

Changes in Arkansas Agriculture

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Arkansas Public Policy Panel

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Introduction:

Agriculture is the base of Arkansas' economy and culture, and it is undergoing traumatic changes that will continue to reverberate for years to come. The most significant change is a consolidation of farms -- we have fewer farms, but they are getting larger and larger. The merger movement sweeping US industry and banking is hitting Arkansas agriculture as well. The trend of fewer and bigger farms is consistent across almost every major Arkansas commodity from poultry to rice to hogs. Family farms, a staple of Arkansas culture, are in worse shape than ever. Government programs favor the largest farms while small farms find little assistance. Gaps between the haves and have-nots in rural communities are likely to increase as a result of the push towards a more corporate style of agriculture.

The USDA, National Agriculture Statistics Service released the newest Census of Agriculture for Arkansas this month, a nearly 500 page statistical report <www.usda.gov/nass>. Here are key figures that highlight how Arkansas farms are changing. Figures cover the ten-year period of 1987 -1997 and come from the new USDA census data unless otherwise noted.

This report is a factual look at what has happened to farm communities over recent history. This information will hopefully spark more discussion, both public and private, on where Arkansas agriculture is going. Rural communities do have options about how they develop, but corporate agricultural interests have historically dominated debates. Arkansas' smaller and independently operated farmers, still the majority in Arkansas, need a stronger voice so they can sit with corporate agriculture as equals and build a just and sustainable future.

The Arkansas Public Policy Panel is a 36-year old private, non-profit based in Little Rock. We function as a public interest support center, conducting research on selected issues, training grassroots groups to organize their own communities, interact with the political system and network with other grassroots groups across a variety of issues.

Summary:

Arkansas farm sizes are increasing while the number of farms is declining. An elite few now dominate Arkansas agriculture with 60% of all farm sales in 1997 controlled by the largest 7% of farms. There are 12% fewer poultry farmers today while the average size of a poultry operation has increased by 58%. There are 25% fewer rice farms, but the average size has increased 78%. There are 30% fewer cotton farmers, but the size of remaining cotton farms has increased 160%. There are less than half as many hog farms, but the average size of hog farms has increased 385%. Corporate owned farms have grown 31% while independently owned family farms have dropped 9%.

Farm wealth is being concentrated in the hands of a few, very large farms while farm failure rates increase. The trend towards a more concentrated farm economy has not happened in a vacuum. Large farms benefit disproportionately more than small farms from government cash payments, university agricultural research and irrigation projects. 73% of all farms in Arkansas had sales of less than \$50,000 in 1997, and they accounted for just 5% of total farm revenue. Industrial animal production has taken over hog production and poultry growers under contract with big processing corporations are being pressured to expand even while their total numbers are declining. More and more agriculture companies are becoming vertically integrated, buying up every phase of production from seed to consumer, and they exert monopolistic pressure to set prices and leave independent farmers without markets to sell to. Commodity prices have fallen across the board, leaving independent farms without the capacity to compete against vertically integrated companies.

Another effect of farms getting bigger while farmers go out of business is a more intensive, expensive, volatile style of agriculture. Pesticide, herbicide and fertilizer use is up more than 20%. Irrigated land has increased by 54% over the last ten years. There is less water going to smaller farms today, but rapid growth in the water consumption of large farms. Farm production expenses have grown by 80%, making it harder for new farmers to enter and compete in the market. The number of farms earning profits has decreased while the number of farms with net losses has increased to the point that farming is now a 50:50 proposition with just over half of all farms earning profits in 1997.

African-American and other minority farmers are doing worse than ever. The number of African-American owned farms continues to slide, down 46% since 1982. The typical African-American farm size is slightly more than half as large as the state average size, while minority female owned farms are less than one third the average farm size. Economic opportunities for African-Americans, other minorities and women in rural communities are extremely limited.

These figures do not say that it is easy going for big agriculture right now either. It is a tough economic time for almost all sectors of agriculture, but the statistics show that it is much harder for small, family owned farms and minorities. Agriculture is changing and those changes will have profound effects. Small scale, sustainable and independent family agriculture desperately needs support in Arkansas.

