SMALL FARMS ARE "REAL" FARMS

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What is a small farm? When we talk about small farms, do we mean small in acreage, small in production or value of sales, small in income, or what? There isn't any one universally accepted definition of a small farm. So we have to begin any discussion of small farms by defining what we mean by a "small farm."

In the process of defining small farms, we need to consider how important farms of various sizes are in terms of acreage, value of production, and numbers of people who rely on farms for incomes. We who work with families on small farms are concerned primarily with what we can do to help families on small farm lead successful, productive lives rather than how many acres they farm or how much they produce. And extension work with families on small farms is mostly one-on-one work with individual families. But, if we have a better understanding of small farmers as a group, we may be better able to explain why we believe that working with families on small farms is important and why small farms deserve far more attention than they are given in most public research and education programs.

First, let's consider farm size in terms of numbers of acres. The 1992 USDA Census of Agriculture is the last comprehensive assessment of Missouri's farms and farmers. That Census indicated that more than one-fourth of Missouri's farms were less than 70 acres in size. A 70-acre cow-calf or row crop farm would be considered small. However, 70 acres of blueberries would be considered a large blueberry farm. Since, there are lots more cows and corn than blueberries, most 70-acre Missouri farms would be considered small. If farms up to 140 acres were considered small, that would include nearly one-half of Missouri farms. More than two-thirds are less than 260 acres in size, and 85 percent are less than 500-acre farms.

However, most would probably agree that acreage is not a very good indicator of farm size in any terms other than occupying space that cannot be used for other purposes. For example, a 500-acre farm may not be big enough to make a decent living for a family. A 500-acre farm in row crop production may not be big enough to support a family. On the other hand, a 5-acre market garden may be large enough to provide a good living for a family. The question of how many acres it takes to provide a good living all depends on what the farm is used for and how effectively it is used.

Next, let's consider farm size in terms of value of production – market value of farm products sold. More than half of Missouri farms reported total sales of less than $10,000 in 1992, and more than two-thirds reported sales of less than $20,000. Most would agree that farms of this size are small farms. Total farm acreage may be up in the 200-acre range on some of these farms, but the farming operation still isn't producing much if they are selling less than $100-worth of product per acre.

More than 80 percent of Missouri's farms sold less than $50,000 in total value of products in 1992. Farms of this size are small enough to be considered as "non-commercial" by USDA

Certainly in traditional crop and livestock enterprises, such farms would not seem to be economically viable and thus not true commercial ventures. But, 80 percent of Missouri farms fall into this category. Does this mean that 80 percent of Missouri's farmers are hobby farmers, rural residents, or something other than *real* farmers?

If $100,000 in annual sales is considered to be a small farm, nearly 90 percent of Missouri farmers are small farmers. Is a farm with total sales of $100,000 large enough to provide a decent living for a family? The answer depends on how, and how well, the farm is used. Four hundred acres of 100-bu./per acre corn at $2.50 per bushel will generate total sales of $100,000. However, at a return over direct costs of $50 per acre, only $20,000 in total, will be generated to cover debt payments, taxes, depreciation and other fixed cost. This may leave far less than $20,000 as a return to labor, management, and the family's equity in the farm – the return that family living expenses will have to come from. On the other hand, a market garden or U-pick operation may yield a return over direct costs equal to 50 percent, or even 75 percent, of total market value of sales. Thus, a $100,000 market garden might generate $50,000 to $75,000, with less land and less capital costs than a row crop farm. So a $100,000 market garden may generate a very good family income.

So what is a small farm? There is no good answer to the question. However, let's proceed using the USDA definitions that "small farms" are farms with less than $100,000 in value of annual production and "non-commercial" farms sell less than $50,000 per year. Thus, 90 percent of Missouri's farms are "small" farms and 80 percent are classified as "non-commercial" farms. So there are a lot of small farms in Missouri – one of the highest number of any state. For the U.S. in total, 75 percent of all farms are considered to be "small" and 70 percent are classified as "non-commercial." But, are small farms really important? There may be a lot of them, but they are not all that big, and even those with moderate acreage don't grow all that much.

