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## South Dakota nd United States Farming: Some General Comparisons

Department of Economics

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# ECONOMICS COMMENTATOR

**SOUTH DAKOTA STATE UNIVERSITY**

**No. 367 September 18, 1996**

## **SOUTH DAKOTA and UNITED STATES FARMING: Some General Comparisons**

### **Introduction**

The Economics Department at South Dakota State University is in the early stages of setting up what now is called a Marketing Information Center. An official name, if used, will be selected later. The general purpose of the center could be stated as simply as "putting information to use".

Everyone knows that there is much information available. Often, however, that information is not in the form or place desired. Also, the information often is not used or analyzed, at least not as much as it could be. That especially is true for agriculturally related information.

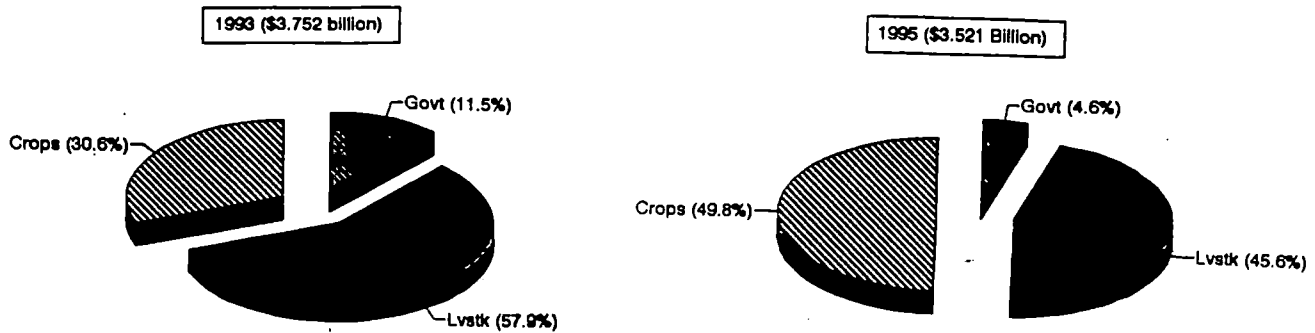
This issue of the Economics Commentator has a twofold purpose: (1) to provide a few examples of some of the more general information that is available and (2) to discuss that information relative to South Dakota agriculture. Four examples have been selected: (1) current major sources of farm income - S.D. and U.S.; (2) trends in farm size and numbers - S.D. and U.S.; (3) percentage of farms by economic class; and (4) the ranking of states in terms of net farm income. Data used to construct the figures and graphs on the following pages came from Statistical Highlights of U.S. Agriculture, 1995-1996, National Agricultural Statistics Service, and South Dakota Agriculture 1995-1996, South Dakota Agricultural Statistics Service.

### **Source of Farm Income**

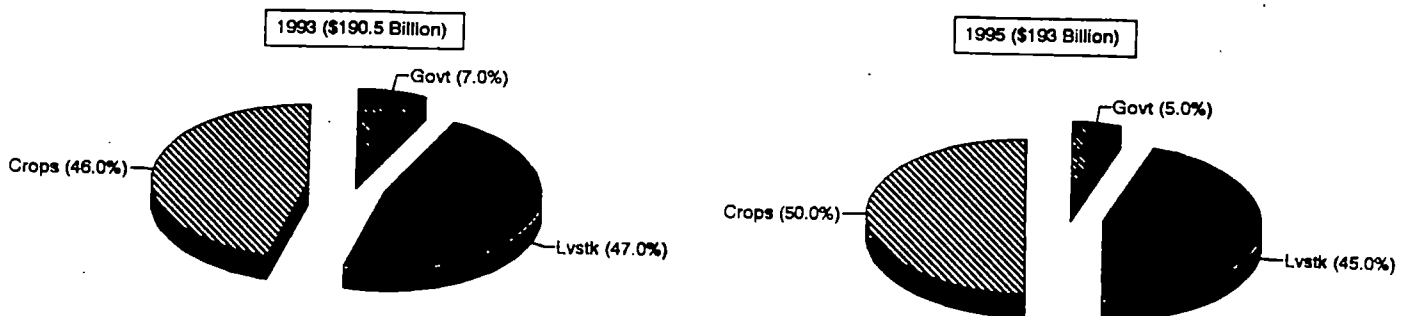
As can be noted in the charts on the next page, there has been a shift from livestock to crops as the primary source of farm income. There are several reasons for the shift. First, 1993 was not a high-production year for crops. That was true for the US and SD. As a result, income from crops was down. Also, because many government programs are tied to crop production, government payments were higher. The livestock economy benefited both from large production and relatively high prices, especially cattle. Remember, fed cattle prices were above \$80 in the Spring of 1993 and feeder cattle prices still were above \$100. In 1995, crop prices were high enough (sometimes record high) to offset reduced production for some crops. The livestock sector, especially cattle, suffered from low prices.

