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# **Hobby Farming – For Pleasure or Profit?**

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## **Hobby Farming – For Pleasure or Profit?**

**Stephen Boyd, Agriculture Division, Statistics Canada**

### **Abstract**

Hobby farms have represented a significant share of census-farms for many decades. Most operators of hobby farms treat the farm as a “hobby” -- there is no intention of making money. However, some hobby farms are profitable. The purpose of this paper is to identify the proportion of farms in Canada which are hobby farms and to identify the characteristics of the hobby farms that make money.

According to 1991 Census of Agriculture data, there were 50,991 census-farms in which the main operator reported 190 days or more of off-farm work and whose farm did not employ any year round paid labour. Part-time or “hobby” farmers are an integral part of the agriculture population.

Among the hobby farmers in Canada 40% are reporting positive net cash farm income. Only 9% of these hobby farmers are reporting net cash farm income of greater than \$10,000. Ontario and BC’s farm population consists of the highest proportion of hobby farms (18% and 16% respectively).

Hobby farming is not a new phenomenon in Canada and hobby farmers do not appear to be a dying group. It is obvious that there is much more to this pursuit than making a profit.

## **1. INTRODUCTION**

Hobby farms have represented a significant share of census-farms for many decades. Most operators of hobby farms treat the farm as a “hobby” -- there is no intention of making money. However, some hobby farms are profitable. The purpose of this paper is to identify the proportion of farms in Canada which are hobby farms and to identify the characteristics of the hobby farms that make money.

This is an important issue as part-time farmers make up a significant proportion of the agriculture population. Part-time farming can be an important adaptive strategy to increase family income and spread risk (Barlett 1991). Many people have probably considered starting a small farm but did not know if any money could be made. The question is: Are these farms being operated to generate a profit, to fulfill a dream or are they being used as a tax deduction? This will be of interest to both the general public and policy makers as a determinate to whether government involvement is needed or warranted.

According to 1991 Census of Agriculture data, there were 50,991 census-farms in which the main operator reported 190 days or more of off-farm work and whose farm did not employ any year round paid labour. Part-time or “hobby” farmers are an integral part of the agriculture population.

There are a number of opinions as to why people operate farms as a hobby. Operating a small farm may have been something you always wanted to do, regardless of the cost. Or it may be that the individual hopes to make some extra money to supplement his/her income. Some studies suggest part-time farmers will eventually graduate to full-time farmers and this is simply a way for potential farmers to build a viable operation. It has also been suggested that part-time farming facilitates an easier exit from full-time farming. Or it may simply be a situation where individuals are broadening their interests outside their main occupation (Harrison and Cloutier 1995). Regardless of the reason, the proportion of farm operators working full-time off the farm (greater than 228 days)

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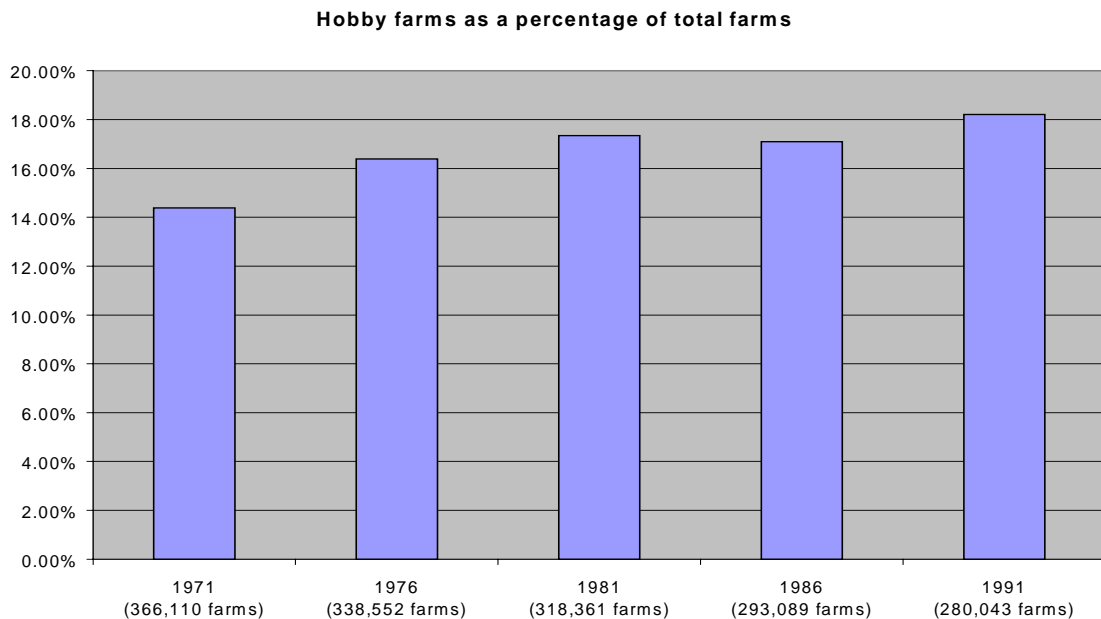
has increased from 4% to 16% of total farmers, over the period from 1941 to 1989 (Fuller and Bollman 1989). The results of this study may shed some light on why this is.

