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AN ANALYSIS OF THE ECONOMIC FACTORS AFFECTING THE SUCCESS OF SMALL FARM OPERATORS

BY

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FOREWORD

The Unemployment and Underemployment Institute was created to coordinate all international economic development activities of the 211(d) grant at Southern University.

In 1972, the Agency for International Development (AID) approved a five year grant to Southern University to strengthen and increase its capacity in economic/agricultural economics to enhance Southern's capabilities to contribute to the resolution of problems of rural unemployment and underemployment in developing countries.

The general objectives of the Institute are (a) to develop and coordinate the activities of the University for greater participation in international economic development programs; (b) to make available the capacities and expertise thus developed to public and private agencies involved in industrial development programs; and (c) to conduct research, seminars, and workshops on domestic and international development problems including cooperatives, manpower utilization, small farmers, housing, population, nutrition, leadership training, and community development.

In keeping with objective (a), the University supports several faculty members working towards advanced degrees in the area of economic development and related disciplines, supports undergraduate scholarships to foreign and U. S. nationals in the Department of Agricultural Economics and Economics, provides travel to professional seminars for faculty, foreign exposure to development experiences, and special training on techniques of program design and evaluation.

In keeping with objective (b), the Institute sponsors an International Development Seminar Series, Student-Faculty & Staff Seminar Series, and hosts foreign individuals and groups interested in economic development programs at Southern University.

Results of research projects consistent with the objectives of this program are published under the Institute's Faculty-Staff Research Paper Series. Papers published under this series reflects the diversity of interests and specialties of our faculty and staff.

The above activities of the Institute demonstrate the capacities and expertise of Southern University developed through the 211(d) program. As a result of the 211(d) grant, the Unemployment-Underemployment Institute at Southern University is in a position to offer expert and technical personnel to private and public agencies involved in international economic development programs.

T. T. Williams
Director

AN ANALYSIS OF THE ECONOMIC FACTORS AFFECTING THE SUCCESS OF SMALL FARM OPERATORS

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The principal purpose of this research is to explore methods for improving the productivity and income possibilities for small farm operators.

The Small Farm Firm:

Several questions may be proposed to economists and non-economists alike as to what is meant by "successful" and "small." Some difficulty is encountered when trying to derive an acceptable definition of those terms. The difficulty stems from the relative and subjective nature of concepts. For our purposes, we have defined a successful farmer as one who has a profitable operation, who manages well and is respected among his peers as an outstanding farm operator.

By small, we mean a farm with less than 200 total acres depending on the type of enterprise or combination of enterprises. A small farm is less than average size for a given production region and enterprise type.

Significance of Small Farm:

This research is focused specifically on the small or limited resource farm operator who lives in the rural area and who earns part or all of his

income from the farm firm. The main emphasis is placed on the welfare of the human factor. Recent statistics show that farms with less than $2,500 annual sales account for 37 per cent of the total number of farms while these same farms account for only 3 per cent of the value of total farm output. Most of the low income farms are located in the south and southeast. Louisiana has a large number of small farms. Of the 42,269 farms in the state in 1969, 14 per cent had sales less than $2,500, and 38 per cent had sales less than $10,000.

Data and Analysis:

Collection of data from secondary sources such as the 1969 Census of Agriculture is completed. Data have been collected on more than 85 variables for the 63 parishes in Louisiana. Such variable describes the economic, social, demographic, and geographical factors of the rural farm and rural non-farm communities. These data were collected for two periods, 1964 and 1969, so as to give an indication of changes occuring in number, size, and structural characteristics of small farm units.

A number of graphs and charts have been developed to differentiate the geographical characteristics that will be used to modify the personal interview instrument and improve the selection of sample areas. Data are analyzed and prepared for two reports which should be complete within two months. One report is aimed at showing the shifts in production enterprises among different size farms in different geographical areas. The other report will show groupings of parishes by economic and social characteristics. These reports will give the basic information for formulating hypotheses to be tested and further identifying and focusing on the various problems of small farmers.

A list of more than 273 county agents, vocational agricultural teachers, and farmer cooperatives associated with the purchasing and marketing aspects of small farmers have been compiled. A short questionnaire was mailed to these persons and agencies. The returned questionnaires contained ten questions and will be used in several ways: (1) as a vehicle for identifying successful small farmers, (2) as a method to choose persons to be interviewed, (3) to establish a clientele for the research results, and (4) as an indicator of cooperativeness in different geographical areas.

Models and procedures are being developed for adaptability to the existing computer hardware. These models must also fit the data collected and the problems proposed for solutions. We are currently using correlation analysis to analyze the secondary data. Correlation analysis and factor analysis procedures are being formulated also for subsequent analysis of the secondary and primary data.

Significant Results:

The analyses of secondary data have revealed several interesting observation conclusions:

(1) The number of farms has been declining at a very rapid rate. This is not new or striking. What is interesting is that the decline has been unevenly distributed by race and geographical region. This suggests further analyses to determine the cause of the decline. It is speculated that the different rates of decline is tied to the concentration rates and the distribution by race.

