Merging of farm and nonfarm sectors of our economy created a zone in farming that is in contrast to commercial agriculture. In this zone farming provides only supplementary income, and farm-production plans are influenced by considerations that affect employment in the nonfarm sector of the economy.

ECONOMIC CLASSIFICATION OF FARMS

In delineation of major sectors in agriculture, a basic step is the separation of the farms that are operated to provide the major source of employment and income to the farm family from the places that serve primarily as rural homes for urban workers. The economic classification of farms, developed by the Bureau of the Census and the Department of Agriculture, separates farms into two broad categories—*commercial* farms and *other* farms. The basis for separation is the value of farm sales, the off-farm work, and the other income of the operator family.

In the economic classification, all farms with a value of farm products sold of $1,200 or more were considered *commercial* farms. Indications are that most of the farms with farm sales above this amount are operated to provide a major source of farm-family income. In addition, farms with sales of $250 to $1,199 were classified as commercial provided the farm operator was not employed at an off-farm job as much as 100 days during the year and provided the gross income from farm sales exceeded other income of the family.

The category of *other* farms includes part-time, residential, and abnormal farms. Residential farms are those having farm sales of less than $250. On these, the size of business is small enough to preclude the likelihood of their being operated to provide the major source of income and employment for the operator family. Part-time farms are those with farm sales of $250 to $1,199 but whose operators work 100 or more days of the year at a nonfarm job, or report that income received by the family from other sources is greater than sales from the farm. Abnormal farms are mainly public and private institutional farms, such as college, prison, community, experiment station farms, and grazing associations.

The separation of commercial farms from those that are part-time and residential defines two distinct sectors within agriculture with marked differences in economic interests. Commercial farms are the going concerns in agriculture that produce virtually all of the farm products for sale. The separation of this group of farms for special study provides an improved basis for analysis of production problems and gives greater form and meaning to comparisons of income and of efficiency within agriculture and between farm and nonfarm sectors of the economy.

Commercial and Noncommercial Farms

The *other* or noncommercial farms are numerous, accounting for approximately a third of all farms in the United States in 1954. (See table below.)

Classification	Number of farms	Land in farms	Cropland harvested	Value of land and buildings	Value of farm products sold
	Percent	*Percent*	*Percent*	*Percent*	*Percent*
All farms	100.0	100.0	100.0	100.0	100.0
Commercial farms	69.6	89.0	96.2	87.9	98.0
Other farms	30.4	11.0	3.8	12.1	2.0

Activity on these farms is not oriented to commercial agriculture. This is supported best by the relatively small volume of farm sales, which amounted to less than 2 percent of all farm products sold. Commercial farms comprised over two-thirds of the total number of farms and accounted for 89 percent of the land in farms, 96 percent of the cropland harvested, 88 percent of the investment in land and buildings, and produced 98 percent of the market sales in 1954.

The total number of farms has decreased from 6.3 million in 1930 to 4.8 million in 1954, a decrease of 1.5 million. (See figure 5.) Commercial farms have declined by 1.6 million which is at a more rapid rate than the decrease in all farms.[1] The decrease in commercial farms has been partly offset by an increase in part-time and residential units. A substantial part of the decrease in farm numbers between 1930 and 1954 was among the small subsistence units. These are places that have farm sales of less then $250 and no apparent sources of income other than from the farm.

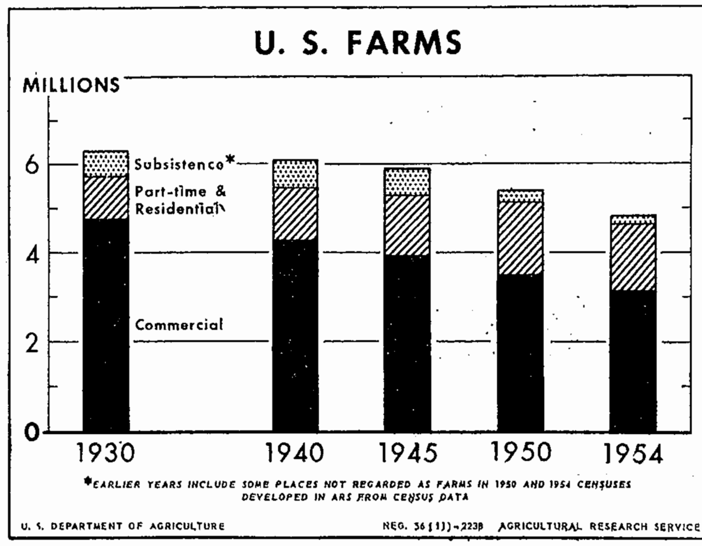

FIGURE 5.

Part-time and residential farms.—The increase in part-time farming is the result of numerous factors associated with general growth and development of both farm and nonfarm sectors of the economy. Farmers have not shared equally in the benefits from improved technology. Hilly land and small fields limited the adaptability of machines in some areas. Many operators of small farms have not found it economic to use even the smallest of the tractors and machines. At the same time, there has been a tremendous increase in retail and other services in rural areas because of the increasing proportion of farm inputs being bought by farmers as well as the larger disposable incomes of farm people. This, along with continued expansion of industries in the open country and small towns has provided local alternatives to farming.

Earnings from farming on some of the smaller units were less than nonfarm wages, so farmers and members of their families took advantage of attractive jobs nearby. Many continued to farm while commuting to other work nearby.

Part-time and residential farms are located in most parts of the country, but are most numerous in the South. Concentrations are noticeable throughout the Appalachian and Cumberland Mountains and in the vicinity of many of the larger cities.

[1] The data in figure 5 are not entirely comparable with the current Census economic classification since the criteria for separation of part-time from commercial were applied to farms in the $1,200 to $2,499 value group. See McElveen, J. V., *Family Farms in a Changing Economy*. Agriculture Information Bulletin 171, Economics Research Division, ARS, USDA, March 1957.