1-13-1993

Another Look at Farm Size and Concentration

Roy Frederick
University of Nebraska-Lincoln, rfrederick1@unl.edu

COOPERATIVE EXTENSION
INSTITUTE OF AGRICULTURE AND NATURAL RESOURCES
DEPARTMENT OF AGRICULTURAL ECONOMICS UNIVERSITY OF NEBRASKA - LINCOLN

Cornhusker Economics

August 11, 1993

MARKET REPORT	Unit	Yr. Ago	4 Wks.	8/6/93
Livestock and Products, Average Prices for Week Ending				
Slaughter Steers, Choice 204, 1000-1100 lb, Omaha	cwt	$ 73.00	$ 74.50	$ 73.88
Feeder Steers, Med. Frame, 600-650 lb, Dodge City, KS*	cwt	87.13	**	90.25
Carcass Price, Ch. 1-3, 550-700 lb, Cent. US, Equiv. Index Value	cwt	108.14	111.35	110.74
Hogs, US 1-2, 220-230 lb, Omaha*	cwt	43.93	48.72	47.71
Feeder Pigs, US 1-2, 40-45 lb, Omaha*	hd	**	34.50	34.50
Fresh Pork Loins, Wholesale, 14-18 lb, Cent. US	cwt	105.55	118.25	11.20
Slaughter Lambs, Choice, 115-125 lb, Dodge City, KS	cwt	53.00	**	52.00
Carcass Lambs, Choice & Prime, 1-4, 55-65 lb, FOB Midwest	cwt	126.63	121.25	125.00
Crops, Cash Truck Prices for Date Shown				
Wheat, No. 1, H.W., Omaha	bu	$ 3.04	$ 3.05	$ 3.14
Corn, No. 2, Yellow, Omaha	bu	2.06	2.27	2.34
Soybeans, No. 1, Yellow, Chicago	bu	5.33	7.07	6.76
Grain Sorghum, No. 2, Yellow, Kansas City	cwt	3.67	4.00	4.02
Oats, No. 2, Heavy, Omaha	bu	1.26	**	**
Hay, First Day of Week Pile Prices				
Alfalfa, Baled, Small Square, RFV 150 or better, Platte Valley	ton	$ **	$ 90.00	$ **
Alfalfa, Baled, Large Round, Good, Northeast Nebraska*	ton	42.50	40.00	**
Prairie, Baled, Small Square, Good, Northeast Nebraska***	ton	57.50	55.00	62.50

*New category effective January 13, 1993.
**No market.
***New crop price. Old crop price is $85 per ton.

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One of the legacies of the 1977 farm bill is that USDA is required to make an annual report to Congress on the status of family farms. This year's report (Peterson, R. Neal and Nora L. Brooks, "The Changing Concentration of U.S. Agricultural Production During the 20th Century," Economic Research Service, Agriculture Information Bulletin Number 671, July, 1993) was issued a few weeks ago.

The data in the report are keyed to the 1987 Census of Agriculture, so in some ways the basic information presented is not earth-shaking. For example, the fact that less than four percent of U.S. farms produced one-half of the 1987 ag output has been widely reported. Stated differently, the largest

6,000 farms accounted for 50 percent of that year's output and the smallest 2,030,000 farms accounted for the other 50 percent. (Updated data from the 1992 ag census should start dribbling in over the next few months.)

Other data and insights from the study are less familiar. An eclectic overview follows.

Contrary to popular perception, agricultural production has been concentrated to some degree for decades. As far back as 1900, the largest 17 percent of farms accounted for half of the output. By 1940, it took only the largest 12 percent to produce half, and by 1969, it was down to eight percent. Technology, improved communications and transportation, price and income support programs, and contracts with input suppliers and handlers/processors have all contributed to large farms becoming even larger.

A paradox of farm concentration ratios is that a large number of part-time and hobby farmers contributes to the high percentage of total production accounted for by the largest farmers. In areas along the country's exterior – west coast, east coast and sun belt – many "farmers" have no intention of making farming a full-time occupation. Yet, by being counted as farmers, they make the relative contribution of full-time commercial farmers seem even larger.

In Nebraska and other states of the northern plains, we have been less successful diversifying our economy and, thus, the concentration ratio is less tainted by including part-time and hobby farmers. In 1987, Nebraska agriculture was less concentrated than 38 other states, according to this study.

Farms which specialize in egg production and fruits and vegetables are the most concentrated, but hogs have been gaining fast. (I am anxious to see just how much more concentration shows up in the swine sector in 1992 census data.) Soybeans and corn, along with milk cows are the least concentrated enterprises.

Despite increasing concentration in production, agriculture remains relatively unconcentrated compared with other sectors of the economy. For example, the 200 largest U.S. manufacturing firms (less than 0.1 percent of the total) accounted for 43 percent of the total value of shipments in 1982. Moreover, the 50 largest food processing firms (0.3 percent of the total) also controlled 43 percent of the processed food market.

What do concentration trends of the past tell us about the future? First, from a purely mathematical standpoint, much of the big move toward concentration in production agriculture may be behind us. (If the concentration pattern of the last 50 years continued, by 2044 all production would come from farms with annual sales of $900,000 or more in today's dollars and none from smaller farms.) However, I expect nothing short of legislative and/or regulatory mandates will actually halt the pattern of increasing concentration. More importantly, one ought to question whether producers and consumers would be well-served by such mandates. Legitimate, although not always unemotional, arguments can be made both ways.

Roy Frederick, Professor and Extension Economist, 402-472-6225