**2. LITERATURE REVIEW**

Bollman (1982) states that “Part-time farming is a public policy concern in Canada. Policy makers are concerned with the welfare of farmers and rural communities.” It has been suggested that part-time farming implies inefficient land use and inefficient food production [Saunders (1932) and Cortez and Winter (1974)]. However, most Canadian studies find that part-time farming does not imply inefficient land use and inefficient food production.

There is some evidence of inefficiency but one must be cautious about how this is measured. Fuller and Bollman (1989) show that the number of census-farm operators with over 228 days of off farm work is increasing over time (from 1941 - 1989). However, the output contributed by this group has stayed constant over this time. This would therefore suggest inefficiency. So why is this group increasing?

**Figure 1 : Share of hobby farms has been increasing over time**



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A paper prepared by Harrison and Cloutier (1995) found that part-time farmers reported the highest average yearly total income of all farm operators at \$30,400. Ironically, but as you will soon see not surprisingly, they also reported the lowest average net farm income, an average loss of almost \$700. Harrison and Cloutier suggest this may be explained by the fact that some people choose to live in a rural setting while operating a small hobby farm for pleasure, and that such farms cost money to operate. Another explanation may be that they are new entrants to farming and will show losses until their farming scale has been established. It is also important to remember that different definitions of a “hobby farmer” may result in different results, by some definitions it may be possible for a “hobby farmer” to operate a “full-time farm”.

Harrison and Cloutier also provide some interesting data on the demographic characteristics of part-time farmers. They defined a part-time farmer as a farm operator with some net farm income but without a farm-related occupation. In 1991, 123,200 farm operators fell under this category. Of this group 26% or 32,032 were women. Part-time farmers made up 21% of British Columbia’s agriculture population (highest of any province) and 11% of Newfoundland’s agriculture population (lowest of any province). The average age of the part-time farmer was 45.2 years in 1991.

Another study by Harrison (1994) classified operators of census-farms into two groups, primary and secondary. A primary farmer was a farm operator whose main occupation was agriculture and a secondary farmer was a farm operator whose main occupation was non-agricultural. According to the 1991 Census of Agriculture-Population Database 38% of all farm operators were secondary. The average number of days of off-farm work was 27 days for primary farmers, compared with 141 days for all secondary farmers. Harrison suggested that the latter figure was low for number of days worked at one’s regular job. He suggested this was likely due to some people being unemployed or working part-time in their main occupation. It must also be noted that response to this particular question was poor (i.e. a lot of zeros). Secondary farmers had, on average, almost 2 more years of

education than primary farmers. Primary farmers had an average 10.8 years of education, whereas secondary farmers had 12.1 years.

### **3. DEFINING A HOBBY FARMER**

What is a hobby farmer? This is a question that seems to have a thousand answers. A hobby is defined by the Oxford English Dictionary as “Something done for pleasure in one’s spare time.”. Should a hobby farmer be defined as someone who is farming solely with the intent for pleasure? One would hope that all peoples’ occupations give them some sort of pleasure. But what about profit? Generally, “hobbies” cost money, and businesses try to make money. The results from this study may help determine whether “hobby farms” are being operated as “hobbies” or businesses.

Numerous studies (Barlett 1991, Fuller and Bollman 1992, Harrison and Cloutier 1991) have been done in analyzing different characteristics of hobby or part-time farmers. And numerous definitions have been used in determining how to distinguish part-time farms or part-time farmers from others. Examples of these include:

- 1) a farm operator with net farm income but without a farm-related occupation,
- 2) farm operators with greater than a specified # of days of off-farm work, and
- 3) a farm operator with greater than 50% of his total income from non-agriculture sources.

For the purposes of this paper, a “hobby farmer” has been defined as a census-farm operator who works “full-time” off the farm, is the main operator and his/her census farm does not employ any year round labour. Full-time off-farm work is defined as working 190 days or more off the farm. The “hobby farms” discussed in the paper are farms operated by the defined “hobby farm” operator.

The terms “hobby farmer” and “part-time farmer” have been used interchangeably throughout the paper. However, it should be noted that depending upon the definitions

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used, “part-time farmers” and “hobby farmers” are treated differently by Revenue Canada. By most definitions “hobby farmers” are a component of “part-time farmers”.

The data source being used for this study is 1991 Census of Agriculture data. The direct variables being used include: gross farm receipts, total farm business operating expenses, number of days worked off the farm, number of weeks of paid labour, farm type, total farm area and number of livestock; derived variables include: net cash farm income.

CENSUS OF AGRICULTURE

The Census of Agriculture collects comprehensive information on topics such as crop areas, number of livestock, weeks of farm labour, number and value of farm machinery, farm expenses and receipts and land management practices. All farms producing a product which is intended for sale are required to complete the Census of Agriculture questionnaire. The Census of Agriculture is conducted in conjunction with the Census of Population every five years.

