CORPORATIONS IN FARMING

The Congress of the United States
Congressional Budget Office

A Staff Working Paper

PREFACE

Corporations have been involved in farming for many years and their numbers are on the rise. But most farms are still operated as sole proprietors and partnerships. Today there is concern that large corporations with nonfarm holdings threaten the future viability of businesses solely engaged in farming.

At the request of the Senate Subcommittee on Antitrust, Monopoly and Business Rights, the Congressional Budget Office has prepared this staff working paper, Corporations In Farming. The paper identifies the different kinds of corporations in farming, the amount of farm land they control, their share of agricultural sales and farm program payments, and their nonfarm business activities. In keeping with CBO's mandate to provide objective and nonpartisan analysis of issues before the Congress, no recommendations are offered.

The principal author of this paper is Peter M. Emerson. The paper was prepared in CBO's Natural Resources and Commerce Division under the direction of Assistant Director Raymond C. Scheppach. Francis Pierce and Patricia H. Johnston edited the manuscript. Angela Z. Evans and Deborah Vogt prepared it for publication.

Alice M. Rivlin
Director

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SUMMARY

The number of corporations involved in farming is on the increase. In 1969, about 21,500 farms were operated as incorporated businesses. By 1974, the number had increased to 28,400. Yet this does not mean that a few huge conglomerates and nonfarm interests are rapidly taking over farming.

In 1974, corporations accounted for only about 2 percent of all farms. In other respects, they were somewhat more significant. For example, they owned 11 percent of all the land devoted to farming, sold 18 percent of agricultural products by value, and received 9 percent of all government farm program payments.

As a group, corporations tend to operate larger-than-average farms, but the vast majority are family-owned businesses solely involved in the production and sale of agricultural products. Therefore, it is highly unlikely that these corporations are using nonfarm income and assets to enhance their position in farming. In the years ahead, a growing number of traditional farming operations will probably incorporate because of opportunities to reduce their income tax payments and for better estate planning.

Corporations are found in every type of farming, and in every part of the country. In 1974, their share of total receipts was as high as 60 percent in nursery and greenhouse products, 37 percent in vegetables, and 33 percent in both cattle and calves and "other field crops" (which includes sugarcane, sugarbeets, and potatoes). On the other hand, corporate farms accounted for only 5 percent of total receipts in both hog and pig production and grain farming, and only 3 percent in tobacco.

About 10 percent of the corporations reported that they were mainly engaged in nonfarm business activities. This latter group had farming operations that were about twice as large as the average corporation in farming.

A few corporations engaged in farming are publicly held. In 1974, publicly held corporations operated slightly less than 1,000 farms, but accounted for nearly 20 percent of corporate agricultural sales and 40 percent of government farm program payments to corporations. Nevertheless, with only 4 percent of the country's total agricultural sales, publicly held corporations do not dominate farming.

Three-fourths of the publicly held corporations are called parent firms, meaning that they own or control other corporations. They are unique because they generally operate more than one farm and have very large farm businesses in addition to nonfarm earnings. Some parent firms may have a competitive advantage over businesses solely involved in farming, since they often strive to link farming directly with other activities in the food and fiber industry. Also, a few of these firms have received huge government payments. In 1974, 21 publicly held parent corporations received government payments--an average of $434,000 per firm. This is many times greater than the average government payment to all other corporations.

CHAPTER I. INTRODUCTION

Corporations are becoming increasingly important in American agriculture. Although corporations are readily accepted in other fields, many Americans are very concerned about their activities in farming. In particular, there is a persistent fear that large corporations, through their stockholders and boards of directors, will place control of food and fiber production in the hands of financial interests that have little to do with farming. This, it is argued, could cause traditional family-owned and -operated farms to become an endangered species, rural communities to suffer from rapidly declining farm employment, and consumers to pay excessively high prices for food and fiber products. From time to time, this fear is augmented by reports of new, large-scale farming operations financed by major corporations or of investment proposals that would allow urban financial institutions to enter the farmland market.

Several states have reacted to these fears by enacting statutes restricting or regulating the ownership and operation of farms by corporations. And the Congress has considered proposals that would prohibit certain corporations with nonfarm assets from receiving government farm program payments and from owning or leasing farmland.

