Comparisons of agriculture in California and the United States

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U.S. and California farms are becoming fewer and larger, but census data show individual-family farms are more than holding their own with corporate farms and partnerships.

California agriculture is sometimes seen as being dominated by large million-dollar farms, owned and operated by absentee landlords and multinational corporations. What is the reality of farm size and ownership, and the residency and off-farm work characteristics of farm operators? This article looks at recent trends in farm structure as revealed in the 1974 Census of Agriculture, and compares California with aggregate U.S. data.

The widely held view that farms in the U.S. and California are becoming fewer and, on the average, larger is true. The trend is stronger for the nation as a whole, however, than for California: between 1964 and 1974, the total number of farms in the U.S. fell 21.73 percent, from 2,165,712 to 1,695,047; whereas California farms fell only 11.39 percent from 57,289 to 50,763.

What about the average size of farms in acreage? Between 1964 and 1974, U.S. farms grew an average of nearly 20 percent (from 446 acres to 534 acres), whereas the average California farm grew by just under 4 percent (from 608 acres to 632 acres). If this trend continues for very long, the average U.S. farm will soon be as large as the average California farm.

Acres per farm, however, has serious limitations as a measure of farm size because land productivity varies greatly. Other measures of farm size have been devised: one used extensively by the U.S. census is the value of sales at the farm gate.

The census classifies farms into five groupings on the basis of sales. The percentage of large farms (those producing over $40,000 in sales per year) was considerably higher in California—39.05 percent—in 1974 than in the nation as a whole—28.1 percent. Perhaps significantly, however, the percent of farms in this class had grown more between 1969 and 1974 for the entire U.S. (15.3 percent increase) than for California (11.47 percent increase).

On the other end of this size-by-sales range (farms producing under $10,000 per year), California's small farms made up a smaller percentage (30.3 percent) of its total than small farms nationwide (34.6 percent) in 1974. However, the number of small farms in California is decreasing at about the same rate (9.5 percent decrease between 1969 and 1974) as small farms in the U.S. (10.7 percent).

When farm size is measured in sales rather than acreage, growth between 1969 and 1974 is more rapid. Caution should be exercised, however, in utilizing the size-by-sales measure as a criterion for farm-size changes. Farm product prices rose rapidly in the early 1970's, pushing many farms into higher sales classifications even though acreage and output may have increased very little. Thus there is considerable upward bias in this indicator of farm size.

Furthermore, because California farms are larger on average, as measured by sales, it does not necessarily follow that their net incomes are higher than those in the nation as a whole. California farms produce a high proportion of speciality crops—fruits, nuts, and vegetables—that have high per-acre sales value. These crops, however, also tend to have high per-acre production cost. One must look beyond size, as measured either by acreage or by economic class, to get an indication of profitability—an issue which is beyond the scope of this article.

The percent of total agricultural output produced by farms in the various economic classes is an issue of some societal significance. Large farms generally make less intensive use of land and labor than do small farms, but they may be more intensive users of capital in the form of costly machinery and equipment.

In California, over 94 percent of agricultural output came from the largest farms—those producing over $40,000 of annual sales—in 1974; nationwide, the figure was 79 percent. Therefore, if these farms can be considered large, large farms in California are more significant than in the nation as a whole in their ability to produce food and fiber. It is this fact that may have contributed to the widespread view that California agriculture is dominated by large agribusiness corporations. That may be the image, but what is the reality?

TABLE 1. Percent of Total Agricultural Sales by Economic Class

	Calif.		U.S.	
	≥$40,000	≤$10,000	≥$40,000	≤$10,000
1969	87.9	2.65	57.07	9.34
1974	94.4	1.05	79.12	3.87

Census data illuminate the question of who owns and controls agricultural establishments in the state and in the nation. The census has four categories or organizational types: individual or family farms, partnerships, corporations and "other." The last category mainly includes institutional farms owned by governmental entities, churches, and so on.

In 1969, over 80 percent of the commercial farms were owned by individuals and were classified as family farms in both Cali-

TABLE 2. Percent of Commercial Farms by Type of Organization

		Indiv. or family	Partner.	Corp.	Other
Calif.	1969	80.3	15.2	3.6	.9
	1974	81.2	13.0	5.2	.6
U.S.	1969	85.4	12.8	1.2	.6
	1974	89.5	8.6	1.7	.2

fornia and the nation. The percentages were even higher in 1974. Thus, at least in numbers of farms, family farms dominate the scene.

There is a slight growth in the percent of corporate farms, but this may or may not indicate a shift toward large corporate agriculture. Many farms that are operated as family farms have incorporated for inheritance and/or tax purposes. It is impossible to sort out from the census figures the corporate farms that are essentially family farms and those that are controlled and managed by large corporate enterprises. On the basis of casual observation, however, I believe the "family" corporations far outnumber the "nonfamily" ones.