Choosing the “right” population is important. There are a number of different ways hobby farmers could have been defined and each has its own limitations. Some of the possible ways to define a hobby farmer using the data available included:

- 1) Using the Census of Agriculture (100% Sample); number of days of off farm work greater than 189 days, number of weeks of paid labour = 0, or another option would be to choose the farms by limiting either gross revenue or total expenses. The former seems intuitively to be the best option as the latter choices could be seen as biased on account of profitability (revenue - expenses) being the principal aspect of this study.
- 2) Using the Agriculture-Population linkage (20% sample); a farm operator reporting some net farm income and having a main occupation other than farmer or a farm operator reporting net farm income with less than 50% of the total income from farming.

An important component in defining a hobby farmer is that the main occupation of the farm operator must be non-agricultural (unless retired). Therefore, it would seem meaningful to restrict the population this way (#2 above). The problem is that this does



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not limit the population enough. For example, a hobby farmer who hires a manager for the farm would fall into this category. As well, total income may include wages from the farm. But, these are not “hobby farmers”. Consequently, it seemed important to have a restriction on paid labour. The Agriculture-Population linkage database does not contain this variable.

A number of tests were conducted using different combinations of the variables available. The number of farms and the range of total expenses and total sales were analysed for the different populations. It was decided that the Census of Agriculture data would give the best possible group. The population will include all first-listed farm operators reporting more than 189 days of off farm work, paid agriculture labour on a year round basis equal to 0 and seasonal labour less than 10 weeks. It is believed that this will give us the population of individuals with a major occupational commitment to non-farm work with a lesser commitment to the farm business.

### **4. RESULTS**

The 50,991 “hobby farmers” in the population have been distributed by the type of farm they operate and the probability of reporting positive net cash farm income. Net cash farm income is calculated by subtracting 1990 farm business operating expenses<sup>1</sup> from 1990 gross farm receipts<sup>2</sup>, reported on the 1991 Census of Agriculture. Depreciation, the value of inventory changes and income-in-kind are not reflected in net cash farm income. Profitable farms are those farms with net cash farm income of greater than 0.

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<sup>1</sup> Farm business operating expenses do not include: depreciation, purchase of capital and costs of goods purchased only for retail sales.

<sup>2</sup> Gross Farm Revenue includes: receipts from all agricultural products sold, Marketing Board payments received, program and rebate payments received, dividends received from co-operatives and custom work and all other farm receipts; it does not include: receipts from sale of capital items or receipts from the sale of any goods bought only for retail sales.

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**Table 1 : Hobby Farms by Type, Net Cash Farm Income and Percentage of Total, 1991**

Farm Type	# of Hobby Farms	% Of Total Hobby Farms	Net Cash Farm Income		
			Negative	\$0 - \$9,999	\$10,000 and over.
cattle	15,723	30.8%	61%	30%	10%
wheat	6,222	12.2%	46%	37%	18%
horses	4,941	9.7%	69%	26%	5%
other small grain	4,430	8.7%	54%	30%	17%
hay & fodder crop	3,190	6.3%	59%	36%	6%
oilseed	2,698	5.3%	50%	35%	15%
fruit	1,479	2.9%	57%	37%	5%
hog	1,331	2.6%	49%	27%	24%
corn for grain	1,310	2.6%	48%	36%	16%
other mixed livestock	1,109	2.2%	71%	23%	6%
maple syrup	1,095	2.1%	42%	54%	4%
dairy	1,086	2.1%	47%	24%	28%
sheep	997	2.0%	71%	26%	3%
other	792	1.6%	55%	37%	8%
nursery & sod	656	1.3%	57%	37%	6%
poultry	643	1.3%	57%	27%	16%
vegetable	597	1.2%	50%	40%	10%
other livestock specialty	589	1.2%	59%	37%	5%
greenhouse	349	0.7%	46%	41%	13%
cattle & pig	319	0.6%	66%	23%	12%
goats	280	0.5%	73%	25%	2%
cattle, pig & sheep	233	0.5%	70%	27%	4%
dry field peas & beans	174	0.3%	47%	37%	17%
fur	154	0.3%	68%	30%	2%
potato	143	0.3%	42%	43%	15%
forage seed	135	0.3%	54%	30%	16%
other mixed field crop	128	0.3%	53%	36%	11%
other field crop	80	0.2%	38%	51%	11%
fruit & vegetable	71	0.1%	65%	28%	7%
tobacco	30	0.1%	30%	37%	33%
<b>Total</b>	<b>50,991</b>	<b>100%</b>	<b>57%</b>	<b>32%</b>	<b>11%</b>