To aid the Congress in understanding the growing and increasingly complex role of corporations in American agriculture, this paper examines data from the 1969 and 1974 Censuses of Agriculture. The 1969 Census provided the first national data on corporate farming, allowing a comparison of the number of farms, acreage, and agricultural sales of corporate and noncorporate farms. Unfortunately, the 1969 Census gave almost no information on the many different types of corporate firms and the substantial variations among them. 1/

The 1974 Census was far more detailed than its predecessor in its description of corporate farming. Although several years old, that census provides the most comprehensive description of corporate farming currently available. Nevertheless, definitive statements about the long-term growth of different types of corporations cannot be made until the Bureau of the Census publishes the results of future surveys.

In view of these limitations, this paper focuses chiefly on corporate farming in 1974, emphasizing the ownership and control of farmland by corporations, their scale of operations, their reliance on government

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1/ Corporations were separated into two categories: those having 10 or fewer shareholders, and those with more than 10 shareholders.

payments, and their nonfarm business activities. These data show that publicly held corporations—which are often huge corporations from outside agriculture—accounted for only about 4 percent of total agricultural sales in 1974.

CHAPTER II. OVERVIEW OF CORPORATE FARMING

Of the about 1,670,000 farms in the United States in 1974, 1.7 percent, or 28,400 were incorporated businesses. The number of corporate farms had increased by one-third between 1969 and 1974, while the total number of farms continued to decline. 1/ During this period, corporations increased their share of total farmland from about 9 percent to 11 percent, and their share of farm sales from 14 percent to 18 percent.

Most of the growth in the number of corporate farms occurred, however, among relatively small corporations—those with ten or fewer shareholders. These make up the vast majority of corporate farms—over 90 percent in both 1969 and 1974. As the capital requirements and income earning potential of successful farms continue to mount, it seems likely that more and more family-owned and operated farms will incorporate. Such farms incorporate for several reasons: to obtain limited liability for business debts, to achieve greater flexibility in estate planning, to gain income tax savings, and to help insure continued business operations over time.

1/ A farm is defined as any place with agricultural product sales of $2,500 or more.

The desire to reduce or defer taxes appears to be among the most prominent incentives causing some traditional farming operations to incorporate. By incorporating, many family farms can reduce their income tax payments, preserve more funds for reinvestment, and plan for a smooth transition of assets from one generation to the next. Another incentive for a one-person farming operation to incorporate is that health and accident insurance premiums may be paid as tax-free benefits by the corporation.

Farming Activities

Corporate farms are generally larger than average. In 1974, they had five to six times more acres and eight to ten times more agricultural sales than unincorporated farms. Many large farms, however, are not incorporated. For example, among farms selling $100,000 or more of agricultural products, only 11 percent were corporate farms.

Corporations are involved in all types of agricultural production, but they play a slightly more important role in the livestock sector than in crop farming (see Table 1). They are particularly prominent in nursery and greenhouse products; vegetables; cattle and calves; other field crops (primarily sugarcane, sugarbeets, and potatoes); fruits, nuts, and berries; poultry and poultry products; and other livestock (primarily horses, fur bearing animals, and fish). In each of these sectors, corporate farms accounted for more than 25 percent of agricultural sales in 1974.

