Federal Reserve Bank of Dallas
FARM and RANCH BULLETIN
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MOST FARMING CORPORATIONS CLOSELY HELD

The number of corporations in agricultural operations has been on the increase in recent years. This is a movement that can be viewed largely apart from the consolidation of agriculture resulting from technological advances and shifts in relative prices of land, labor, and capital. Basically, the growth in corporate farming represents a change in the organization of agriculture. The significance of the change has gone largely unexamined, but the recent release of a survey conducted by the U.S. Department of Agriculture in 1968 sheds some light on possible directions of change.

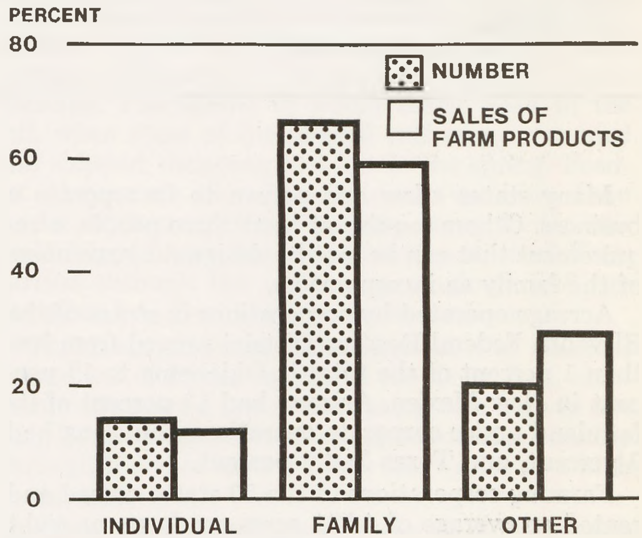
More than half these 13,300 corporations had come into farming since 1960. And many of them may have come in for legal and tax reasons. Benefits of incorporation include the smooth transfer of a farm or business from one owner to another—with a possible reduction in gift or inheritance taxes.

Although they accounted for 7 percent of the farmland, these corporations made up only 1 percent of the nation's commercial farms. And only about a fifth were owned by other corporations or controlled by unrelated stockholders. Nearly two-thirds were family corporations, and the rest were owned and controlled by individuals.

Farming corporations tended to be closely held so that owners were usually directly involved in management. Major stockholders or their families managed nearly two-thirds of the farming operations. Also, farming was the only business of nearly two-thirds of the corporations surveyed. About 15 percent had other business interests related to farming—such as farm supplies, marketing, or processing of farm products. Another 18 percent had interests not directly related to agriculture, and these were usually local businesses.

North Dakota is the only state that prohibits corporations from engaging in farming. Many other states, however, impose regulations that can influence the number of corporations undertaking farming operations or the type of corporation that is most prevalent.

FAMILIES DOMINATE CORPORATE FARMING



NOTE: 48 contiguous states, 1967
SOURCE: U.S. Department of Agriculture

Texas, for example, prohibits corporations from raising cattle or owning land for that purpose if they also have stockyard, slaughtering, canning, curing, or meat-packing operations. Any combination of the two is prohibited, although a packer or stockyard owner can also operate a feedlot.

FARMS AND ACRES OPERATED BY FARMING CORPORATIONS, 1968

Area	Corporations[1]		As percentage of commercial farms	
	Number of farms	Land in farms (Thousand acres)	Corporate farms[1]	Land in corporate farms
Arizona	205	2,165	6%	12%
Louisiana	240	706	1	9
New Mexico	153	6,216	2	17
Oklahoma	35	99	(2)	(2)
Texas	455	4,434	1	4
Total	1,088	13,620	1	7
48 states	13,226	59,251	1%	7%

[1] County unit basis; i.e., corporations having operations in more than one county or state were counted at each such location. Number of corporations is not strictly comparable with census number of farms.
[2] Less than 0.5 percent
SOURCE: U.S. Department of Agriculture

Many states allow one person to incorporate a business. Others require at least three people, a requirement that can be met by designating members of the family as incorporators.

Acreage operated by corporations in states of the Eleventh Federal Reserve District ranged from less than 1 percent of the total in Oklahoma to 17 percent in New Mexico. Arizona had 12 percent of its farmland under corporate operation. Louisiana had 9 percent, and Texas had 4 percent.

