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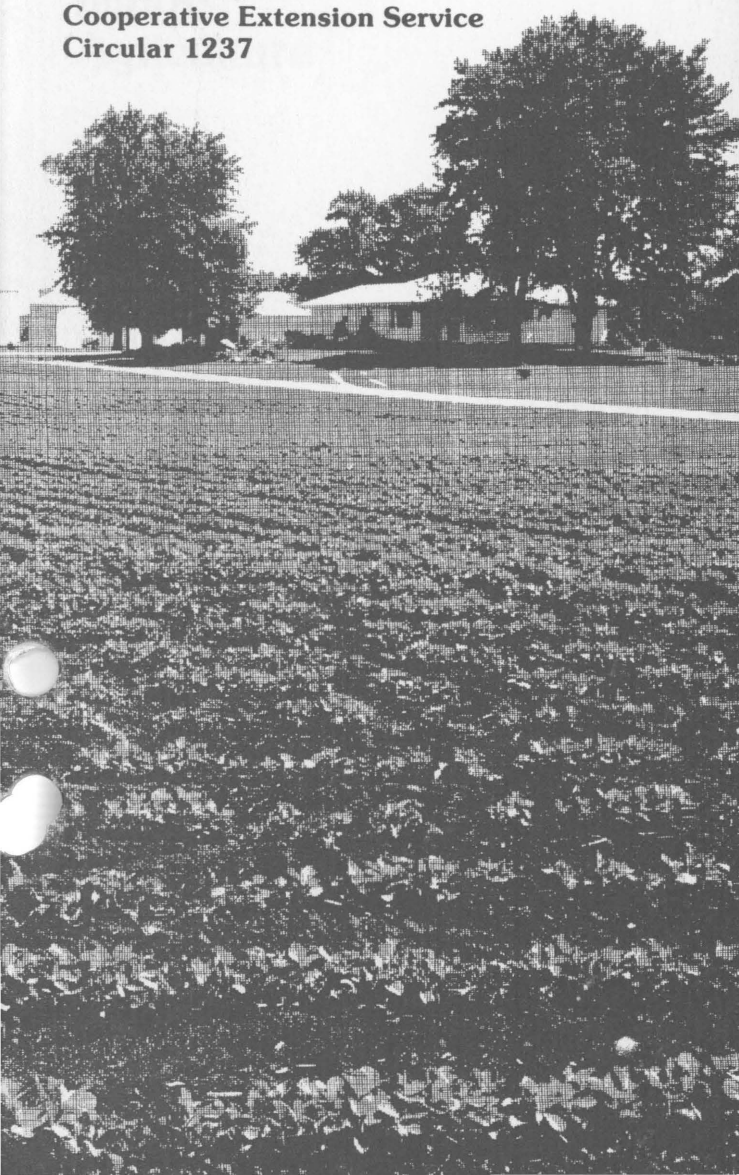
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# Understanding Illinois Agriculture

**University of Illinois at Urbana-Champaign  
College of Agriculture  
Cooperative Extension Service  
Circular 1237**



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This circular was prepared to help you gain a better understanding of agriculture and to answer some of the most commonly asked questions about the economic aspects of farming in Illinois.

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## **Understanding Illinois Agriculture**

Many people in Illinois have had limited contact with farmers or farming. If you are among them, this circular will help you to gain a better understanding of a major Illinois industry that produces more than 7.4 billion dollars' worth of products in Illinois every year.

Let's start with the basics.

### **What is a farm?**

A farm, as defined for the the Census of Agriculture, is a producing unit that normally sells at least a thousand dollars' worth of agricultural products in one year.

### **What is a family farm?**

On a family farm, a single family provides most of the labor and operating capital and makes the management decisions. The family may own all of the land, own some and rent some, or rent all of it. Sales of products from family farms range from roughly \$75,000 to about \$300,000 annually.

Farms that are categorized as "larger than family farms" are organized like family farms, but they hire more labor. The U.S. Department of Agriculture (USDA) defines this type of farm as one that requires more than 1½ man-years of hired labor each year to operate.

### **How many farms are there in the United States?**

The USDA estimated that there were 2,330,000 farms in June 1984, about 40,000 fewer than in 1983. The average farm contained 437 acres.

### **How many farms are there in Illinois?**

Illinois had 96,000 farms on June 1, 1984, 4,000 fewer than a year earlier. At the time of the 1982 Census of Agriculture, the average size of an Illinois farm was 292 acres.