TABLE 1. FARMING ACTIVITIES OF CORPORATIONS AND OF ALL FARMS, BY TYPE OF AGRICULTURAL PRODUCTION, 1974

	Corporate Farms				All Farms
	Share of Total Receipts from Farming		Distribution of Receipts from Farming		Share of Total Receipts from Farming
Agricultural Product	Percent	Rank	Percent	Rank	Percent
All Agricultural Products Sold	18.2	—	100.0	—	100.0
Crops, Including Nursery and Greenhouse Products					
Nursery and Greenhouse Products	60.3	1	7.0	5	2.1
Vegetables, Sweet Corn, and Melons	36.9	2	5.9	7	2.9
Other Field Crops	32.6	4	8.7	3	4.9
Fruits, Nuts, and Berries	31.5	5	6.3	6	3.6
Cotton and Cottonseed	15.8	9	2.4	9	2.8
Field Seeds, Hay, and Forage	10.2	10	1.4	11	2.5
Grain	4.9	13	8.2	4	30.5
Tobacco	3.3	14	0.4	13	2.1
Total Crops	14.2	—	40.3	—	51.4
Livestock, Poultry, and their Products					
Cattle and Calves	32.8	3	40.9	1	22.7
Poultry and Poultry Products	28.1	6	11.9	2	7.7
Other Livestock and their Products	27.2	7	0.7	12	0.5
Sheep, Lambs, and Wool	23.1	8	0.7	12	0.6
Dairy Products	6.3	11	3.5	8	10.4
Hogs and Pigs	5.0	12	1.9	10	6.7
Total Livestock, etc.	22.4	—	59.7	—	48.6

SOURCE: U.S. Department of Commerce, Corporations in Agricultural Production, Vol. 4, Special Reports (November 1978), p.5.

The single most significant source of corporate receipts from farming comes from cattle and calves, owing to the large revenues associated with this sector. In 1974, 41 percent of corporate receipts from farming were derived from the sale of cattle and calves. Furthermore, most of these sales were concentrated among relatively few corporations: 635 cattle feeders accounted for 37 percent of corporate agricultural sales. Compared to most farm businesses, they are huge enterprises each operating cattle feedlots with a capacity of 2,000 head or more and reporting, on average, annual agricultural sales of $8.6 million.

Government Payments

On the whole, government payments per dollars worth of agricultural sales for corporations are only about one-half as large as for sole proprietors and partnerships. 2/ Nevertheless, there are substantial concentrations of government payments to particular types of corporations, as detailed in the following chapter.

2/ There is, however, uncertainty concerning the reliability of information on government farm program payments in the Census of Agriculture. The Bureau of the Census asked all farm operators to report total payments received for participating in government farm programs. The specific inquiry that appears on the census form is given in Appendix A. Farmers reported receiving $266 million in government payments in 1974. On the other hand, U.S. Department of Agriculture records show that government payments to farmers were $525.2 million in 1974, or approximately two times the total reported to the Census Bureau by farmers. USDA data cannot be disaggregated by type of business and, therefore, it is impossible to determine whether corporations are more or less likely to understate government payments than are other farmers. (Further discussion of this discrepancy is given in Appendix A.)

CHAPTER III. IMPORTANT CHARACTERISTICS OF CORPORATE AGRICULTURAL FIRMS

In order to distinguish among corporations involved in farming—large, agribusiness firms versus incorporated family-size farms, for example—it is helpful to divide farm corporations into two major categories, depending on the percentage of total receipts from the sale of agricultural products:

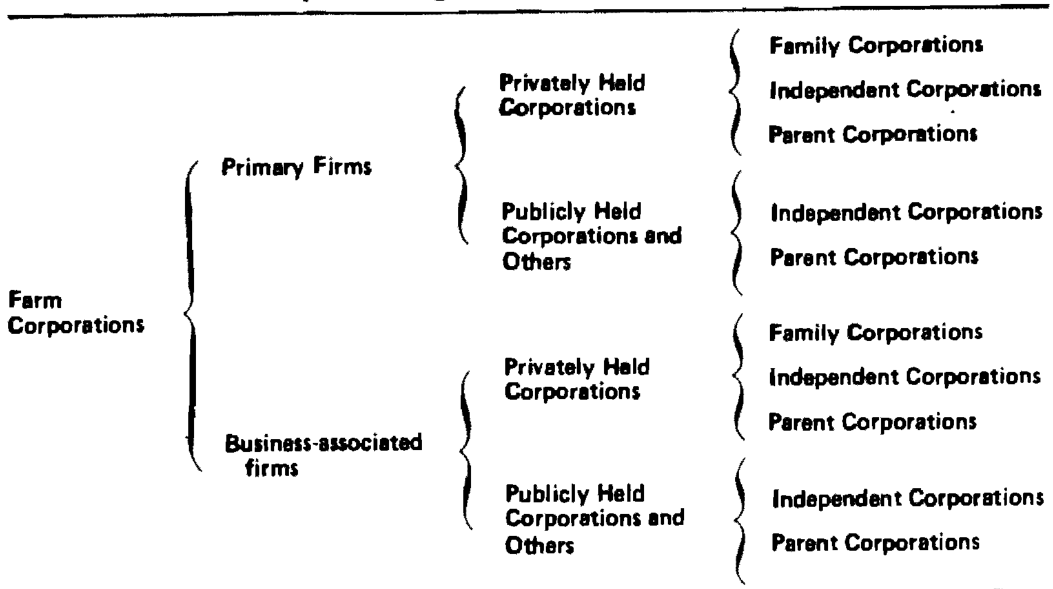
- Primary firms, or corporations that receive 50 percent or more of their total receipts from the sale of agricultural products.
- Business-associated firms, or corporations that receive less than 50 percent of their total receipts from the sale of agricultural products. 1/