Source : 1991 Census of Agriculture, Statistics Canada

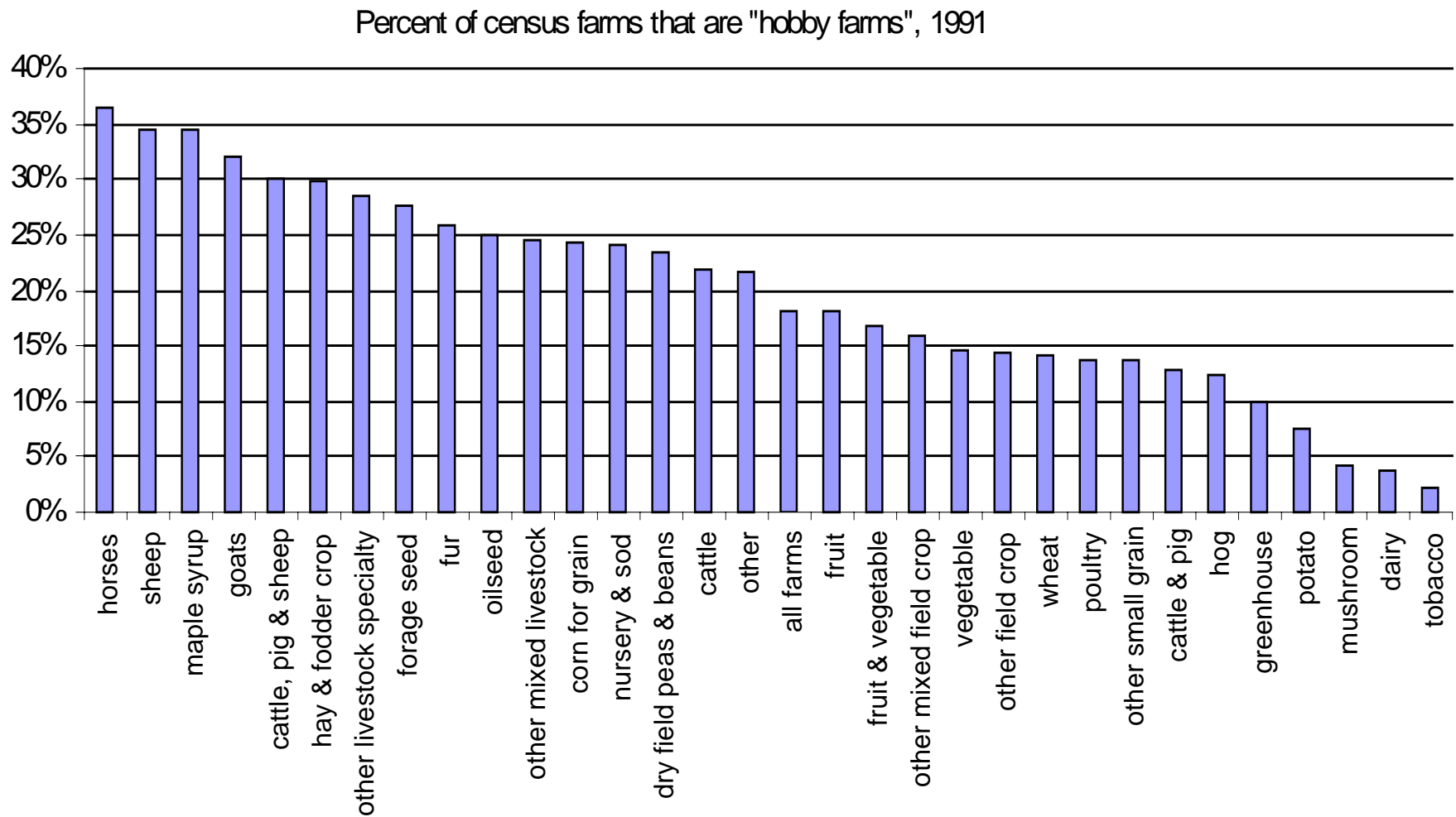
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Based on these results it would appear that tobacco, dairy and hogs are the most profitable hobby farm types. Hobby tobacco farms are the highest (70%) in proportion of farms reporting positive farm income and hobby goat farms are the lowest at 27%. Hobby tobacco farms are also the highest in proportion of farms reporting net farm income greater than \$10,000 at 33%, followed by hobby dairy farms at 28%. Fur, sheep and goat hobby farms have the smallest proportion of farms reporting income of \$10,000 or greater.

The question is, are they really hobby farms? These three farm types make up only 5% of the total hobby farms and would most likely be considered too labour intensive to be operated on a hobby basis. Harrison and Cloutier (1995) had similar findings. Their results stated that dairy farmers were the least likely to work off the farm, followed by tobacco farmers.

Figure 2 shows the share of hobby farms by type as a percentage of all farms of that type. Horse farms are most likely to be operated as hobby farms, over 35% of all horse farms are hobby farms. Tobacco, dairy and mushroom farms are the least probable farms to be operated as a hobby. Based on these figures, as well as on knowledge of the capital and technology involved, we can safely conclude that these farms are not typically operated on a hobby basis. Somehow, these farms have slipped through the “hobby farm” definition. There are a number of ways this may have happened; the farm operator may have filled out the census questionnaire incorrectly or the farm may have been assigned the wrong farm type. It is possible that this data is correct but the number of these cases is not large enough to make any recommendations or conclusions. The purpose of this paper is to determine the profitability of “hobby farming”, types of farms where limited capital and labour is available. Therefore, further analysis on profitability will be restricted to farms which make up at least 20% of the proportion of total farms of that type. These 15 types of enterprises, comprised of 33,284 hobby farmers, are more likely to be operated with a minimum of operator labour input and consequently, considerable time is available for off-farm work.

Figure 2 : Over 35% of horse farms are "hobby farms".