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## **How many farm operators hold other jobs in addition to working on their farms?**

In 1982, 35,400 Illinois farmers — about 36 percent — worked at jobs off their farms for 100 days or more. This number does not take into account spouses or other family members who may have worked at other jobs as well.

## **How many Illinois farms are operated by women?**

The number of Illinois farms operated by women rose from 3,058 in 1978 to 3,223 in 1982, indicating a gradual increase in the number of female operators. In 1982, their farms totalled 443,000 acres, an average of 137 acres per farm. The average age of the female farm operators was 57.

## **Are corporations taking over farming?**

The number of corporations engaged in farming is increasing, but individual or family farms and partnerships are still the predominant arrangement. In 1978 the United States had about 2,180,000 individual farming units, 241,000 partnerships, and 51,200 corporations. Almost 89 percent of the corporations were family held.

Illinois had about 84,000 individual or family farms, 12,000 partnerships, and 1,900 corporations in 1982. Eighty-eight percent of the corporations were held by families. Only 41 of the 1,647 family-held corporations had more than ten stockholders. Of the corporations not held by families, 173 had fewer than 10 shareholders and 46 had more than 10. The ownership situation in other midwestern states is much like that in Illinois.

## **How widespread is tenancy in Illinois agriculture?**

In 1982, 43,000 Illinois farmers owned all of the land they farmed, 36,000 were part owners, owning on the average 37 percent of the land they farmed, and 20,000 were tenants who owned no land. Those who owned no land farmed almost 6 million acres, 20 percent of the total farm acreage in the state.

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## **How old is the average Illinois farmer?**

The average age of our state's farmers in 1982 was 49, the same as it was in 1978. The average age of all farmers in the United States was 51, almost the same as it was in 1978 and 1974. The average age of farmers is apparently remaining nearly constant.

## **How much farmland are foreign investors buying?**

Foreign individuals and entities reported owning 13.7 million acres of U.S. agricultural land at the end of 1983, slightly more than 1 percent of all the privately owned agricultural land in the nation. If we adjust for the fact that some of this land is owned by organizations that are in turn owned only in part by foreign investors, the actual total drops to 12.4 million acres. In Illinois, foreign owners reported holding about 148,000 acres, or about half of 1 percent of all the farmland in the state. Foreign interests acquired 278,000 acres of U.S. land in 1983, evidence that foreign investment in U.S. farmland is continuing.

Fifty-seven percent of the foreign-owned acreage is forest land, 14 percent is cropland, and 24 percent is pasture and other agricultural land. The use of the remaining 5 percent of the land is nonagricultural or was not specified.

Corporations owned 83 percent of the foreign-held acreage, partnerships owned 9 percent, and individuals, 7 percent. The remaining 1 percent is held by estates, trusts, institutions, and other entities.

Seventy-three percent of the foreign-held acreage is owned by people from Canada, the United Kingdom, Hong Kong, West Germany, and the Netherlands Antilles. The states with the largest concentrations of foreign-owned land are Maine, Florida, Georgia, Alabama, South Carolina, Texas, New Mexico, Colorado, California, and Oregon, in that order.

## **How much is Illinois farmland worth?**

In 1982 the average value of Illinois farmland, including the value of the farm buildings on it, was \$1,837 per acre, just slightly less than it was four

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years earlier. Since the size of the average farm was 292 acres, the average farm was worth a little more than \$500,000.

### **How serious is the decrease in Illinois land prices?**

From 1980 when farmland prices reached their peak through the summer of 1984, the price of some Illinois farmland dropped about 30 percent. This decline, combined with high interest rates, presents a serious problem for farmers who were expanding their operations and bought land on credit when prices were near their peak. An estimated 20 percent of those who purchased land in recent years have large debt loads and are probably unable to produce enough farm income to meet their obligations.

Tenant farmers — those who farm land owned by others — are not affected by this situation unless their landlord is financially pinched and must sell the farm the tenant is operating. Tenants are now paying less cash rent partly because land prices have declined. A few tenants and beginning farmers may soon be able to buy land if they wish and if they have enough financial backing.

Landowners who have little or no debt on their land are not seriously affected by declining land values. However, the decreasing value of their land may affect their future ability to borrow or to retire in the manner and with the security they had planned.

### **How serious is the current financial crisis for Illinois farmers?**

Many farmers are facing serious financial problems. Many of them lost money in the early 1980s because of reduced crop yields due to drouth and other causes, lower prices of acgricultural products, and increased interest costs. The number of bankruptcies and foreclosures among farmers has increased substantially.