It is also helpful to further differentiate farm corporations by type of ownership and kind of corporate control (see Figure 1):

- Type of ownership:
  - Privately held corporations in which all or almost all of the stock is owned by the few persons who formed the business firm or by their successors.

1/ Data for nonfarm business activities were requested only if a firm's total receipts from all nonfarm activities were $50,000 or more.

Figure 1.
Classification of Corporate Agricultural Firms, 1974 Census



SOURCE: U.S. Department of Commerce, *Corporations in Agricultural Production,* Vol. 4, Special Reports (November 1978), pp. 2-3.

- Publicly held corporations whose stock is bought and sold on recognized stock exchanges or over-the-counter markets. In addition, this category includes a small number of farms operated by religious orders or by incorporated charitable or nonprofit organizations.

o Kind of corporate control:

- Family corporations, in which 51 percent or more of the stock is owned by persons related by blood or marriage.

- Independent corporations, which are not family corporations and which do not own or control other corporations, nor are owned or controlled by other corporations.

- Parent corporations, which own or control one or more subsidiary corporations.

Corporate farms, as a group, accounted for about 2 percent of all farms and 18 percent of agricultural products sold in 1974 (see Table 2). Family-owned corporations sold about one-half of these agricultural products. The remainder of this chapter discusses the substantial differences in acreage, sales, and government payments received by different types of corporations. Because corporations are responsible for only a small fraction of all of the country's farms, distinctions among types of corporations are most sharply drawn by focusing on the share of acreage and sales within the corporate segment of farming. However, the reader should bear in mind the relatively small size of the corporate segment.

PRIMARY AND BUSINESS-ASSOCIATED FIRMS

Relative to primary firms, business-associated firms tend to be large in acreage, sales, and government payments received (see Table 3). Although some primary firms have very large farm businesses, most are highly dependent on agricultural sales; these firms are similar to traditional family-owned and operated farms. Business-associated firms, on the other hand, are more likely to be large corporations using their nonfarm income and assets to enhance their position in farming.

TABLE 2. SELECTED CHARACTERISTICS OF FARM FIRMS, 1974: IN PERCENT

Characteristic	All Unincorporated Firms 1/	All Corporate Firms	Categories Of Corporate Firms									
			Primary Firms					Business-Associated Firms				
			Privately-Held Corporations			Publicly-Held Corporations		Privately-Held Corporations			Publicly-Held Corporations	
			Family Corporations	Independent Corporations	Parent Corporations	Independent Corporations	Parent Corporations	Family Corporations	Independent Corporations	Parent Corporations	Independent Corporations	Parent Corporations
Share of Farms	98.3	1.7	1.20	0.25	0.02	— 5/	0.01	0.09	0.04	0.03	0.01	0.04
Share of Land Farms 2/	89.4	10.6	7.50	1.00	0.47	0.01	0.06	0.31	0.12	0.58	0.04	0.53
Share of Value of Agricultural Products Sold 3/	81.8	18.2	8.74	3.82	1.00	0.17	0.81	0.37	0.26	0.60	0.14	2.28
Share of Government Farm Program Payments 4/	91.2	8.8	3.78	0.50	0.75	0.01	0.58	0.11	0.11	0.11	0.05	2.84

SOURCE: U.S. Department of Commerce, Corporations in Agricultural Production, Vol. 4, Special Reports (November 1978), pp. 5-40; special tabulations prepared by the Bureau of the Census, August 1979.