Farming corporations in the 50 states owned and rented an average of 4,531 acres per farm, or eight times the average for all commercial farms in 1968. This average was raised by corporations in the Rocky Mountain states, where the average corporate farm encompassed 11,423 acres and accounted for more than half the land operated by corporations.

Nearly a fifth of the corporations had farm sales of less than $20,000, while about two-fifths had sales between $20,000 and $99,999. Less than a third sold products valued from $100,000 to $499,999. Over a tenth had sales of $500,000 or more.

More corporations were involved in crop production than in livestock production. Hay was the most frequently reported crop and occupied the largest proportion of cropland harvested by corporations. Other major crops included corn, wheat, other grains, soybeans, vegetables, cotton, fruit, and certain specialty crops. Beef cattle herds were the most frequently reported livestock enterprise. Fed cattle ranked second, followed by milk cows and hogs. Corporate poultry enterprises were also very large.

USDA ANNOUNCES 1972 WHEAT PROGRAM

Wheat acreage set-aside requirements for 1972 will equal 83 percent of the farm domestic allotment, the Secretary of Agriculture has announced. The maximum provided by law, this reflects an 8-percent increase over the 1971 set-aside rate. Allotments of domestic wheat for 1972 have been set at 19.7 million acres, with the same national average loan rate of $1.25 a bushel established for 1971.

In addition to the increased set-aside requirements, the 1972 wheat program again allows the substitution of feed grain for wheat. Soybeans have been newly designated as a substitute crop, and barley has been added to the feed grain program. The exact set-aside percentage for barley will be indicated in announcement of the 1972 feed grain program. It is expected to be between 20 and 35 percent of the base.

Under the current program, a farmer can plant as much wheat or any other nonquota crop as he wishes after he has met his acreage set-aside and conserving base requirements. (Crops subject to quotas in 1972 will be peanuts, rice, tobacco, extra-long staple cotton, and sugarcane.)

Wheat producers in 1972 will receive preliminary payments after July 1 equal to 75 percent of the estimated face value of the wheat certificate. Any remainder will be paid after December 1, 1972. Producers will receive 100 percent of parity on the production of their full domestic allotment. Face value of the certificates will be the difference between 100 percent of parity on July 1 and the national average wheat price received by farmers from July through November.

Again in the 1972-73 market year, no export marketing certificates will be issued and no provision is made for excess wheat production.

Producers wanting to qualify for program benefits must sign up between February 28 and April 7. ASCS county offices will inform wheat producers of their domestic allotments and the applicable set-aside for their farms.

SEASONALITY OF CATTLE MARKET LESSENS

Seasonal changes in feeder cattle placements and fed cattle marketings have tended to lessen over the past decade. Marketings of feeder cattle are much more seasonal than those of fed cattle, but according to John Larsen of the Economic Research Service, marketings of fed cattle are generally consistent with placement patterns.

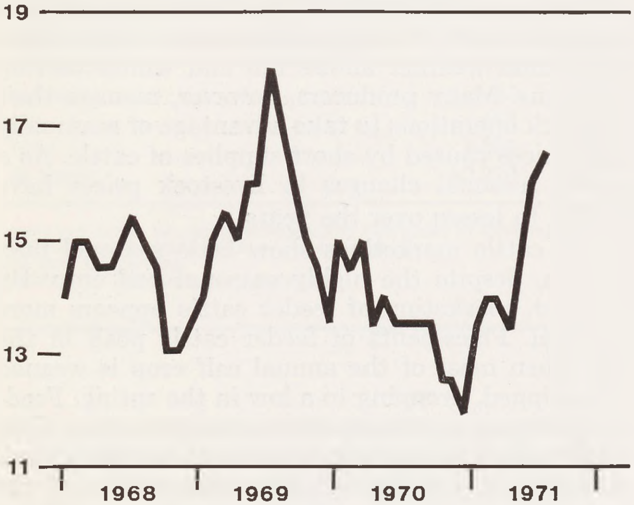
Cattle marketings and prices are usually associated with climate, as well as trends and cycles in production. Late winter-early spring calf crops and fall harvest of feed grains tend to limit supplies of feed and feeder animals at some times of the year. Calving is mainly restricted to this seasonal pattern except in southern and southwestern areas, where fairly mild weather allows fall and winter calving programs. Many producers, however, manage their livestock operations to take advantage of seasonally high prices caused by short supplies of cattle. As a result, seasonal changes in livestock prices have tended to lessen over the years.

