



## CONFRONTING THE ISSUES

### **Definition of a Farm AFBF Policy Development May 2006**

#### **Issue:**

The USDA definition of a farm – any place from which \$1,000 or more of agricultural products were produced and sold, or normally have been sold, during the census year – has been in use since 1974. Is it time for this definition to be updated?

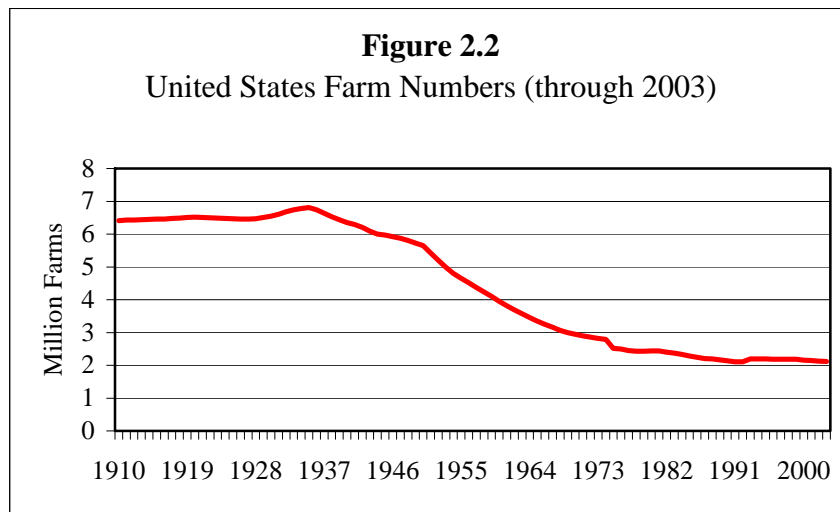
#### **Background:**

In 1900, a farm was defined as an agricultural operation requiring the continuous service of at least one person. In 1910, the definition changed to an agricultural operation that needed to utilize three or more acres or normally produced agricultural product worth at least \$250 for sale or home use. In 1945, and again in 1950, the \$250 requirement was dropped to \$150. And, in 1959, the three-acre requirement was increased to 10 acres or larger and a requirement for at least \$50 in production for sale was added. As an alternative to the 10-acre rule, if the operation had sales in excess of \$250 of agricultural products, it was also considered a farm.

Then, 1974 saw a major change in the definition of a farm. This was the first introduction of the concept that an operation must have or normally have sales of \$1,000 or more per year to be classified as a farm. It is important to understand that production strictly for home consumption did not count as sales. This new definition removed an estimated 300,000 operations, , from the census and reduced the farm population by 21 percent. This \$1,000-worth-of-sales criteria remains in place today.

Based upon the above definitions, the number of farms in the United States hit its peak in 1935 at 6.8 million operations. From the peak in 1935 through the end of the 1940s, the United States lost farms at a rate of 50,000 to 100,000 per year. From 1951 through 1965, the United States lost 2.3 million farms, never less than 100,000 per year, and an average decline of 152,000 farms per year.

Between 1974 and 1978, the number dipped by a total of only 56,000 operations. The drop between 1978 and 1982 was only 17,000 farms. There were even years in the late 1970s and early 1980s when farm numbers increased (1979, 1980 and 1981) on a year-over-year basis. Farm numbers tumbled by 152,000 farms from 1982 to 1987, and a further 163,000 farms between 1987 and 1992. Through the next five-year period, however, numbers hardly moved – slipping downward by only 13,000 operations.



The census gives the minimum number of operations needed to generate 25 percent, 50 percent and 75 percent of the market value of agricultural products sold. In 2002, it took only 34,085 farms to produce half of the value of agricultural product sales in the United States and only 143,547 to produce 75 percent of the output. This means that it took the remaining 1.98 million operations to produce the remaining 25 percent of agricultural output in the United States.

Stated in another way, the first million farms, those with less than \$5,000 in revenues in 2002, account for less than 1 percent of total farm revenue. And it takes another 800,000 farms (a total of 1.8 million, those with sales of less than \$100,000 in revenues), to make up 12 percent of total farm revenue.

Clearly the definition of a farm has taken on a much greater ramification than just an economic definition, particularly as a viable economic unit. There are political overtones as defined by those that can serve on the agricultural committees in Congress. To even have congressional committees probably requires more constituents than just a few hundred thousand farms that some argue reflect the commercially viable economic units.

Perhaps an alternative would be to come up with a multiple definition of farming that incorporates both the commercially viable units, say those with \$100,000 or more of revenue, and those that are pursuing farming more as a style of living, as opposed to earning an income. If something like rural living were to be incorporated into the mix it might actually expand the number of units involved and make the idea more politically feasible.

**Farm Bureau Policy:** None applicable.

**Questions:**

1. Should the definition of farm be change for the purpose of the ag census?
2. What level of revenue should constitute a viable economic farm unit?
3. Should there be an alternate definition for smaller, non-commercial, farm units?
4. Should the definition of smaller units be expanded to include rural living?