1/ Sole proprietors, partnerships, and other unincorporated farms with agricultural product sales of $2,500 or more.

2/ Includes all land used for crops, pasture, grazing, woods, and other farming activities. It is an operating unit concept and includes both land owned and operated and land rented from others.

3/ Includes the gross market value of all crops, livestock, poultry, forestry products, and other agricultural products sold. It does not include income from agricultural services, government farm programs, recreation, or nonfarm sources.

4/ Payments received for participating in government farm programs. Does not include Commodity Credit Corporation loans.

5/ Less than 0.01 percent.

TABLE 3. SELECTED CHARACTERISTICS OF PRIMARY AND BUSINESS-ASSOCIATED FIRMS, 1974

Characteristic	Primary Firms a/	Business-Associated Firms b/	All Corporations
Number of Firms	24,149	2,724	26,873
Number of Farms	24,982	3,460	28,442
Number of Firms in Farming Only	22,709	---	22,709
Acres per Firm	3,388	5,251	3,577
Value of Agricultural Products Sold per Firm (dollars)	485,171	1,076,388	545,100
Government Farm Program Payments per Firm Receiving Payments (dollars) c/	5,430	48,920	8,032

SOURCES: U.S. Department of Commerce, Corporations In Agricultural Production, Vol. 4, Special Reports (November 1978), pp. 25-40; special tabulations prepared by the Bureau of the Census, August 1979.

a/ Corporations drawing 50 percent or more of their total receipts from the sale of agricultural products.

b/ Corporations drawing less than 50 percent of their total receipts from the sale of agricultural products.

c/ Government payments were made to 2,750 primary firms and 175 business-associated firms.

The vast majority of corporate farms are operated by primary firms, although they represent only 1.5 percent of all the country's farms, incorporated as well as unincorporated. Primary firms accounted for most of corporate agricultural sales--about 80 percent. Most primary firms operated only one farm and restricted their business activities to farming.

Business-associated firms, on the other hand, appear much more likely to operate more than one farm. While many of them engage in businesses related to farming, such as processing farm products or supplying farm equipment, almost half of them engage in activities outside the food and fiber industry. Business-associated firms, which average 5,300 acres and $1.1 million of agricultural products sold, are large: roughly twice as large in acreage and sales as primary firms. The largest business-associated firms, in terms of acreage, are those with business activities outside the food and fiber industry: these average 7,600 acres. The largest business-associated firms, in terms of farm sales, are those involved in processing farm products, with $2.8 million of agricultural product sales per firm.

Although the majority of government payments to corporations went to primary firms, some business-associated firms received large government payments: 175 business-associated firms averaged $49,000 in government payments, approximately nine times as great as the average government payment to primary firms.

PRIVATE HELD AND PUBLICLY HELD CORPORATIONS

Among publicly held corporations in agriculture are a few huge conglomerates. Some people believe that these are in the process of taking over farming. Although there are relatively few publicly held corporations in agriculture, they tend to be much larger than other farm corporations and a few received very substantial government payments in 1974.

Publicly held corporations appear most likely to be involved in farming for specific reasons, such as the following: to provide a guaranteed market for their sale of farm inputs, to provide highly technical management and equipment and very large amounts of capital, and to obtain a stable supply of raw products for processing and marketing.

The fear that nonfarm interests are taking over agriculture is undoubtedly enhanced by the fact that a few publicly held corporations operate large farm businesses which are often directly linked to other activities in the food and fiber industry. Such corporations are perceived to have a degree of market power and control that may give them a competitive advantage over other farm businesses and allow them to exploit consumers.

In 1974, almost all of the corporations in farming were privately held. There were only 358 publicly held corporations, most of which were huge, with average sales about 17 times larger than those of privately held corporations (see Table 4). The publicly held corporations also own, on average, almost five times as much acreage as privately held corporations. Nevertheless, for the country as a whole, publicly held corporations account for only 4 percent of total agricultural sales.