If we are concerned primarily with production, we may be able to pretty much write off small farms, or at least justify not accrediting them with much importance. Small farms account for just over 25 percent of total value of U.S. farm production, even though they accounted for over 75 percent of U.S. farms. Only about half of that amount, 13 percent of total sales, were accounted for by the 70 percent of farms called "non-commercial."

Small farms are more important in terms of land and farm assets. Farms with less than $100,000 in sales controlled 40 percent of all farmland and more than 50 percent of all farm assets – money invested in farming. Thus, small farms are more important in terms of land ownership and total value of assets, than in terms of value of production, but are still less important in land and assets than in terms of total farm numbers.

From an overall financial stability position, small farms are about as financially secure as are large farms. The small farms have less farm income, which makes them vulnerable form a standpoint of financial liquidity or ability to meet cash flow requirements. However, small farms have only 43 percent of all farm debt while holding 53 percent of all assets, leaving them less vulnerable from the standpoint of financial solvency or risk of bankruptcy.

Overall, are small farms really very important? Are small farms real farms? We would probably have to conclude that they are not all that important, that they may not be *real farms* -- if we were concerned primarily with production and profits. But, what if we are concerned about people – specifically the people who farm? If more people depend on small farms for a living, shouldn't that be given more weight than production and profits in determining the importance of small farms? Many might agree, but the typical response is that small farmers really don't depend on small farms, farms are just the places where they live, or they depend on off-farm jobs, or they are retired. So, let's take a look at the "conventional wisdom" that families on small farms really don't rely on farming.

First the farm census takers asked farmers to specify their principal occupation. Principal occupation was defined as the job at which they spend over one-half of their working hours. Only one-half of all farmers in the U.S. considered farming to be their principal occupation. Obviously, a larger proportion of small farmers than large have a principal occupation other than farming – spending more than half of their working hours off the farm. But, there are also a lot more small farmers than there are larger farmers. So about 80 percent of all farmers who called themselves farmers – rather than something else – were "small farmers" – the operated farms with $100,000 in total sales. But, even that number has been discounted by many because it included farmers who are "retired" as well as active farmers. In other words, a farmer might be retired and still spend more than half of his or her working hours farming.

The 1993 USDA Farm Cost and Return Survey included a critically important question, for the first time in it's 15 year history. This national survey asked farmers to classify their principal occupation as farmer, hired farm manager, other occupation, or retired – using the same definition for farmer as described above. They also asked for the same farm size information as in the 1992 Census of Agriculture. The results indicted, as expected that nearly all of the retired farmers were in the "small farm" category. Retired farmers made up about 17percent of all farmers, but of course were a much larger percentage of all "small" farms. However, even after taking out all of the retired farmers from the small farm category, more than one-half of all U.S. farmers who consider farming to be their principal occupation operated small farms.

Are farmers who spend more than half of their working hours farming, who are not retired, "real farmers?" If so, *real*, small farmers made up 54 percent of all farmers responding to the Farm Cost and Return Survey. Thus, over half of all *real* farmers may be small farmers. In fact, 47 percent of the *real* farmers responding to the survey were operating "non-commercial" farms. A person doesn't spend over half of their "working" hours on a hobby farm. A person doesn't spend over half of their working hours on a sideline or supplemental activity. If nearly half of the active farmers in the U.S. spend more than half of their working hours on "non-commercial" farms, perhaps USDA needs to rethink the name for this category.

Survey data including the retirement occupation category was not readily available for Missouri. However, as about 62% percent of Missouri's "real farmers" may be "small farmers," if we assume the same percentage of retired farmers by size category for Missouri as for the nation. Regardless of the specific percentage, the percentage of "real, small" farmers in Missouri would be expected to be larger due to the greater proportion of small farmers in Missouri. In fact, in

Missouri, well over half – an estimated 57 percent – of all "real" farmers may be classified as "non-commercial."

The conclusion – most *real* farmers are *small* farmers. Small farmers produce a much smaller proportion of total production than do large farmers. Large farms are important in terms of providing for the food and fiber needs of society. But, farm families are a part of society also. Consumers, on the average spend about 10 cents of each dollar for food, and the farmer only gets one penny of that dime. The rest goes for marketing, transportation, processing, packaging, etc. and for farm inputs. We need to weigh the well being of the smaller number of people who rely on farming for a large part of their livelihood against the small percentage that a far large number of consumers spend for food and fiber. Certainly we cannot ignore the responsibility to provide for the food and fiber needs of people, but neither can we ignore the needs of the majority of those who rely on farming for a living.

