

# THE FEDERAL RESERVE BANK OF CHICAGO

## AGRICULTURAL LETTER

April 4, 1952

Small scale farms account for nearly one-fifth of all commercial farms in the U.S., according to a recent USDA analysis of 1950 Census data. These are farms with gross sales of \$250 to \$1,199 and on which income the farm family is dependent primarily for a living. But this is far from the full story of small scale farming in this country.

Value of Sales		Farms		Farms	
		(Thousands)	(Per Cent)	(Thousands)	(Per Cent)
Commercial farms:				Part-time farms:	
\$25,000 and over	106	2.0		\$250 to \$1,199	642 11.9
10,000 to \$24,999	386	7.2		Residential farms:	
5,000 to 9,999	726	13.5		Under \$250	1,032 19.2
2,500 to 4,999	882	16.4		Other farms	5 0.1
1,200 to 2,499	896	16.6		All farms	5,382 100.0
250 to 1,199	708	13.1			

Over 60 per cent of all farms have gross sales of products of less than \$2,500. About one-half of these farm families are dependent primarily on farm income for a living and one-half have important other sources of income. In general, the approximate 40 per cent of commercial and part-time farms with gross sales of \$250 to \$2,500 do not provide adequate employment for the available labor resources. Consequently, these farm families are relatively unproductive and, for the most part, have low levels of living.

These facts are important to public policy, both farm and nonfarm. In general, if these families are to enjoy higher levels of living they must become more productive. For most of them, this will require nonfarm employment. For some, it will require larger, more productive farm units. The largest concentration of these low income farms, of course, is in the Southeast. But they exist in lesser numbers in all parts of the country.

Measures which facilitate industrial development in the areas where these pools of underutilized labor exist or which facilitate migration to industrialized areas may strike at the heart of the problem. Similarly, measures which aid in the consolidation, improvement, and mechanization of undersize land holdings contribute to the productivity of those who continue to farm.

A current great development in agriculture appears to be especially important to some of the low income areas. New varieties of grasses and legumes, new cultural practices, and new techniques for handling and utilizing such crops are generally considered by farm scientists to hold real promise of providing the next big bulge in farm output. Some of these developments appear to be well adapted to the soil and climate resources of heretofore low income areas. But it takes more than scientific progress to solve social and economic problems. The new knowledge and skills must be applied—to land and to people. In our modern society production advances usually involve substantial capital investments to make man's labor more productive. Finally, as indicated above, the problem of low income American farm families cannot be solved by agricultural progress alone, or even primarily, but requires broad economic growth in industry and other segments of the economy as well.

One thing is clear, however, from the above classification of farms by size and dollar volume of sales: national averages of such measures fail to describe the problem accurately and therefore may be quite misleading as to what the appropriate public policies should be.

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