Only about one agricultural corporation in nine received government payments, but of those that did, publicly held corporations received a huge share. Forty percent of all government payments went to 28 of these large corporations, which received an average of $331,000 each. The remaining 60 percent of government payments went to about 3,000 privately held corporations, which received an average of $4,900 each.

FAMILY, INDEPENDENT, AND PARENT CORPORATIONS

Family corporations and most independent corporations are generally similar to the privately held, primary firms discussed in the preceeding

TABLE 4. SELECTED CHARACTERISTICS OF CORPORATIONS BY TYPE OF OWNERSHIP, 1974

	Firms (number)	Farms (number)	Land in Farms (acres per firm)	Value of Agricultural Products Sold (dollars per firm)	Firms Receiving Payments (number)	Government Payments (dollars per firm receiving payments)
Privately Held: a/						
Family b/	21,275	21,758	3,324	345,085	2,572	4,021
Independent c/	4,711	4,929	2,154	697,410	272	6,004
Parent d/	529	808	18,020	2,436,864	53	42,755
Total	26,515	27,495	3,409	449,417	2,897	4,915
Publicly Held and Other:						
Independent c/	92	186	4,659	2,686,717	7	20,714
Parent d/	266	761	19,962	9,342,117	21	433,762
Total	358	947	16,029	7,631,793	28	330,500
All Corporations	26,873	28,442	3,577	545,100	2,925	8,032

SOURCE: U.S. Department of Commerce, Corporations in Agricultural Production, Vol. 4, Special Reports (November 1978), p. 22.

a/ A corporation in which all or almost all of the stock is owned by the few persons who formed the business firm or by their successors.

b/ A corporation in which 51 percent or more of the stock is owned by persons related by blood or marriage.

c/ A corporation that is not a family corporation and that does not own or control another corporaton, nor is owned or controlled by another corporation.

d/ A corporation that owns or controls one or more subsidiary corporations.

e/ A corporation whose stock is bought and sold on recognized stock exchanges or over-the-counter markets.

section in terms of their acres, farm sales, and government payments per firm. Parent corporations, by contrast, tend to be much larger in all three of these respects, as detailed below.

Family Corporations. Eighty percent of the corporations in farming are family-owned businesses. They tend to be chiefly concerned with farming and most operate only one farm. Slightly more than 21,000 family-owned corporations accounted for about three-fourths of the acreage and one-half of the agricultural sales of all farming corporations.

Independent Corporations. Any corporation that is not in control of, or subsidiary to, any other corporation, and is not family-owned, is called an independent corporation. Most independent corporations were privately held. On average, these corporations were about equal to family corporations in acreage, agricultural sales, and government payments per firm. An exception were a small number of publicly held, independent corporations that tended to be considerably larger.

Parent Corporations. Many of the huge agricultural corporations are found among about 800 parent corporations (corporations that control one or more subsidiary corporations) that reported farming operations. Most of these parent corporations had substantial nonfarm business activities. However, as a group, parent corporations accounted for only one-half of the total volume of farm sales of family corporations.

The largest parent corporations are generally publicly held. One-third of all parent corporations are of this type, and these are generally huge, with average farming operations of 20,000 acres and $9.3 million of agricultural sales. Twenty-one of them reported government payments in 1974, implying an average payment of $434,000 per firm.

LARGEST CORPORATIONS

The vast majority of farming corporations are modern family farms. But there are a few huge corporations: In 1974, about 7 percent of all farming corporations had total corporate receipts of $5 million or more. These largest corporations accounted for 51 percent of agricultural products sold by corporations and they averaged more than 15,000 acres and $7.4 millon in annual farm sales (see Table 5). Eighty-five of the largest corporations received about 50 percent of government farm program payments, or an average of $137,000 per firm.