Source : 1991 Census of Agriculture, Statistics Canada

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On average, 60% of the hobby farms in Canada reported negative net cash farm income (Figure 3). Only 9% of the hobby farms are reporting net cash farm income of \$10,000 or more. So why has this group been increasing year after year? As said earlier, some people may be willing to lose a little money in return for the pleasure that a farm gives them. Another explanation may be that the tax benefits of operating a farm outweigh the costs. However, not all these farms are losing money.



Maple Syrup farms are the most probable hobby farms to make a profit; 58% of these farms are reporting positive net cash farm income (Table 2). Goat and sheep hobby farms are the least likely to make a profit; less than 30% of these farms are reporting positive net cash farm income. It is interesting to note that crop-type farms dominate the top of the list while livestock-type farms are at the bottom. This may be because traditional “hobby farms” for pleasure often have only enough land for a few head of livestock, whereas a hobby farmer who owns enough land for growing a crop is more likely in the business to make a profit.

**Table 2 : Among hobby farms, maple syrup operations are most likely to be profitable (58% in 1991).**

Farm Type	Size Class of Net Cash Farm Income		
	Negative	\$0 - \$9,999	\$10,000 and over.
maple syrup	42%	54%	4%
dry field peas & beans	47%	37%	17%
corn for grain	48%	36%	16%
oilseed	50%	35%	15%
forage seed	54%	30%	16%
nursery & sod	57%	37%	6%
hay & fodder crop	59%	36%	6%
livestock specialty	59%	37%	5%
cattle	61%	30%	10%
fur	68%	30%	2%
horses	69%	26%	5%
cattle, pig & sheep	70%	27%	4%
other mixed livestock	71%	23%	6%
sheep	71%	26%	3%
goats	73%	25%	2%
All Hobby Farms	60%	31%	9%

Source : 1991 Census of Agriculture, Statistics Canada

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Looking at average incomes gives a slightly different view of the profitability of hobby farms. Crop farms still dominate the list in terms of profit but the order has changed slightly (Table 3). Hobby farms growing corn for grain are reporting the highest average income at \$1,950, followed by forage seed farms at \$928. Mixed cattle, pig and sheep hobby farms are reporting the lowest average income at negative \$4,350. Some farms such as mixed livestock, horse and sheep are reporting significant incomes but on average these farm types are losing money.

**Table 3 : “Hobby” grain corn farms reported an average net cash farm income of \$1,950 in 1991.**

Average Net Cash Farm Income by Size Class, 1991						
Farm Type	All Hobby Farms	Negative Income	\$0 - \$4,999	\$5,000 - \$9,999	\$10,000 - \$19,999	\$20,000 and over.
grain corn	\$1,950	(\$8,826)	\$1,928	\$7,174	\$14,381	\$47,670
forage seed	\$928	(\$6,976)	\$1,763	\$7,479	\$14,113	\$36,517
field pea & bean	\$766	(\$9,247)	\$2,254	\$7,032	\$14,788	\$31,397
oilseed	\$570	(\$8,509)	\$1,965	\$7,155	\$13,777	\$36,719
maple tree	\$362	(\$4,191)	\$1,687	\$6,719	\$13,573	\$33,928
nursery & sod	(\$725)	(\$5,375)	\$1,567	\$7,005	\$13,686	\$37,372
hay and fodder	(\$1,004)	(\$5,495)	\$1,632	\$7,098	\$14,075	\$41,199
livestock specialty	(\$1,222)	(\$5,656)	\$1,434	\$7,414	\$14,419	\$38,983
mixed livestock	(\$1,762)	(\$8,791)	\$1,948	\$7,060	\$14,002	\$122,380
cattle	(\$1,841)	(\$9,073)	\$1,938	\$7,108	\$14,113	\$45,217
horse	(\$3,096)	(\$7,881)	\$1,600	\$6,950	\$14,158	\$53,558
fur	(\$3,211)	(\$6,387)	\$1,338	\$6,855	\$11,043	\$31,881
sheep	(\$3,615)	(\$6,912)	\$1,542	\$6,658	\$12,497	\$56,133
goat	(\$4,029)	(\$7,043)	\$1,486	\$7,512	\$16,897	\$36,086
cattle, hog & sheep	(\$4,350)	(\$8,736)	\$1,642	\$6,338	\$13,906	\$38,337

Source : 1991 Census of Agriculture, Statistics Canada

Note: ( ) signifies negative net cash farm income.

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One would wonder what the attraction is to enter a business where the average income is negative. Bollman and Ehrensaft (1990) suggests that “For some families, it is possible that these modest losses are an anticipated part of operations in the sense that the family knows that they can count on sustaining a certain level of low or negative returns because of off-farm income flows. This may be related to a phase of enterprise building, a calculation that long-term capital gains may compensate for relatively low cash flow returns, or a hope that a sunnier day is around the corner.”