(2) Large shifts in cropping patterns have occured since 1964. There have been significant shifts toward specialization in production. This has strong implications for small farms since small farms tend to produce the same crop as the large farms within a given region. Specialization increases risk of loss due to weather and insects. Some benefits are gained in terms of skills and economies of scale.

(3) The incidence of poverty tends to be unrelated to the small farms within the regions. That is, our data show that parishes with the largest concentration of small farms do not have the largest concentration of poverty. The reverse tends to be true. It appears that where large concentration of small farms exist, the distribution of farm income is more equitable. This also seems to imply that declines in small farms lead to an increase in rural poverty as well as urban poverty.

RESEARCH PROGRESS REPORT SUMMARY

(July 1, 1974-June 30, 1975)

It is hypothesized in this study that there exists a group of small farm operators who are considered "successful." Success here indicates viability and profitability. This set of small farm operators are better off, in a broad welfare sense, than the average small farm operator.

The successful small farmer is a better manager, given a bundle of resource endowments, and earns a higher return on capital investments.

From a personal interview survey, some general characteristics of successful small farmers were obtained (Table 1). More than 300 farm operators were in the sample which was taken over a wide geographical area in the state of Louisiana.

Most small farmers do not plan to expand the size of operation in the future; 26 percent plan to expand operation, while 71 percent answered, no. A relatively larger number (37 percent) had soil tested for nutrients in 1974.

Most small farmers are not members of farm organizations. Only 35 percent of those surveyed participate in some type of farm organization, 22% are members

of cooperatives. Federal and state farm service organizations did not fair well with small farm operators. The percentage receiving help from such agencies are: The Soil Conservation Service 9.8 percent; The Farmers Home Administration 17.8 percent; The Louisiana Cooperative Extension Service 18.6 percent; and The Agricultural Stabilization and Conservation Service 22.7 percent. Less than half (45 percent) of the successful small farmers borrowed money for production purposes. Few borrowed from traditional institutions: commercial banks 22 percent, and Production Credit Association 10 percent. The reading habits are considerably better than borrowing and receiving services. More than half (52 percent) received some type of farm magazine. Forty-four percent received literature from farm organizations such as cooperatives and bargaining organizations; a slightly smaller number (32 percent) received market reports. As a group, most small farm operators (68 percent) kept farm records of some type. A larger portion (76 percent) are willing to participate in a record keeping program. Successful small farms are basically independent and self-supporting; only 3 percent of those sampled received food stamps. They also have a considerable amount of civic responsibility: 73.4 percent completed income tax in 1973, and 72 percent completed 1969 census forms. Very few (2.7 percent) plans to sell their farms. A

relatively large proportion (46 percent) would like to see their sons become farmers. However, 15.3 percent were undecided, which is an indication of uncertainty about the future of the small producer.

TABLE I. Some Characteristics of Successful Small Farmers in Louisiana, 1974. (Personal Interview of 300 Small Farm Operators)

Questions Asked	Response		
	Yes	No	No Response
	Percent	Percent	Percent
Planning to Expand Farm	26.1	71.2	2.3
Had Soil Tested 1974	36.7	62.1	1.2
Member of Farm Organization	34.5	64.0	1.5
Member of Farm Cooperative	21.9	76.6	1.5
Received help from Service Organization	42.7	55.4	1.9
—Soil Conservation Service	9.8	88.2	3.0
—Farmers Home Administration	17.8	78.4	3.4
—LA Cooperative Extension Service	18.6	78.4	3.0
—Ag. Stabilization & Conservation Service	22.7	73.5	3.8
Borrows Money for Production	44.9	53.6	1.5
Sources of Funds: Friends	0.8	97.7	1.5
Relatives	0.8	97.7	1.5
Banks	21.7	76.8	1.5
PCA	10.1	88.4	1.5
Other	13.5	85.0	1.5
Receives Farm Magazines	51.7	47.9	0.4
Receives Literature from Farm Org.	44.2	52.4	3.4

TABLE I. con't.

Questions Asked	Response: Yes Percent	Response: No Percent	Response: No Response Percent
Receives Farm Market Reports	31.8	65.9	2.3
Keeps Farm Records	67.8	30.0	2.2
Will Participate in Record keeping Program	76.4	17.6	6.0
Willingness of Attending University Sponsored Conference	66.7	18.7	14.6
Receives Food Stamps	3.0	95.5	1.5
Completed 1969 Census Forms	71.9	19.9	8.2
Filed 1973 Income Tax	73.4	19.9	6.7
Plans to Sell Farm	2.7	89.7	4.6
*Would Like for Son to Become Farmer	45.6	29.1	3.1
Has a Will	7.7	91.2	1.1
Has a Lawyer	45.6	52.9	1.5

*There are 15.3 percent who are undecided about son's future in farming.

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