The change from livestock to crops as the primary source of farm income likely will continue in 1996. Again, relatively high grain prices and low livestock prices (especially feeder cattle) should result in a greater income from crops than from livestock. Also, since government payments are more tied to crops than to livestock, those receipts likely will be lower. Since SD agriculture is affected more by lower cattle prices than many other areas of the country, the shift from livestock to grain will be more noticeable here than in many other states or in the entire nation.

## Major Sources of Agricultural Income, South Dakota



## Major Sources of Agricultural Income, United States



### Trends in Farm Numbers and Size

Trends related to farm numbers are very similar for the US, in general, and SD, specifically--both are down and both trends will continue. In the 25 years represented in the following figures, US farm numbers have decreased by almost 30%, and SD numbers have gone down by about 34%.

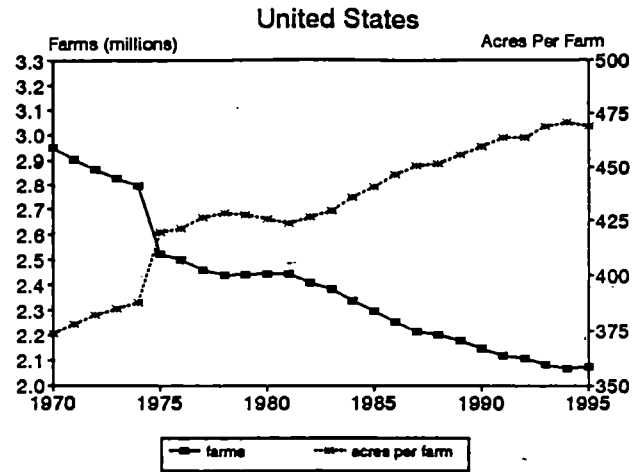
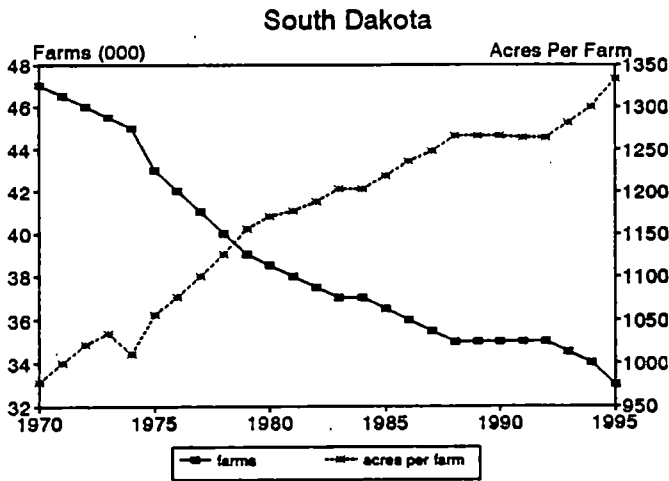
The opposite trends are noted for farm size. Farms are getting bigger, both in the US and SD. Note here that SD farms are much larger than the US average (1333 acres vs 469 acres). The increases in farm size for the 1970-1995 period have been 27% and 22% for SD and the US, respectively.

One implication often given to reductions in farm numbers is that it is a bad or negative thing.

The mere reduction in farm numbers is almost a necessity. New technology usually means an increase in farm size. Since the number of acres available for all farms is not increasing (it actually is decreasing), the result of trying to become efficient by getting bigger means fewer farms.

Negative impacts, however, still are there at least for some areas. Fewer farmers mean fewer demands for some services which in the past were provided by small towns. Examples include medical services, schools, and farm equipment and supplies. As the demand for these services declines, businesses leave small towns. Eventually, some towns become so small that they are bypassed by everyone--they die. For many people, this is the real negative impact of larger, but fewer, farms.