About one-fourth of the largest corporations reported farming to be their only business activity. In terms of acreage and farm sales, the large

TABLE 5. SELECTED CHARACTERISTICS OF CORPORATIONS IN FARMING WITH TOTAL CORPORATE RECEIPTS OF $5 MILLION AND OVER, 1974

Number of Firms	998
Number of Farms	1,913
Acres per Firm	15,152
Value of Agricultural Products Sold per Firm (dollars)	7,403,325
Government Farm Program Payments per Firm Receiving Payments (dollars)	136,976 a/
Principal Business Activity	
Primarily farming	354 firms b/
Related to agriculture but outside farming	301 firms
Other business outside the food and fiber industry	343 firms

SOURCES: U.S. Department of Commerce, Corporations In Agricultural Production, Vol. 4, Special Reports (November 1978), p.67; special tabulations prepared by the Bureau of the Census, August 1979.

a/ Government payments were made to 85 firms with total corporate receipts of $5 million and over.

b/ 264 firms were involved in farming only.

corporations that engaged exclusively in farming were similar to the large corporations that also engaged in other businesses. These large farming-only corporations received far less government payments than did corporations with other business activities: the large farming-only corporations that received payments averaged around $22,000 per firm, less than one-fifth of the amount reported above for large corporations as a group.

The largest corporations with principal business activity related to agriculture but outside farming were involved in activities such as supplying farm inputs, processing and wholesaling farm products, and providing agricultural services. Many of these corporations aim to achieve greater efficiency and control by directly linking farm production with other activities such as processing and marketing. In carrying out this strategy, some large corporations are perceived as a direct threat to more traditional, independent farmers and to consumers.

Finally, the largest corporations with principal business activity outside the food and fiber industry were unique in that they reported more than twice as much acreage as the largest farming-only corporations. In total, these land holdings were not very significant: accounting for 0.7 percent of all U.S. farmland. But these holdings may be concentrated in a few regions, thereby enhancing the concern that nonfarm interests are taking over farming.

APPENDIXES

APPENDIX A. GOVERNMENT FARM PROGRAM PAYMENTS IN 1974

This appendix explains the procedures used by the Bureau of the Census to obtain data on government farm program payments. It also provides information obtained from the U.S. Department of Agriculture on the farm programs under which payments were made in 1974.

According to the Census of Agriculture, farmers reported $265.9 million in government farm program payments in 1974. However, this is only about one-half of the $525.2 million paid to farmers by the U.S. Department of Agriculture in that year. Reasons for this huge difference are not known. One possibility is that farmers did not understand that they were expected to report disaster payments.

Government farm program payments found in the Census of Agriculture were obtained from Form 74-A1, Section 36, by asking the respondent to report: "Payments you received for participation in Government farm programs (Do not include redeemable loans). . . ."

The Farm Census Guide, which provides detailed instructions for completing the census forms, contains the following statement relating to government payments:

Report all government payments received by the farm operator from any of the following programs:

Appalachian Land Stabilization and Conservation Programs
Beekeeper Indemnity Payment Program
Cotton Insect Eradication Program
Cropland Adjustment Program
Cropland Conversion Program
Disaster Payments Program
Extra Long Staple Cotton Program
Great Plains Conservation Program
Milk Indemnity Payment Program
Rural Environmental Conservation Program (including Emergency Conservation Measures)
Sugar Incentive Program
Water Bank Program
Wheat, Feed Grains, and Upland Cotton Target Price Program

The total amount of these payments may have been furnished to the operator in a Report of Payment to Producer (sent by the Agricultural Stabilization and Conservation Service). If so, this figure may be copied on the census report form.

U.S. Department of Agriculture (USDA) payments to farmers in 1974 are presented by major programs in Table A-1. Disaster payments to feed grain, wheat, and cotton farmers accounted for nearly 40 percent of all USDA payments. Most of the remaining payments were dispersed under environmental and conservation programs, the Sugar Act Program, and the Cropland Adjustment Program. Because of relatively favorable market prices, farmers received no deficiency payments in 1974. In fact, USDA payments to farmers were less than $1 billion per year from 1974 through 1976. Compared to USDA farm program payments of $4.0 billion in 1972, $2.6 billion in 1973, $1.8 billion in 1977, and $3.0 billion in 1978, it is evident

TABLE A-1: U.S. DEPARTMENT OF AGRICULTURE PAYMENTS TO FARMERS BY MAJOR PROGRAMS, 1974: IN MILLIONS OF DOLLARS

Program	Payments
Feed Grain, Wheat, and Cotton Disaster Payments Program	$209.0
Rural Environmental Conservation/ Assistance Programs	169.5
Sugar Act Program	81.5
Cropland Adjustment Program	41.0
Emergency Conservation Program	14.0
Extra Long Staple Cotton Program	5.0
Beekeepers Indemnity Program	3.3
Others	1.9
Total	$525.2

SOURCE: Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture, October 1979.

that the 1974 census year was characterized by low government payments to farmers.