Fewer Farmers, Bigger Farms

Arkansas agriculture is consolidating into fewer, bigger farms (Table 1). We produce more food than ever before, but our small scale and family operators are going out of business. There are 12% fewer poultry farmers today while the average size of a poultry farm has increased by 58% (Graphs 1.1 - 1.2). There are 25% fewer rice farms, but the average size has increased 78% (Graphs 1.3 - 1.4). There are 30% fewer cotton farmers, but the size of remaining cotton farms has increased 160% (Graphs 1.5 - 1.6). There are less than half as many hog farmers today in Arkansas as there were just ten years ago, but the average size of hog farms has increased 385%, to 2,711 hogs per farm (Graphs 1.7 - 1.8). Cattle production showed the smallest increase among Arkansas's top commodities and dairy farms actually saw production decline, but the concentration of fewer, bigger farms affected these commodities as well. Hay is the only major commodity that has seen a farm gain with 1.6% more farms in 1997. Many farmers feel that they can not stay in business without becoming larger and going further into debt. Arkansas' top commodities are: Poultry, Soybeans, Rice, Cotton, Cattle, Wheat, Hay, Hogs, and Milk (AR Ag. Statistics Office).

Farm size and production changed dramatically for almost every major commodity group over the last ten years, yet the state average for all farms did not change as much. This is explainable by a few factors. First of all, the state average farm size was calculated with acres per farm, which is a good measure for row crops but not for confined poultry and hog operations. It takes little more land to grow 1,000 confined hogs than it does to grow 5,000 confined hogs. Measuring the number of animals per farm instead of acreage will reflect changes in confined poultry and hog operation size. The total state average does not reflect what is happening to almost every commodity in Arkansas. There was no farm category with increases in net farms large enough to offset the massive farm losses found in most other commodities. The only commodities in the USDA census that show significant net farm gains are donkeys and horses, which are minor parts of total farm production.

Concentrating Rural Wealth -- The Loss of a Rural Middle Class

Market shares have shifted dramatically from smaller to larger farm operations (Graphs 2.1 - 2.3 and Table 2). The dominant size farms in 1987 had sales between \$100,000 - \$249,999 per year (5,686 farms) controlling 28% of the market, and farms with \$1,000,000 or more (209 farms) controlling just 17% of total sales. The market changed by 1997 and was dominated by farms with more than \$1,000,000 in sales (903 farms) with 31% of the market, while farms with sales between \$100,000 and \$249,999 (3,466 farms) dropped to 4th in total sales with only 10% of market share. 2% of our farms (those above \$1,000,000 in sales) controlled 31% of farm wealth in 1997 while the 73% majority of farms who have sales of less than \$50,000 a year controlled just 5% of all generated farm wealth. This concentration of economic wealth into fewer and fewer hands leaves dwindling opportunities for the majority of Arkansans in rural communities.

Tax Dollars Subsidize Larger Farms The Most

The Government gave out almost 1.5 billion dollars in farm subsidies in 1997. The average Arkansas farm received 14% of its total revenue from subsidy programs, but there are huge and disproportionate disparities between what various farm sizes receive. Larger farms get the highest proportion of their revenues from federal subsidies, further encouraging farm size to increase. Farms in the 10-49 acre size category received only 1.2% of their total revenue from government payments. In contrast, farms between 260-499 acres received 19% of their revenue from subsidy programs, 500-999 acre farms got 28% of their revenue from the government, 1,000-1,999 acre farms got 18.5%, and 2,000+ acre farms got 13.6% of their total revenue — over \$30,000 a farm — from subsidy programs. The percentage of revenue from subsidies peak at the 500-999 acre farm size because smaller farms have more difficulty meeting the eligibility requirements for assistance, and income and farm size caps keep the very largest farms from swallowing the whole subsidy program. Despite the caps, the largest farms still received a lion's share of the money allocated in 1997. These subsidy programs have been drastically reduced, but not really reformed. Instead of giving smaller farmers a fair share, the government has just cut all subsidy programs.

