

Have you included in your prepared statement the statistics and data from your study of corporate farming in Minnesota?

Dr. RAUP. Yes, sir.

Senator NELSON. Thank you very much.

(The complete prepared statement submitted by Dr. Raup follows:)

STATEMENT OF DR. PHILIP M. RAUP, PROFESSOR, DEPARTMENT OF AGRICULTURAL ECONOMICS, UNIVERSITY OF MINNESOTA

SOME ISSUES RAISED BY THE EXPANSION OF CORPORATION FARMING

I. Trends in Farm Corporations in Minnesota

A survey conducted by the Department of Agricultural Economics at the University of Minnesota in 1958-59 disclosed a total of 103 farm corporations licensed to do business in the state, of which 90 were then active. Difficulties in obtaining the data led us to believe that there may have been some farming corporations that we failed to uncover. This study is being repeated, ten years later. Our preliminary data show an increase to approximately 340 farm corporations as of July 1, 1968.

One-fourth of these were incorporated in the period from 1895 to 1954, one-fourth in 1955-59, one-fourth in 1960-64 and one-fourth in the three and one-half years since January 1, 1965. The rate of formation of incorporated farms has increased in the last few years.

Of the 340 farms, 32 per cent have an authorized capital stock of under \$50,000, 19 per cent fall in the \$50,000-\$99,000 range, 13 per cent in the \$100,000 to \$149,000 class, and 17 per cent are over \$150,000 (of which 13 per cent are over \$200,000). No-par value stock accounts for the remaining 19 per cent.

Slightly less than one-third of the 340 farm corporations in 1968 are clearly family-farm in nature. This is similar to the proportion shown in the 1958 study, which disclosed that in about two-thirds of the farm corporations the major stockholder was an individual who did not engage in farming as his principal occupation. That study also disclosed that the primary reason for incorporating was to limit liability rather than to obtain additional capital. The goal of incorporation was usually to separate the assets of the principal stockholder's various enterprises, rather than to raise capital by persuading others to share as investors in the enterprise with the principal stockholder, although there were instances of the latter.

II. Trends in Farm Land Sales to Non-Farmers

Additional evidence regarding trends in farm size expansion and the importance of investor buyers is provided by the annual survey of the Minnesota Rural Real Estate Market. Data from these surveys have been assembled in Table 1, showing sales made to investor buyers, expansion buyers, and operating farmers (those who buy single farms and who own only the land they have purchased).

In the ten years, 1958-67, there has been a marked increase in the proportion of expansion buyers, who are adding the land purchased to existing farms, and a corresponding decline in the proportion of operating farmers who buy single farms, and who own no other land. The trend in the sale of land to investor buyers has fluctuated from 10 to 17 per cent of all sales, and was 11 per cent in 1967.

Operating farmers can be expansion buyers, and some expansion buyers may also be investor buyers. To determine the relative importance of the two major classes of buyers, the data for 1967 were reworked in order to classify all buyers as either "operating farmers" or "investors." As reported in Table 2, this increased the relative importance of investor buyers from 11 per cent to 14 per cent in 1967.

Although still a relatively low figure, sales to investor buyers at the rate of 14 per cent of all sales in each year can bring about a major change in the land ownership pattern in the course of a relatively few years, if investors buy land, but do not sell.

III. Reasons for Incorporation

The relatively small percentage of land sales to investor buyers, and the very small proportion of corporation farms as a percentage of all farms, should