

Family Farm Series

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SMALL FAMILY FARMS IN CALIFORNIA: The Definition Dilemma

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What are "small family farms"? Their virtues have been embraced throughout history. Recently, there have been many attempts to "save" them. But, there is little agreement about the definition of "small farm" or "family farm." Are 20 percent of California's farms small?...or 82 percent? Depending on the definition, either figure could be used. If policies and programs are to serve small farms, there should be a usable, standard definition.

DEFINITIONS OF "SMALL FARM" AND "FAMILY FARM"

A number of very different concepts fall under the classification of "small" or "family" farm. A "small" or "family" farm can describe:

- A. A farm from which the family's total income is derived.
- B. A farm on which the family is trying to remain as farmers, but one or more family members work off the farm to produce a liveable income.
- C. A hobby farm operated by someone (often a professional) who has a full-time, off-farm job.
- D. A farm used as a tax write-off to reduce non-farm income.
- E. A family-owned farm with sizeable sales and/or acreage and sizeable family income.
- F. A large family-owned farm corporation, such as Bruce Church, Inc., D'Arrigo Brothers Company, Inc., or J. R. Norton Company, Inc.

Small Farm Viability Project and Small Farm Center Definitions:

In 1977, the Small Farm Viability Project (SFVP) sponsored by the California Governor's Office of Planning and Research, defined "small farm" as one on which:

- the farm family relies for all or a substantial portion of its livelihood;
- the farm family individually or in partnership with other farm families controls and operates the farm, contributing at least half the farm labor (except in peak seasons); and

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- the present family income from all sources is not more than moderate (9).

The report used "small farm" and "family farm" interchangeably.

The Small Farm Center (SFC) adds to the definition a limitation on gross sales--less than \$100,000 (or \$17,000 to 22,500 net sales, assuming an average net farm income is 17 to 22.5 percent of gross income). The SFC also uses the USDA definition of \$2,500 minimum gross sales for a commercial farm. This definition describes most people's image of a small family farm (groups A and B) by excluding hobby farms and tax write-off farms.

USDA Definitions

USDA defines a "family farm" as "a primary agricultural business in which the operator is a risk-taking manager, who, with family members, does most of the farm work and performs most of the managerial activities" (7). This definition requires the farmer to:

- make management decisions;
- with family members, provide more than half the labor; and
- be a risk taker (i.e., supply capital).

Labor is the only measurable part of this definition. USDA estimates that the average farm family can provide 1.5 worker years of farm labor, so this definition includes any farm using less than 1.5 worker years of hired labor. This definition does not limit non-farm income or exclude hobby farms. It, therefore, can include groups A through D, and even groups E and F on highly mechanized, non-labor intensive farms. It could exclude a small family farm growing a labor-intensive crop. For instance, a California apricot farmer who hires a crew to harvest, a crew to prune, and additional labor to spray two or three times a year may have hired more than the limit under USDA's "family farm" definition.

Recently USDA established criteria for a "small farm" similar to the Small Farm Center definition. A small farm family must:

- depend on farming for a significant portion, although not necessarily most, of its income;
- provide most of the labor and management for the farm; and
- have a total family income below the median non-metropolitan family income in the state.

USDA's definition of a "small farm" differs from its "family farm" definition by eliminating the capital requirement and limiting total family income. It differs from the Small Farm Center definition by specifically limiting total income. It could include groups A and B.

Other Definitions

Farms of 160 acres or less are sometimes defined as "small." Federal law limits the sale of irrigation water from reclamation projects to such farms. Gross sales from 160 acres can vary from \$70,000 for corn to \$4.2 million for strawberries.

Other criteria for defining small farms are gross annual sales of less than \$20,000 (1) or less than \$40,000 (2). In 1981, USDA considered \$40,000 gross sales a minimum income for an acceptable standard of living (10). These gross sales could include groups A through D. A farm with gross sales under \$100,000 could range from 0.6 acres of mushrooms to 257.7 acres of dry beans (8). See Table 1.

Table 1. CROP PRODUCTION VALUE PER ACRE

Crop	Value per Bearing Acre	Number of Acres to Produce:		
		\$20,000 Gross Sales	\$40,000 Gross Sales	\$100,000 Gross Sales
Mushrooms	\$162,536	.1	.2	.6
Strawberries	26,287	.8	1.5	3.8
Tomatoes, fresh	4,886	4.1	8.2	20.5
Grapes, table	2,980	6.7	13.4	33.6
Tomatoes, processing	1,815	11.0	22.0	55.1
Oranges, navel	1,809	11.1	22.1	55.3
Cherries	1,436	13.9	27.9	69.6
Almonds	969	20.6	41.3	103.2
Rice	539	37.1	74.2	185.5
Corn	442	45.2	90.5	226.2
Beans, dry	388	51.5	103.1	257.7

Source: Security Pacific Bank, California's Agricultural Trends and Issues.

