percent of the cotton. Other major field crops, such as corn, soybeans, and wheat, are produced largely on smaller farms, with the large-scale farms accounting for about 7 percent of the soybeans, 6 percent of the wheat, and 5 percent of the corn.

In some ways, gross sales as a measure of size tends to overstate the largeness of an operation. Large-scale livestock farms account for a large part of total cattle sales, for example, partly because considerable amounts of the products of other farms, such as feed and feeder animals, are used as inputs. In such cases, the volume of product sold may be very large relative to the value added above the purchase cost.

Large-scale farms use sizable amounts of resources. In 1964, they controlled about 13 percent of the land in farms and operated about a third of the irrigated acreage. The average investment in land and buildings for these farms was about $600,000—nearly 10 times more than the average commercial farm. In addition, they used 17 percent of the fertilizer, accounted for 30 percent of the expenditures for feed, and bought 40 percent of the livestock. They employed more than 40 percent of the hired farm labor and accounted for about 25 percent of the expenditures for machine hire and custom work.

Large-scale farming is not as important in the Seventh District as it is in the nation as a whole. This can probably be attributed largely to the types of commodities produced in the district, such as corn, soybeans, and dairy products. Cattle feeding, of course, is an exception. Yet, even though cattle are still fed largely in small lots in the Midwest, nearly 20 percent of the cattle sold from farms in states of the district in 1964 were from those with sales of more than $100,000. While large-scale farms accounted for less than 1 percent of the commercial farms in district states, they sold about 9 percent of the farm commodities marketed.

Large-Scale Farms Less Important in the District than in Nation as a Whole



The increasing number of these large scale farms has important implications to bankers and other lenders. Large farmers tend to be large borrowers. The greater incidence of debt among large-scale operators is caused not only by the size of their operations but also by their larger cash outlays relative to sales.

Their credit requirements have often exceeded the lending capabilities of local banks. Because this situation is apt to become more widespread, lenders should continue to improve their means of obtaining loanable funds as well as develop new ones. To make the larger loans requested increasingly by large borrowers, lenders must also develop an adequate flow of information that will allow thorough and continuous analysis of customers' credit needs and repayment abilities.

Roby L. Sloan
Agricultural Economist