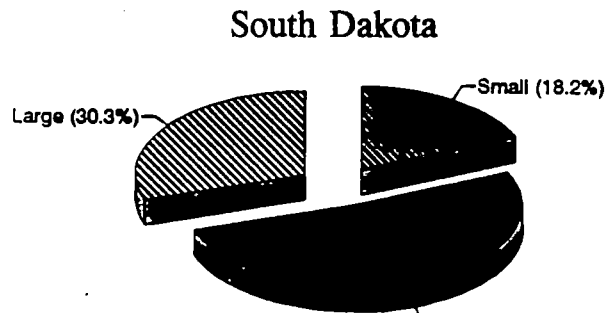
# Farms and Average Farm Size



## Percentage of Farms by Economic Class

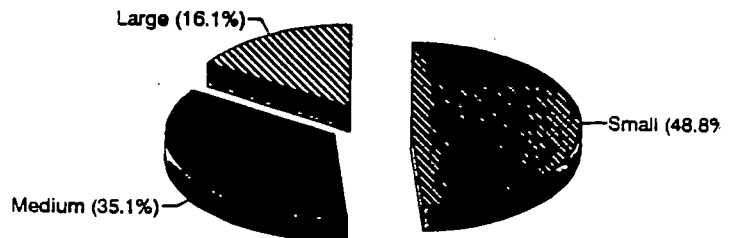
The census definition of a farm includes all farms which sell at least \$1,000 worth of agricultural products in a year. That definition means that many enterprises most of us would not call farms are included in the definition of a farm. Even a farm that sells \$10,000 worth of agricultural products in a year is not a stand-alone economic unit.

## Farms by Economic Sales Class,\* 1995



In 1995, almost 50% of US farms were in the below \$10,000 per year category. In SD, that group included only 18.2% of the state's farms. Percentage representations in the other economic categories are shown in the charts in this section.

## United States



\*Small = Annual Sales of \$1,000-9,999  
 \*Medium = Annual Sales of \$10,000-99,999  
 \*Large = Annual Sales of \$100,000 or more

One conclusion that can be drawn from this illustration is that most farms are not farms as we know them in South Dakota. Income generated from the "farming" side often must be supplemented by income from other sources (off-farm jobs). Many "farms" are merely hobbies. Decisions by small and hobby farmers about what and how much to produce often are not made on an economic basis. Yet, those decisions affect prices received by farmers who depend upon farming for their livelihood.

## Ranking of States

Agriculture is very important to SD. Yet, in terms of income from farming, SD ranks 21st in the nation. The top nine states (California is #1, Texas #2, Iowa #3, etc) account for 50% of farm income in the U.S. The next 10 states account for another 25%. South Dakota is in a group of 15 states that account for the next 20%. A total of 16 states account for only 5% of the nation's farm income.

While S.D. may not rank first in terms of farm income, it is first in terms of farm income as a percentage of total income. More will be presented on that topic in a later issue of the *Commentator*.

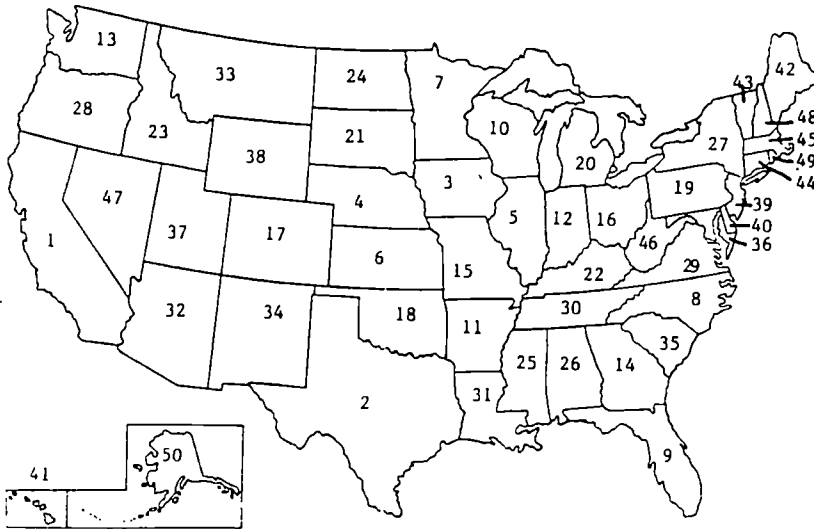
## Conclusion

The above information is a sample of some of the things planned for the Marketing Information Center. Later issues of the *Commentator* (or maybe special reports from the Center) will go into specifics relative to different aspects of the state's agricultural economy.

The Center is planned as a resource for anyone interested in SD agriculture and the state's economy. That includes not only where we have been but also in planning and directing where we will go.

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### States Ranked by 1994 Cash Receipts



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