Race, Gender and Farm Ownership

Farming is a hard way to earn a living for any person no matter what size operation they have or what their race or gender is. Statistics show that it is even more difficult for African-Americans, other minorities, and women. The number of African-American owned farms has dropped by 13% since 1987 and has fallen by 46% since 1982 (graph 4.1, table 4.1). African-Americans in Arkansas control just eight-tenths of one percent (0.8%) of our total farmland. The mean household income for African-Americans is 38% less than the state average (AR Statistical Abstract, University of Arkansas at Little Rock, 1996). With farming becoming more and more capitol intensive -- the average farm production cost rose by 80% in the last 10 years -- there are few entry-level opportunities for future growth to even begin.

Women in general are actually doing better today, with farm ownership up 12% for all women, but minority women are doing worse with farm ownership down 21% for them. The disparities between race and gender are most evident when comparing the average size of farm operations. White males own the largest farms, while minority women's farms are more than 60% smaller (graph 4.1, table 4.1). The poverty rate in Arkansas for African-Americans is 43%, while the state average is less than half of that at 19.1% (1990 Census on Population and Housing, Summary Tape File 3A). Both figures are too high, but clearly no economic development plan is complete unless it encourages farm ownership for minorities and women.

Water and Chemical Use

Along with fewer, bigger farms, today's farm in Arkansas uses more water and more chemicals. These side effects of more intensive agriculture have important economic as well as environmental consequences. Herbicide and pesticide use in Arkansas is up by 24%. Commercial fertilizer use has increased by 20% (Table 5.2). Land irrigation is up by 55%.

Who is driving this more intensive style of agriculture? The amount of land irrigated by farms of less than 500 acres actually decreased by 29% over the past 10 years, but the amount of land irrigated by farms with 1,000+ acres skyrocketed by 202% (Graphs 5.1, Table 5.1). Farms of 1-499 acres controlled the majority (38%) of irrigated land in 1987 and large farms of 1000+ acres used only 27% of water (Graph 5.2). Those numbers changed dramatically by 1997 with smaller farms controlling only 17% of the irrigated land and large farms of 1,000+ acres controlling a whopping 54% of all irrigated farmland (Graph 5.3). Clean water is becoming more of a scarce commodity across all of Arkansas, and water usage by the largest farm operators is increasing.

Farms Becoming More Expensive, More Corporate Dominated

Small farms are increasingly at a disadvantage while large agribusiness corporations monopolize more and more sectors of the farm economy. The number of Arkansas farms that are sole proprietorships has declined by 9% while the number of corporate farms in Arkansas has increased by 31% (Graph 6.2). The average cost of farm production has skyrocketed by 81%. The average cost of purchasing a farm has increased by 60%. Farms have gotten bigger and more intensive, but farm revenue has also been climbing by 76% as well (Table 6). This means that farming is not necessarily an unprofitable business, but the up-front capitol costs have climbed to the point of making it very difficult for new farmers to enter the market. With few people entering the market, a small minority is controlling more and more of our food production as existing farms continue to consolidate.

As farming has consolidated, it has also become more risky for small farmers. The number of farms that earn profits has declined by 7% over the past 10 years while the number of farms with losses has climbed to 15% (Graph 6.1). 62% of farms with 1-49 acres had operating losses in 1997. As farm size increases, the rate of losses declines. Farms between 100-179 acres had net losses 49% of the time in 1997. Farms above 2,000 acres only have farm losses 12% of the time. Today the total number of farms with net losses almost equal the number of farms that earn profits -- farming has become a 50:50 proposition.

Summary:

Some trends are clear in the USDA data. The number of farms in Arkansas is declining while the size of farms that are left is increasing dramatically. This farm consolidation is concentrating rural wealth into fewer and fewer hands, which is likely to affect rural economies. Government subsidy aid programs discriminate against small and independent farm operators and have, at least in part, encouraged the consolidation. African-Americans, other minorities and women own disproportionately fewer farms than the population at large, and the disparities are increasing. Agriculture is becoming more intensive, as reflected by higher uses of pesticide, fertilizer and irrigation. Family ownership of farms is dropping while corporate farms are growing. Start-up and production costs are climbing steadily as well, making it harder for new farmers to enter the market.

The slide away from small farmers is likely to continue without changes in public policy. Rural communities do have options about how they develop. Corporate agricultural interests have historically dominated debates. Arkansas smaller and independently operated farmers, still the majority in Arkansas, need a stronger voice so they can sit with corporate agriculture as equals and build a just and sustainable future.

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