It would appear that hobby farms are not efficient. However, profitability does not necessarily measure efficiency. This is an important issue as policy makers are concerned with productivity. Most research suggests that part-time farmers are not inefficient. A study done by Bollman in 1991 looked at the efficiency aspects of part-time farmers compared to full-time farmers. The results of this analysis showed that part-time farm families have higher incomes than farm families who rely solely on the farm and farm families who rely solely on off-farm work. However, income was lower for farm families who had an equal mix of earnings from farm and off-farm sources. Therefore, it would seem that a farm family is more efficient when either the farm or the off-farm activity is relatively small. This supports Harrison and Cloutier’s (1995) study which showed that part-time farm families had the highest average yearly income of all the agriculture population, although this may also be because only families with high off-farm income can afford to farm on a “hobby basis”.



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Average farm size is shown in Table 4. This can only be calculated for those farms which produce one consistent product (i.e. we cannot average number of pigs with number of cows for a mixed cattle and hog farm). Typically, as net cash farm income increases, average size is larger. This is what we would expect to see as larger operations typically benefit from economies of scale and scope. In most cases the average size of farms reporting negative income is larger than those reporting income between 0 and \$4,999. This is mostly likely due to the fact that some of these farms may have recently expanded and the benefits of scale and scope may have not yet been realized.

**Table 4 : Average acres, taps, or head per farm by size class of net cash farm income, 1991.**

Farm Type	All Hobby Farms	Negative Income	\$0 - \$4,999	\$5,000 - \$9,999	\$10,000 - \$19,999	\$20,000 and over.
grain corn (acres)	76	68	52	79	110	157
forage seed (acres)	149	146	107	159	147	299
field pea & bean (acres)	118	99	83	127	163	276
oilseed (acres)	131	123	102	115	182	265
maple tree (taps)	2,396	2,070	2,193	3,630	4,519	7,768
hay and fodder (acres)	76	69	70	103	132	174
cattle (# animals)	51	45	40	62	80	141
horse (# animals)	8	8	6	8	9	14
fur (# animals)	342	316	307	534	1,406	98
sheep (# animals)	102	102	80	163	182	239
goat (# animals)	37	38	28	60	61	62

Source : 1991 Census of Agriculture, Statistics Canada

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There is very little difference in the distribution of hobby farms by income across the provinces (Table 5). Quebec hobby farmers were the most probable (47%) to report positive net cash farm income, followed by Prince Edward Island. Newfoundland hobby farms were least likely to report positive net cash farm income (31%).

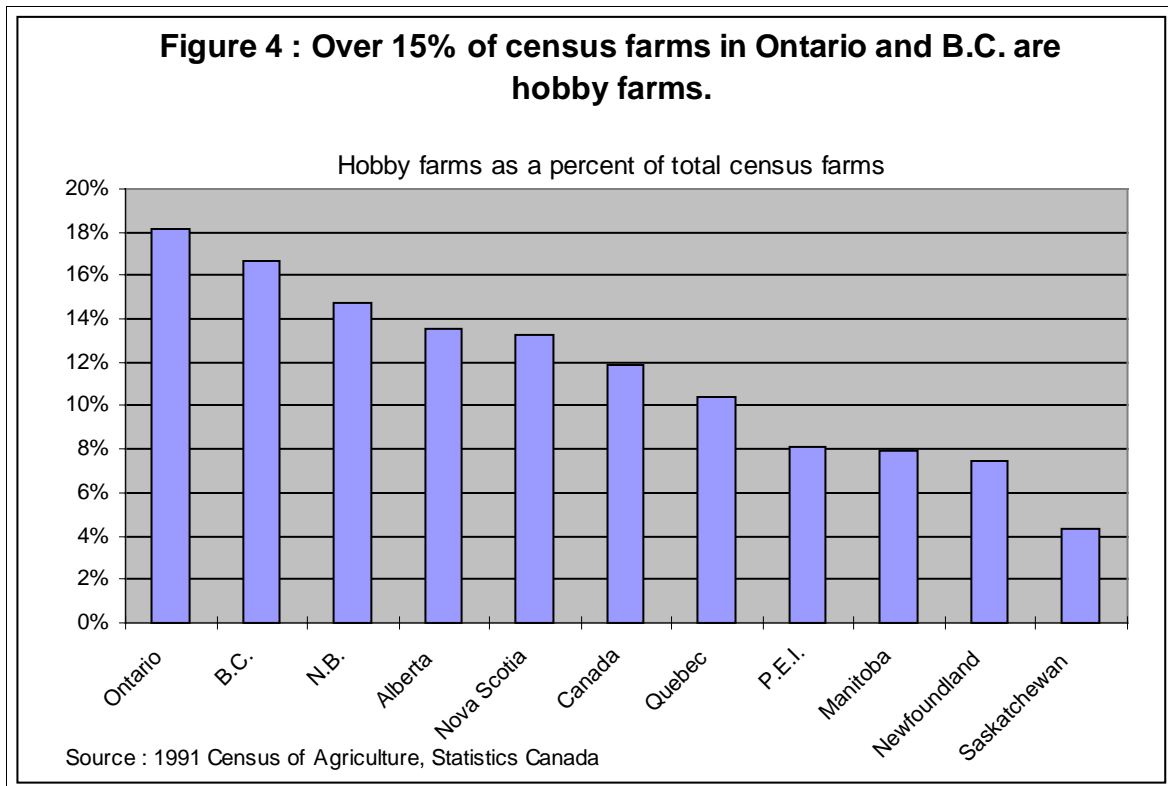
**Table 5 : Distribution of hobby farms by province and size class of net cash farm income, 1991.**