There has been a decline in the percentage of farms classified as partnerships. Because of land price appreciation and favorable tax laws, agriculture has attracted nonagricultural investors over many decades. Doctors, dentists, and lawyers, among others, have invested in agriculture—particularly cattle herds and citrus groves in California. Since 1969, however, tax law changes have reduced the attractiveness of agricultural investment and limited partnerships have decreased. A further reduction is expected in the near future as capital shifts to other sectors of the economy offering higher returns and greater tax advantages.

As argued earlier, numbers of farms do not tell us very much about who is producing the food and fiber that consumers eat and wear. When measured in percent of total acreage, farmlands controlled by corporations and partnerships are more significant than they are when measured as percent of total farm numbers. Still, in 1974, family farms controlled nearly 58 percent of the acreage in California, and nearly three-fourths in the nation as a whole. Further, although individual-family farms' holdings declined slightly in percent of acreage in California between 1969 and 1974, they rose in the nation as a whole.

But what about the percentage of total agricultural production grown by the various

TABLE 3. Percent of Commercial Farm Acreage by Type of Organization

		Indiv. or family	Partner.	Corp.	Other
Calif.	1969	59.8	24.1	15.1	1.0
	1974	57.9	21.8	18.7	1.6
U.S.	1969	72.5	17.8	8.8	.9
	1974	74.9	13.7	10.7	.7

organizational types? Although individual-family farms produced only 40 percent of the total agricultural production in California in 1974, they nevertheless produced more than any other organizational type. The corporations, however, nearly matched this number. Also, it is worth noting that individual-family farms produced a much greater proportion of total sales in the nation as a whole than in California and that their percentage of production remained about the same between 1969 and 1974. The corporations gained over that time period at the expense of the partnerships in both California and the nation.

TABLE 4. Percent of Total Agricultural Sales by Type of Organization

		Family	Partner.	Corp.	Other
Calif.	1969	43.6	24.5	31.6	.4
	1974	40.6	22.8	36.2	.9
U.S.	1969	67.8	17.4	14.1	.6
	1974	67.6	13.9	17.9	.5

Although corporate farms in California are much larger on the average than individual-family farms and produce more than their numbers alone would suggest, the family farm is not losing significant ground to the large corporations. We need to know more about the family farms that have incorporated and their reasons for doing so. There is some evidence that multi-product corporations are moving out of the food production business in California because scarce capital resources can earn greater rates of return in other sectors of the economy.

Another structural characteristic of general public concern is farm ownership. The three census categories are: full owners, part owners, and tenants. Part owners are those operators who own part of the land they operate and rent part. Tenants rent all the land operated. California has proportionately fewer full owners than the nation as a whole, but in both areas the percentage of full owners increased between 1969 and 1974. There is an important phenomenon, however, covered up in these ownership data: much of the renting of land represents an attempt by farm operators to increase their scale of operation. This means that part owners, on the average, tend to be growing faster in size, if not in numbers, than either the full owners or tenants.

TABLE 5. Tenancy of Commercial Farm Operators

	California			U.S.		
	Full Owners	Part Owners	Tenants	Full Owners	Part Owners	Tenants
1969	50.8	33.5	15.6	62.6	23.3	14.1
1974	53.4	33.4	13.3	64.8	21.8	13.3

The census also reveals the increasing tendency of farm families to establish residences away from the farms they operate. This trend has now persisted for 25 years and continued between 1969 and 1974. In 1974, 29.2 percent of California's commercial farm operators (and 18.8 of the nation's) lived off their farms, compared with 27.5 percent (15.5 percent nationwide) in 1969. Some lived on a farm other than the one they operated, but in most cases they lived in a town or city. This is especially true in the Plains, Mountain, and Pacific Coast states where the costs of more isolated farm residences would be high. Ironically, many urban people are moving to the country, while farm people move from farms into town in increasing numbers.

Off-farm employment of farm operators between 1969 and 1974 shows a reversal from the upward trend established from World War II to 1969 in both California and the nation. If this is simply a response to the unusual price and income conditions in agriculture in the early 1970's rather than the beginning of a new trend—as is probably the case—the 1979 census will indicate a return to more off-farm work following the long-time trend.

TABLE 6. Percent of Commercial Farm Operators Reporting Off-Farm Work

Year	Any off-farm work		≥200 days per year	
	Calif.	U.S.	Calif.	U.S.
1964	34.0	35.3	17.3	11.6
1969	45.7	43.3	28.1	20.8
1974	38.3	35.2	24.5	20.5

Conclusions

Farms became fewer and larger between 1964 and 1974, and a greater proportion of food and fiber was being produced on farms that sold over $40,000 worth of agricultural commodities annually. In numbers, the individual-family farms more than held their own relative to corporate farms and partnerships. Corporate farms gained in acreage and in percentage of total output produced between 1969 and 1974, primarily at the expense of the partnerships. A greater percentage of farmers owned all the land they operated in 1974 than in 1969 in both California and the nation, and the percentage of tenants decreased. A higher proportion of farm families resided off the farm in 1974 than in 1969, whereas a smaller percentage of farm operators worked off the farm in 1974 than in 1969.

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