Fed cattle marketings show little seasonal fluctuation, despite the highly seasonal calf crop. By contrast, marketing of feeder cattle appears more seasonal. Placements of feeder cattle peak in the fall, when most of the annual calf crop is weaned and shipped, dropping to a low in the spring. Feedlot placements show less seasonal variation than feeder cattle marketings because many feeder animals shipped from farms and ranches in the fall are carried through the winter on roughage and are not placed on feed until spring or summer.

There are regional differences in the seasonal movement of feeder cattle. In the Corn Belt, shipments rise from a low in the spring to a high in the fall. In the western states, shipments rise steadily through the year from a low in the winter to a high in the fall.

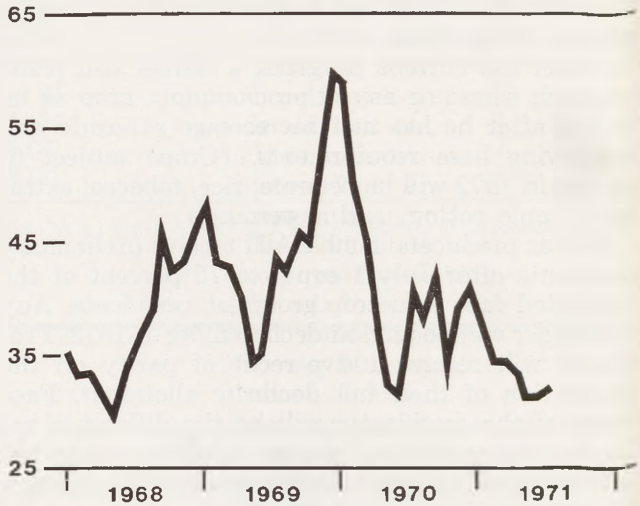
There are also important regional differences in cattle feeders. In the Midwest, they are mostly farmers operating on a generally smaller scale than western feeders. Because farmers in the Midwest usually view cattle feeding as a means of marketing corn and employing labor in off-seasons, feed supplies and the buying of feeder cattle tend to be closely associated in the Midwest. In the West and Southwest, feeders tend to be large commercial operators. More specialized than feeders in the Midwest, they try to keep their feedlots near capacity, with a steady flow of feeder cattle year-round.

TEXAS FARMERS RECEIVE
HIGHER AVERAGE BROILER PRICES . . .



SOURCE: U.S. Department of Agriculture

. . . BUT AVERAGE EGG PRICES REMAIN LOW



SOURCE: U.S. Department of Agriculture

AGRICULTURE OUTLOOK BRIEFS

• United States mill consumption of cotton this year is likely to match or slightly exceed the 8 million bales used last year. Factors possibly causing mill use to climb are more orders for cotton cloth, less competition from synthetics, and decreased cotton textile imports. However, the recent rise in cotton prices could temper use expansion.

• Feed grain use in the 1970-71 season will probably fall short of last season's record 177 million tons. This is mainly due to adjustments in livestock numbers by farmers. Hog and broiler producers have slowed output from a year ago, and cattle producers are slowing their rate of expansion.

• The carryover of grain sorghum on October 1 may be only about half the 246 million bushels carried over from 1970. In the first half of 1971, 84 percent of the 1970 grain sorghum crop was used, compared with an average of 71 percent in 1965-69.

• Americans ate two pounds more chicken per person during 1970 for a record-high 41 pounds. Turkey consumption fell slightly to 8.1 pounds. Egg consumption rose to 319 eggs per person.

• Broiler prices will likely hold above last year's levels because smaller supplies are expected during most of the remainder of the year. Chick placements for midsummer marketings are down about 5 percent from the year before. Also, a relatively low feed-price relationship has checked the rapid expansion in output of the past two years.

Prepared by Carl G. Anderson