Province	Less than 0	0 to \$9,999	\$10,000 or more
Quebec	53%	40%	7%
PEI	54%	40%	6%
Saskatchewan	55%	34%	10%
Manitoba	60%	31%	9%
<b>CANADA</b>	<b>60%</b>	<b>31%</b>	<b>9%</b>
Ontario	61%	30%	9%
N.B.	62%	35%	4%
Alberta	63%	27%	10%
Nova Scotia	63%	32%	6%
BC	68%	28%	4%
Newfoundland	69%	31%	0%

Source : 1991 Census of Agriculture, Statistics Canada

## HOBBY FARMING – FOR PLEASURE OR PROFIT?

Almost one-fifth of Ontario's farms were operated as a hobby, the highest of any province (Figure 4). British Columbia was a close second at 16%. At 4% Saskatchewan had the lowest proportion of hobby farms in 1991.



Do hobby farms have higher exit and entry rates than full-time farmers? Between 1971 and 1976, the gross rate of exit was 35.6% and the gross rate of entry was 30.3% for all census-farm operators (Bollman 1982). Bollman (1982) found that full-time farmers and part-time farmers leave farming at about the same rate. However, it was concluded that operators with a small amount of off-farm work had a reduced tendency to exit and operators with a large amount of off-farm work had a greater tendency to exit. Nearly all studies that investigate whether part-time farming facilitates entry into agriculture suggest a positive answer. Bollman (1982) found that the greater the days of off-farm work reported in 1976, the greater was the rate of entry over the previous 5-year period.

**Table 6 : Entry and exit rate of farmers by type, 1986-1996**

Farm Type in 1991	1986-1991 Entry rate					1991-1996 Exit rate	
	All Farms		Hobby Farms			Hobby Farms	
	# of 1991 operators new to farming in 1991	% of total 1991 operators new to farming in 1991	# of 1991 hobby farm operators new to farming in 1991	% of total 1991 hobby operators new to farming in 1991	Share of new 1991 farm operators who were hobby farmers	# of 1991 hobby farm operators not farming in 1996	% of total 1991 hobby farm operators not farming in 1996
cattle	19,965	28%	6,408	41%	32%	4,163	26%
horse	7,836	58%	3,081	62%	39%	2,451	50%
hay and fodder	5,012	47%	1,816	57%	36%	1,646	52%
oilseed	3,504	32%	1,174	44%	34%	792	29%
maple tree	1,859	58%	721	66%	39%	541	49%
grain corn	1,644	31%	597	46%	36%	504	38%
mixed livestock	1,580	35%	540	49%	34%	329	30%
sheep	1,354	47%	513	51%	38%	359	36%
nursery and sod	1,620	60%	475	72%	29%	328	50%
other animal specialty	1,203	58%	406	69%	34%	321	54%
goat	539	62%	181	65%	34%	157	56%
cattle, hog and sheep	291	38%	111	48%	38%	66	28%
fur	293	49%	96	62%	33%	85	55%
field pea & bean	261	35%	85	49%	33%	59	34%
forage seed	161	33%	71	53%	44%	54	40%
<b>Total</b>	<b>47,122</b>	<b>36%</b>	<b>16,275</b>	<b>49%</b>	<b>35%</b>	<b>11,855</b>	<b>36%</b>

Source : 1986-1996 Census of Agriculture, Statistics Canada

Table 6 shows the numbers and percentage of all farmers and hobby farmers who started operations between the 1986 and 1991 Census of Agriculture. This is a longitudinal analysis using the 33,284 hobby farmers in 1991 as a base. These farmers were tracked back in time to determine if they were operating a farm prior to 1991 (entry rate) as well as whether they are still operating in 1996 (exit rate).

## HOBBY FARMING – FOR PLEASURE OR PROFIT?

When comparing hobby farmers to all farmers you can see that the entry rate was higher for hobby farmers in 1991. 49% of these hobby farmers were not operating in 1986, whereas only 36% of all farmers were new to farming in 1991. Cattle farms, both hobby and full-time, have the lowest entry rate as a percentage of total cattle farms. However, as a percentage of all new farms in 1991, cattle is the highest. This is due to the large number of cattle farms in the universe. Farm types that show a high number of new entrants in 1991, which include cattle, horse, and hay and fodder farms, are your more typical “hobby farm”. These types likely have a high entry rate due to low knowledge and capital requirements. There is also a large number of hobby farmers operating these types of farms exiting the business. This shows the high turnover of people operating hobby farms.

64% of the 1991 hobby farms were still operating at the time of the 1996 Census of Agriculture. Further analysis was done on these farms using 1996 data (Table 7). The average size of all 15 farm types increased between 1991 and 1996. This is likely due to a couple of reasons; it may be that larger farms are more profitable and therefore survive longer, or perhaps these farms invest and grow larger as they continue farming.

It must be noted that off-farm work in 1996 was not looked at, therefore some of these farms may now be operating on a full-time basis.