The discrepancy between actual USDA payments to farmers and total government payments reported to the Census Bureau by farmers in 1974 may be caused by several factors. Some respondents may not have understood that they were expected to report all government payments—including disaster payments--to the Census Bureau. It is possible that some farmers who received USDA payments failed to complete a Census report or otherwise decided to understate their government payments. And some farmers may have thought that all, or a portion, of the USDA payments dispersed in 1974 were for either 1973 or 1975 programs.

APPENDIX B. NONFARM BUSINESS ACTIVITY OF CORPORATIONS IN FARMING

Some corporations engaged in farming have extensive interests in other spheres. In the 1974 Census, nonfarm business activities of corporations in farming were divided into the following categories: supplying farm inputs, processing farm products, wholesaling or retailing farm products, performing agricultural services or other activities related to agriculture, and carrying on business outside the food and fiber industry.

Fifteen percent of all corporations in farming, or about 4,200 firms, reported nonfarm business activities. Among all corporations in farming, these firms accounted for one-fourth of the acreage, slightly more than one-third of agricultural sales, and one-half of government payments.

Disaggregated by principal business activity (that is, the business activity accounting for the largest proportion of total corporate receipts), these firms were about equally divided between farming, business related to agriculture but outside farming, and other business outside the food and fiber industry (see Appendix Table B-1).

The 1,440 firms that reported farming as their principal business activity were about two times larger in acres per firm and four times larger

TABLE B-1. SELECTED CHARACTERISTICS OF CORPORATIONS IN FARMING WITH NONFARM BUSINESS ACTIVITIES, 1974

	Principal Business Activity a/			
	Farming	Related to Agriculture but Outside Farming b/	Other Business Outside the Food and Fiber Industry	All Corporations with Nonfarm Business Activities
Number of Firms	1,440	1,501	1,223	4,164
Number of Farms	1,737	1,913	1,547	5,197
Acres per Firm	5,837	3,327	7,613	5,451
Value of Agricultural Products Sold per Firm (dollars)	1,607,773	1,206,570	916,612	1,260,152
Government Farm Program Payments per Firm Receiving Payments (dollars) c/	25,493	37,645	62,620	37,300

SOURCES: U.S. Department of Commerce, Corporations In Agricultural Production, Vol. 4, Special Reports (November 1978), pp. 64-6; special tabulations prepared by the Bureau of the Census, August 1979.

a/ Farming was designated as the principal business activity of those corporations that received 50 percent or more of their total receipts from the sale of agricultural products. The principal business activity of all other firms was determined by the nonfarm business activity that accounted for the largest proportion of their nonfarm business activities.

b/ Includes supplying farm inputs, processing farm products, wholesaling or retailing farm products, and performing agricultural services.

c/ Government payments were made to 341 firms with nonfarm business activities.

in agricultural sales per firm than all farming corporations with no nonfarm business activity. In 1974, 166 firms with nonfarm business that reported farming as their principal business activity reported, on average, government payments of $25,000 per firm. This is six times greater than the average government payment to farming corporations with no nonfarm business activity.

Firms whose principal business activity was related to agriculture but outside farming, as well as those whose principal business was outside the food and fiber industry, were larger in corporate receipts and smaller in agricultural sales than firms engaged principally in farming. Processors, wholesalers, and retailers of farm products—most of which are thought to be vertically integrated through direct ownership or contracting--dominate the group of firms having their principal business activity related to agriculture but outside farming. As a group, the 1,223 firms principally involved in other business outside the food and fiber industry controlled a relatively large amount of land in farms; but 50 percent of those firms had less than $50,000 in agricultural product sales. Seventy-nine firms principally involved in other business outside the food and fiber industry received $62,000, on average, in government farm program payments. This is more than double the average government payments of those firms with farming as their principal business activity.