

## GENERAL EXPLANATION Continued

ucts sold by the corporation. Firms with large nonfarm business activities tended to have large agricultural production operations as well. This relationship appears to be more true for firms with business activities related to agriculture than for those outside the food and fiber industry.

### Organizational Characteristics of Privately Held Corporations

**Kind of corporation**—Privately held parent corporations have more shareholders, earlier dates of incorporation, and more years of agricultural production than independent corporations. The latter, in turn, have more shareholders and longer periods of incorporation and farming than family corporations. There is obviously a strong relationship between the age of a corporation and its number of shareholders. For family corporations in particular, firms incorporated for longer periods of time may include shareholders from several generations of family members.

The difficulty in making a clear distinction between these three kinds of corporations is demonstrated by the average number of shareholders related by blood or marriage that each has. For example, the average privately held parent corporation has twice as many related shareholders as the average family corporation even though kinship is considered a prime characteristic of family corporations. Some parent corporations may have been former family corporations which have acquired subsidiaries or reorganized so that part of their activities are operated by a subsidiary. Independent corporations also include a sizable number of related shareholders.

As stated previously, parent corporations have substantially larger corporate income and agricultural sales than independent and family corporations. Concern that larger nonfamily corporations are moving into agriculture in recent years does not appear to be strongly supported by data collected for privately held corporations.

On the average, both parent and independent corporations have been producing agricultural products longer

than family corporations. But because the "year began farming" data are for the corporation rather than the person in charge, these statistics may be misleading. Many family corporation farms may have been operated by present family shareholders for a number of years prior to incorporation. Perhaps the data really show that there has been a strong move toward the incorporation of "family farms" in recent years.

The difference between average number of years incorporated and average number of years farming is noticeably greater for parent corporations than for independent or family firms. This may lend support to the contention that some nonfamily corporations, originally incorporated for other business purposes, have more recently begun farming. Table 33 shows that this is particularly true of business-associated parent corporations. These data would have been more meaningful if "year began farming"

information had also been obtained for publicly held corporations.

**Total corporate receipts and value of agricultural products sold**—Most relationships between organizational characteristics and size which exist when tabulated by kind of corporation also hold true for corporate income and agricultural sales. Larger firms have more shareholders and have been incorporated and have farmed longer than smaller corporations. The spread between average years farming is not as pronounced, however, for increased values of agricultural products sold as it is for increased total corporate receipts.

The percentage of privately held corporations whose own shareholders are involved in the day-to-day management of the firm decreases with increased size of gross corporate receipts and agricultural sales. But the decrease in shareholder management participation is

Table 17. Nonfarm Business Activities—Percent Distribution by Value of Agricultural Products Sold

	Total agricultural sales	Under \$50,000	\$50,000 to \$99,999	\$100,000 to \$499,999	\$500,000 to \$999,999	\$1,000,000 and over
All nonfarm business activities.....	100.0	30.3	12.8	32.4	10.1	14.4
Supplying farm inputs.....	100.0	20.8	10.7	35.7	11.7	21.1
Processing farm products.....	100.0	15.0	8.6	30.2	14.5	31.7
Wholesaling or retailing farm products.....	100.0	23.8	12.7	34.5	11.7	17.3
Agricultural service or other business related to agriculture.....	100.0	36.9	13.4	29.7	9.8	10.2
Manufacturing nonfarm products.....	100.0	32.4	7.6	21.8	6.9	31.3
Wholesaling or retailing nonfarm products..	100.0	34.6	12.2	26.8	6.4	20.0
Services unrelated to agriculture.....	100.0	27.3	7.4	31.5	7.4	26.4
Other business outside the food and fiber industry.....	100.0	39.6	14.4	27.4	6.7	11.9
Nonfarm business activities of \$1 million and over.....	100.0	17.6	7.4	24.2	11.0	39.8
Supplying farm inputs.....	100.0	9.2	5.8	25.1	13.5	46.4
Processing farm products.....	100.0	6.7	5.7	21.2	12.9	53.5
Wholesaling or retailing farm products.....	100.0	13.7	8.1	24.7	15.4	38.1
Agricultural services or other business related to agriculture.....	100.0	18.1	3.6	20.0	12.7	45.5
Manufacturing nonfarm products.....	100.0	28.0	7.8	20.2	7.3	36.7
Wholesaling or retailing nonfarm products..	100.0	25.2	8.0	21.5	8.0	37.4
Services unrelated to agriculture.....	100.0	18.3	5.8	27.9	8.6	39.4
Other business outside the food and fiber industry.....	100.0	28.1	10.2	29.5	7.3	24.9

Table 18. Organizational Characteristics by Kind of Corporation

	All privately held corporations	Family	Independent	Parent
Privately held firms.....percent..	100.0	80.2	17.8	2.0
Average number of shareholders.....	4.4	3.9	5.3	14.5
Average number of related shareholders.....	3.8	3.8	3.5	7.6
Average number of years incorporated.....	10.3	9.9	11.6	19.7
Average number of years farming.....	10.0	9.7	10.9	15.8
Subchapter S corporations.....percent..	100.0	84.3	15.3	.4
Firms managed by own shareholders.....percent..	90.4	93.0	81.4	63.1