Table 2 illustrates the small farm concepts encompassed by each definition.

Table 2. FARM TYPES UNDER DIFFERENT DEFINITIONS

Small Farm Ctr.	USDA Family Farm	USDA Small Farm	160 Acres	Less Than \$20,000 or \$40,000
A	A	A	A	A
B	B	B	B	B
	C		C	C
	D		D	D
	E		E	
	F		F	

POLICIES BASED ON FARM SIZE

Because of the confusion about terms, little data is available and few policies are aimed specifically at small or family farms. The current Congressional Declaration of Policy in the Agricultural Adjustment Act is to help "farmers" obtain parity prices and parity of income. However, Congressional policy in the Agricultural Act of 1961 listed one of its purposes as preserving and strengthening the structure of agriculture. It specifically recognized the "importance of the family farm as an efficient unit of production and as an economic base for towns and cities in rural areas" and determined to "encourage, promote, and strengthen this form of farm enterprise" (emphasis added).

The small farm definition using the \$20,000 gross sales upper limit is used in a few research and extension programs under the Rural Development Act of 1972.

The Farmers Home Administration (FmHA) makes operating loans and real estate loans to "family farmers" who are "unable to obtain sufficient credit elsewhere to finance actual needs at reasonable rates and terms." Further requirements are that:

- the farm be managed by the borrower;
- substantial labor be provided by the borrower and family except during peak season;
- the farm be a minimum-sized enterprise (selling sufficient quantity to be recognized as a farm).

However, FmHA has no farm size limitations on loans for soil and water development, conservation, disaster emergency loans, or economic emergency loans.

As mentioned above, irrigation water from federal reclamation projects is sold only to farms of 160 acres or less, although the Imperial Irrigation District of California was exempted from this provision in 1980.

DEFINITIONS APPLIED TO CALIFORNIA

Since no clear-cut definition of small farms prevails, statistics and resulting numbers vary greatly. Census of Agriculture statistics can be used to find the number of small farms under gross sales and acreage definitions, but the number under the other definitions can only be estimated from the Census by combining various measurements. These estimates serve to emphasize the variation in the number of small farms according to different definitions, but they may not accurately reflect the actual number under the alternative definitions. Table 3 compares the number and percentage of California farms in each category described.

Family Provides Majority of Labor

Using the USDA "family farm" definition, there are approximately 40,000 California family farms. The only available statistics for this definition are for hired labor--there must be no more than 1.5 worker years, or a \$14,500 annual wage bill, using the average hourly wage for seasonal farm workers in 1982 of \$4.85 (5). Of California's 82,000 farms, about 40,000 spend \$14,500 or less on directly hired labor and/or farm labor contractors, according to the 1982 Census of Agriculture.

Acreage: 180 Acres or Less

The 1982 Census of Agriculture reports over 66,000 California farms with less than 180 acres (the 160-acre level is not a category).

Annual Gross Sales

The gross sales definitions reveals approximately 50,000 farms with gross sales of less than \$20,000; 58,000 with less than \$40,000, and 67,000 with less than \$100,000.

Table 3. NUMBER OF FARMS USING DIFFERENT DEFINITIONS

Definition	Number of California farms	Percent of California farms
All Farms	82,000	100.00%
Family Provides Majority of Labor	40,000	48.80%
Acreage: 180 acres or less	66,000	80.49%
Annual Gross Sales		
\$ 20,000 or less	50,000	60.98%
\$ 40,000 or less	58,000	70.73%
\$100,000 or less	67,000	81.71%
Annual Gross Sales and Farming as the Principal Occupation		
\$ 20,000 or less	16,000	19.51%
\$ 40,000 or less	NA	
\$100,000 or less	NA	
Annual Gross Sales, Commercial Farm		
\$ 2,500-\$19,999	25,000	30.49%
\$ 2,500-\$39,999	32,500	39.63%
\$ 2,500-\$99,999	41,000	50.00%
Moderate Income from Farming	67,000	81.71%

Source: Census of Agriculture, 1982.

Annual Gross Sales and Farming as the Principal Occupation

USDA's "small farm" definition requires a substantial part of the family's income to be from its farm. Combining the Census of Agriculture "farming as a principal occupation" category with gross sales gives another picture of small farms in California. There are 16,000 farms with gross sales under \$20,000 on which farming is the farm operator's principal occupation. Of these, 14,060 or 74 percent are less than 50 acres.

Annual Gross Sales, Commercial Farms

There are 25,000 California commercial farms (defined by USDA as farms with sales of at least \$2,500) with gross sales under \$20,000. About 75 percent are under 50 acres. Of the 32,500 commercial farms with sales under \$40,000, 71 percent are under 50 acres, and of the 41,000 commercial farms with sales under \$100,000, 64 percent are under 50 acres. Figure 1 illustrates this correlation.