Small farms provide less income for families than do large farms. However, for many on small farms, the farm is more than a place to earn money. It is a place to live – a house and space to move about – much of which is provided by the "farm." The farm provides fresh produce, meat, other foodstuffs, clean water, fresh air, outdoor recreation, and a host of other things of great value that come at reduced cost or no cash cost from a farm. A person in the city, or on a strictly commercial farm, might use a significant part of their income to "buy" the good things of life that come with a small, family farm – many of which are free.

Small farmers do rely more on non-farm income than do large farmers. But, even "large" farmers report that over 45 percent of their income as coming from non-farm sources. There are relatively few households, on farms or in cities, that rely on only one source of income, farming or otherwise, for their livelihood these days. In addition, the reliance on farms of small farmers who are *real* farmers -- after we take out retired farmers and those with other occupations – may not be much less than for large farmers. That question can't be answered from available survey data. Even if small farmers get a greater proportion of their income from non-farm sources, does that mean that they need what they earn from their farms any less than to the large farmers? Which one would qualify for food stamps quicker if their farm income started to fall?

The bottom line: most people who really depend on farming for an important part of their livelihood quite likely are on small farms.

Finally, how can we best help families on small farms achieve and sustain successful, productive lives? First, we must recognize that small farms must be different from large farms if they are to provide for the needs of the family. They must generate more dollar sales and more net income per acre of land and per dollar of invested. Small farms, by any common sense definition, have less land and less capital, so they have to earn more per acre of land and dollar invested to have a comparable return. This means they have to earn more from their labor, and particularly more from their management ability than do large farms.

To earn a higher return to management, small farms must be more management intensive. Small farm systems must be more diverse and thus more complex, they must be planned and designed to fit the specific soils, climate, and geographic location. They must fit the unique production abilities of the farmer and meet the specific needs of available markets. But, complexity can lead to disaster as well as success. So, strategies must be developed to simplify the complexity – to make complex systems more easily managed.

This can be accomplished by dealing with general principles rather than trying to manage every detail of the system. For example, farms with healthy soils have fewer specific fertility and pest management problems. Small farms can focus on building healthy soils – a general principle – rather than being an expert in nutrient and pest management practices for every crop they raise. Another example, farmers can build relationship with specific customers to whom they market a wide variety or products directly. By focusing on relationships and meeting the needs of specific customers, farmers need not learn the "ins and outs" of marketing every product they grow. Holistic management, sustainable agriculture, and integrated farming systems are all approaches that rely on principles rather than specific practices to manage complex systems.

Most successful small farms will need to be "family" farms. There are as many different ways to define family farms as there are for small farms. But, a true family farm is one where the family and the farm are inseparable. For these families, farming may be considered as a way of life, a critical part of life, or life itself. A family farm is not a business or job that can be separated from the life of the family – the family without the farm would be fundamentally different.

Successful small, family farms must value and use "all" resources of the family. Kids can make important and valuable contributions to the economic and social quality of family life on farms – if the farm is designed to make kids useful rather than vulnerable. Kids that are productive – who contribute to the success of the farm – would seem more likely to grow up with self-esteem and self-confidence. "Women’s work" likewise needs to be valued, regardless of whether it is done by a male or female member of the family. Raising children is not a routine task that can easily be *farmed out* to someone else. With farm value of food an average of 20 percent of each dollar spent for food at retail, home food preparation can contribute significantly to a family’s total real income – particularly for low income families who spend a large share of income for food.

Everything produced on the farm that can be utilized on the farm reduces the need for non-farm income. Many spouses seek off farm employment more because they want to "do something of value" to earn additional income. In fact, the net increase in household income may be very small after paying for childcare and everything else that must be bought after the spouse with primary family responsibilities enters the job market. If "non-market" family work was truly valued, family farms might be far less dependent on non-farm income.

Finally, successful small farms will be those that recognize, rely on, respect, and reward people. Most *real* farms are small farms – in Missouri and in the U.S. What makes them *real* farms is what they do for people. Small farms may be small in terms of production, but they are big in terms of people.