When looking at average net cash farm incomes over the two periods the results are not quite as consistent. Average income increased for the majority of the farm types but not all of them. Large increases in average net cash farm income occurred for: field pea and bean hobby farms, oilseed hobby farms and nursery and sod hobby farms, which now puts them at the top of the list. Large decreases in average net cash farm income occurred for: goat hobby farms, hay and fodder hobby farms and horse hobby farms. It seems reasonable that the more profitable hobby farms are the ones still farming. Consequently, with a larger percentage of profitable hobby farmers left in the group, average net cash farm income would therefore increase. This increase could also be attributed to farms

HOBBY FARMING – FOR PLEASURE OR PROFIT?

becoming more established over time. As many of these farmers were new entrants in 1991 their farming scale may have not yet been firmly incorporated. We also must not forget the role that commodity price plays. Livestock and crop prices can often be quite volatile. This may explain the large increase in average income for some farm types and the decrease in average income for others.

**Table 7 : Net cash farm income and average size, 1991 and 1996**

Farm Type	Average net cash farm income	Average net cash farm income	Average Size	Average Size
	1991	1996	1991	1996
field pea and bean farms	\$766	\$10,307	118 acres	126 acres
oilseed farms	\$570	\$8,079	131 acres	148 acres
nursery and sod	(\$725)	\$6,674	N/A	N/A
grain corn farms	\$1,950	\$6,436	76 acres	92 acres
maple tree	\$362	\$2,919	2396 taps	2855 taps
mixed livestock	(\$1,762)	\$673	N/A	N/A
forage seed farms	\$928	\$672	149 acres	209 acres
livestock specialty	(\$1,222)	\$42	N/A	N/A
fur farms	(\$3,211)	(\$905)	342 head	762 head
cattle farms	(\$1,841)	(\$1,762)	51 head	76 head
hay and fodder farms	(\$1,004)	(\$1,834)	76 acres	100 head
sheep farms	(\$3,615)	(\$2,880)	102 head	149 head
horse farms	(\$3,096)	(\$4,868)	8 head	11 head
cattle, hog and sheep	(\$4,350)	(\$4,909)	N/A	N/A
goat farms	(\$4,029)	(\$6,181)	37 head	71 head

## **5. Conclusion**

Among the hobby farmers in Canada 40% are reporting positive net cash farm income. Only 9% of these hobby farmers are reporting net cash farm income of greater than \$10,000. Maple Syrup farms are the most probable hobby farms to make a profit, 58% of these farms are reporting positive net cash farm income. Goat and sheep hobby farms are the least likely to make a profit, less than 30% of these farms are reporting positive net cash farm income.

Looking at average incomes gives a slightly different view of the profitability of hobby farms. Hobby farms growing corn for grain are reporting the highest average income at \$1,950, followed by forage seed farms at \$928. Mixed cattle, pig and sheep hobby farms are reporting the lowest average income at - \$4,350.

In almost all farm types, farm size is larger for those reporting large net cash farm income. Grain corn farms who report net cash farm income of between 0 and \$4,999 have an average size of 52 acres. Grain corn farms who report net cash farm income of greater than \$20,000 have an average size of 157 acres. Maple syrup farms reporting net cash farm income of greater than \$20,000 have an average of 7,768 taps. Maple syrup farms reporting negative net cash farm income have an average number of taps of 2,070.

Average net cash farm income as well as average farm size increased for almost farm types when comparing the surviving 1991 hobby farmers in 1996 to the 1991 hobby farm population. A large increase in average net cash farm income of field pea and bean hobby farms made it the most profitable hobby farm type in 1996.

Ontario and BC's farm population consists of the highest proportion of hobby farms (18% and 16% respectively). These provinces which are composed of some of the bigger cities seem to be experiencing a gradual move of the population from urban areas out into rural areas (Mansfield 1990). Tax laws in these provinces may also be encouraging hobby farming.

## HOBBY FARMING – FOR PLEASURE OR PROFIT?

It seems peculiar that hobby farming is popular when on average these farms report negative net cash farm income. I would therefore suggest that there must be some other attraction to hobby farming than profitability. In fact, there are probably several reasons that could explain this strange circumstance. These could include:

- 1) Deducting the farm loss from his/her taxable income. Though, in order for a hobby farmer to deduct his farm losses from other sources of income, his farm must be a “business”. To constitute a business it is essential that there be a reasonable expectation of profit. If there is no expectation of profit from the farm’s activities, no portion of any loss from those activities is deductible for tax purposes. However, there are a number of other tax advantages that a farmer can benefit from and the farm may exist solely for this reason. The rules vary by province, but property tax rebates and fuel rebates are a couple of these advantages.
- 2) You can “afford” a monetary loss and the pleasure (utility) from the farm exceeds the cost.
- 3) These farms are operating in anticipation of future profits. They may be new farmers who are building up their capital until their farming scale and scope has been established.
- 4) Or it may be a combination of these.

Hobby farming is not a new phenomenon in Canada and hobby farmers do not appear to be a dying group. It is obvious that there is much more to this pursuit than making a profit.



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