Farm financial records show that the amount the average farmer had to pay for interest increased from about \$10,000 per year in 1979 to almost

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\$20,000 per year in 1983. This amount was equivalent to about 15 percent of the gross value of all farm products in 1983.

Half of the farm operators had little or no debt in 1983 and paid out less than 10 percent of their gross income for interest. Another third, those with moderate debt loads, paid 10 to 25 percent of their gross income for interest. But almost one in five paid more than 25 percent of their gross income for interest. As a result, these farmers operated at a net loss and had to borrow further or earn off-farm income to pay their living expenses, replace capital, or pay their debts.

Nine percent of Illinois farmers paid more than 35 percent of their gross income for interest. This group found it very difficult to stay in business. The records indicate that more than 4 percent of the farmers in the southern and western parts of the state are having serious financial problems. In central and northern Illinois, the percentage is a little lower.

### **Do farm prices really reflect the supply and demand situation?**

Yes, prices in the *cash* market are set by what buyers are willing to pay and what sellers are willing to accept. The cash market prices — as opposed to futures market prices — are the actual prices paid and received for farm products. It's easy to be misled on the matter of farm commodity prices by the wide fluctuations in the day-to-day prices on the *futures* market. Some of this fluctuation results from changes in peoples' expectations about the future supply of and demand for various farm products. Soybean prices are especially variable at times, especially at times when fewer people are trading futures contracts.

### **What is parity?**

Parity is a relationship that defines a level of purchasing power for farm products in relation to an earlier base period. The base period established by law and used in calculating parity prices is 1910 to 1914. Some farmers, rather than using the strict technical definition of parity, think of it as defining "a fair price plus a reasonable profit."

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## **How is the concept of parity used today?**

Although parity prices were widely used as a basis for establishing government price supports and loan rates in the 1930s, 40s, and 50s, many of the more recent programs have been based on other standards. In 1984, honey was about the only crop for which the support price was still based on a percentage of parity. As a result the support price is far above the market price, and the government has had to buy substantial amounts of honey to keep prices up.

The parity price concept has three major limitations. First, we should expect price relationships to change over a period of time because of improved technology and changes in people's tastes and preferences. Price supports based on parity, however, attempt to hold relative prices constant. Second, parity prices may automatically escalate because some commodities are themselves included in the price index used to establish parity prices. Third, parity prices may not reflect changes in inflation.

In recent years, a different measure — cost of production — has been more widely used than parity as a basis for setting loan rates and target prices and for measuring economic returns.

## **Are big commodity firms manipulating the commodity markets?**

Manipulation of the markets is illegal, and so far the agency that regulates the markets has not accused anyone of attempting it. Congressional hearings, however, have explored the possibility that manipulation could occur.

Large traders are closely monitored every day. Market activities are closely regulated by a federal agency (the Commodity Futures Trading Commission), and the managers of the exchanges. Large fluctuations in futures prices, however, have at times led some to suspect that a number of accounts in the market managed by the same firm and taking the same market position could be causing more short-term market fluctuations than would otherwise occur.

Over the long term, there have always been sound economic reasons for market behavior, and economic forces have set market prices.

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## **Of all the money consumers spend for food, how much does the farmer get?**

In 1982 (the latest year for which figures are available) farmers received about 28 percent of the money spent for foods produced on U.S. farms. This amount included purchases in food stores, which accounted for about two-thirds of the total, and money spent in restaurants and other eating places.

## **How does the farmer's share vary with the type of food?**

The farmer's share depends heavily on the amount of processing and handling required to bring the food product in final form to the consumer. As that amount increases, the farmer's share in the final selling price drops. For each dollar a consumer spends for eggs, for example, the farmer's share is 60 cents; for a pound of choice beef, 58 cents; for milk, 52 cents; for a pound of pork, 50 cents; for a loaf of bread, 9 cents; and for all bakery and cereal products together, 12 cents.

## **How important is Illinois as an agricultural state?**

In recent years, Illinois has ranked fourth in the nation in the amount of money received for its agricultural products. The top three states are California, Iowa, and Texas. The total cash received for Illinois farm products in 1982 was \$7.4 billion. Illinois ranked second in sales of all crops, eighth in livestock, first in corn and soybeans, and second in hogs.

## **Where does Illinois rank as a source of agricultural exports?**

Illinois ranked first in 1982 as a source of agricultural commodity exports, providing 8.5 percent of the nation's total exports in terms of value. Illinois also ranked first in the value of feed grains exported (18 percent), first in soybean exports (18 percent), and fifth in livestock and meats (5 percent).

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