Moderate Income from Farming

The most recent USDA definition of small farm family limits total family income to the median non-metropolitan family income in the state (\$17,375 in California, according to the 1980 Census of Population). Gross sales of up to \$102,000 would net \$17,375 (17 to 22.5 percent of gross sales). There are approximately 67,000 California farms with sales below \$100,000.

RECOMMENDATIONS

A true picture of the structure of agriculture is necessary for accurate policy formulation. Since most of the benefits of current farm income and price-support programs go to large farmers (55.5 percent of benefits to the largest 10 percent of farms and 8 percent to the smallest 70 percent of farms in 1979) (4), it would be appropriate to target other programs to small farmers, such as a minimum income target plan, low interest loans, or limitations on excessive transfers under present programs. The federal Office of Technology Assessment recommends separate policies for large, moderate, and small farms (11). Under separate policies, an adequate definition of small farms would be essential in order to avoid subsidizing hobby farms or tax write-off farms with the limited funds available. Only the SFC definitions and the USDA small farm definition are limited to groups that should be targeted for small farm programs. The SFC definition is more appropriate for California's labor intensive agriculture, since it allows necessary flexibility for peak season labor requirements.

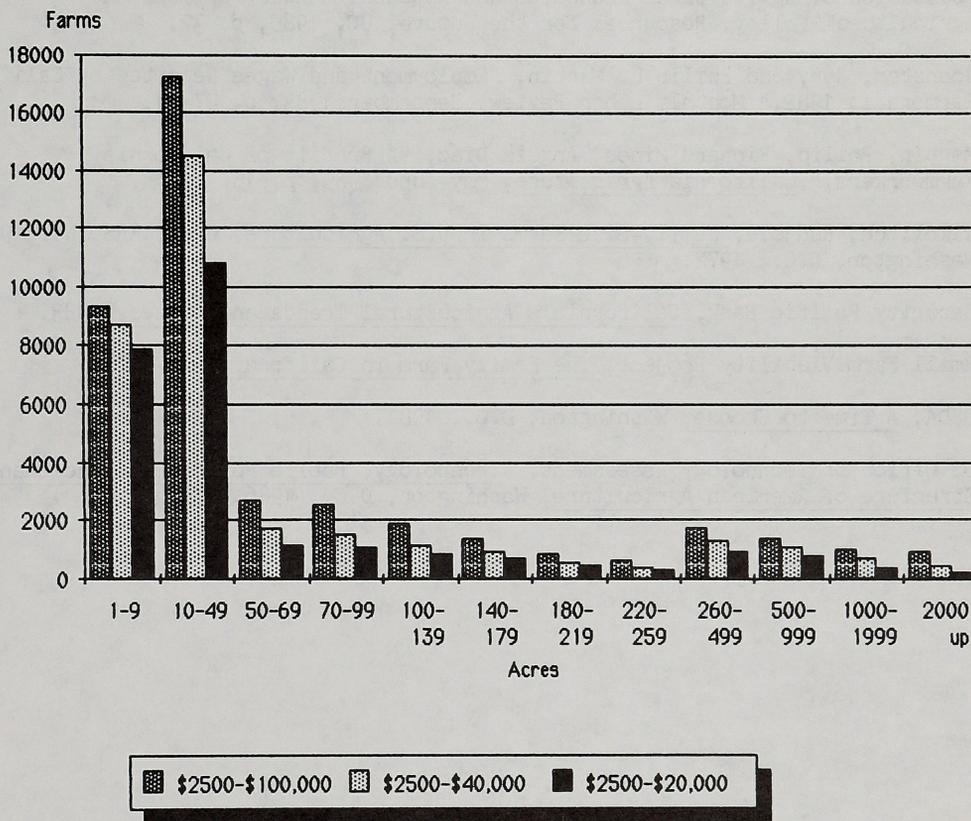
Finding the number of farms under the SFC and USDA small farm definitions is not possible, however, using current Census of Agriculture statistics, since figures are not given for a single aggregation of farm income, non-farm income, number of year-round workers hired, and principle occupation of farm operator. Such a direct classification would be useful to ascertain a true picture of small farms and to assist policy makers in targeting small farm programs. Current statistics can only reflect acreage or gross sales definitions and these definitions include farms that should not be targeted by small farm programs.

The Small Farm Center defines a small farm as a farm on which:

- the family relies for all or a substantial portion of its livelihood;
- the family (individually or in partnership with other farm families) controls and operates the farm;
- the owners contribute at least half the farm labor (except in peak seasons);
- their income from all sources is moderate, that is, less than \$100,000 gross income (or \$17,000 to \$22,500 net income, assuming an average net farm income is 17 to 22.5 percent of gross income); and
- the owners earn at least \$2,500 gross income (which excludes "hobby" farms).

Figure 1

NUMBER AND SIZE OF COMMERCIAL FARMS WITH
GROSS SALES UNDER \$20,000, UNDER \$40,000, AND UNDER \$100,000



Source: Census of Agriculture, 1982.

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