

CHAPTER II Continued

Corporations—A corporation is a legal entity separate from its owners (shareholders) and has the power to make contracts, do business, and hold property in its own name. It is created under laws provided by individual States. Each State determines the general purpose for which a corporation may be formed and the procedures that must be followed to establish a corporation. When the necessary requirements have been met, the State recognizes the existence of the corporation and permits it to engage in the activities provided for in its charter or articles of incorporation.

In many instances, the corporate organizational structure provides advantages over other types of business organization. Among these advantages are:

1. Easier transfer of the operating unit from one generation to the next.
2. Limited legal liability for each individual shareholder to the extent of his investment.
3. Possible reduction of income, estate, or other inheritance tax.
4. Easier access to larger amounts of credit.

On the 1969 report form, corporations were divided into those with 10 or fewer shareholders and those with more than 10 shareholders. This was a simplistic attempt to separate the closely held or family type corporation from those with more diversified ownership, i.e., publicly held corporations.

This division was not made for the 1974 census because the more comprehensive Corporation Survey included data about type of corporation and number of shareholders together with other detailed corporation data.

There has been considerable interest in the role of "nonfamily" corporations in American agriculture. Because the census of agriculture is committed to publishing data at the county level, it collects data under the operating unit concept. Data for corporations is, therefore, limited to those actually operating farms or ranches. Farmland owned by corporations but rented to someone else will be reported under the type of organization for the

actual day-to-day operator rather than that of the landowning corporation.

It should also be noted that a number of operations have more than one separately reportable farm. In order to avoid serious distortion of the data at the county level, especially where holdings were both large and widespread, an attempt was made to obtain separate reports for each county in which operations were significant. Corporations accounted for a major portion of such operations. This procedure, utilized extensively in the 1969 and 1974 censuses, resulted in the replication of the type of organization for each farm in the multiunit operation. Consequently there is an overstatement of the number of corporations as farm operators and an understatement of the size or degree of control of the larger corporations engaged in agricultural production. The 1974 Corporation Survey presents corporation data at both the farm and the firm (company) level. Data for the firm are available only for the United States.

Other organizations—This catch-all category is used to include institutional farms such as Indian reservations, university farms, or prison farms, as well as farms operated by estates, trusts, cooperatives, etc. Data for abnormal farms have been excluded from the data for farms with sales of \$2,500 and over. Therefore, no institutional or other abnormal farm data are presented under this classification. The "other" farms for which data are presented include estates, trusts, cooperatives, and colonies, as well as some farms which may have been misreported in this group. Since less than 4,000 farms are included in this category, any misreporting of type of organization has very little

effect on the data for farms with sales of \$2,500 and over.

Economic Characteristics

Number of farms—In 1974, individually operated farms accounted for almost 90 percent of all farms with sales of \$2,500 and over. Partnerships operated approximately 145,000 farms or slightly more than 8 percent and corporations operated 28,656 farms or less than 2 percent.

The percentage distribution by type of organization is not greatly different among the four regions, although both partnerships and corporations constitute a slightly larger proportion of the farms in the West. Table 2 presents the percent distribution for the number of farms by type of organization for the four regions.

Land in farms—Of the 906 million acres of land in farms with sales of \$2,500 and over, individual and families operated 678 million, partnerships operated 125 million, corporations operated 97 million, and other organizations operated 6 million. Although corporations make up only 1.7 percent of these farms, they accounted for 10.7 percent of the land in farms. Corporations operated 23 percent of the land in farms in the West, 56 percent in Hawaii, 42 percent in Nevada, and about one-third in Arizona, Florida, and Wyoming. The percent distribution of land in farms by type of organization for the four regions is shown in table 3.

Size of farm—The average size of farm operated by individuals was 447 acres compared with 859 acres for partnerships, 3,377 acres for corporations, and 1,636 acres for other organizations in 1974. There was a decrease of 380 acres

Table 2. Percent of Farms by Type of Organization: 1974 and 1969

	United States		Northeast		North Central		South		West	
	1974	1969	1974	1969	1974	1969	1974	1969	1974	1969
All farms.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Individual.....	89.5	85.4	89.3	87.3	90.0	85.7	90.3	85.4	84.7	83.2
Partnership.....	8.6	12.8	7.6	10.4	8.8	13.2	7.9	12.6	9.9	12.8
Corporation.....	1.7	1.2	2.9	1.8	1.0	.6	1.5	1.4	5.0	3.3
Other.....	.2	.6	.2	.5	.2	.5	.3	.7	.4	.7