

June 25, 2005

FEFO 05-12

**GROWTH IN FARM SIZE**

Changes in tillable acres on farms enrolled in Illinois Farm Business Farm Management (FBFM) were calculated for the five-year period between 1999 and 2004. On average, farms increased tillable acres by 7%. However, considerable range in growth rates existed across farms. Over 40% of all farms lost acres during the period while 22% increased acres by more than 20%.

A total of 2,582 farms were used in this study. All types of farms had usable Economic Management Analysis data for both 1999 and 2004. The years were picked to be five-years apart so as to give growth rates over a moderately long period.

**Tillable Acres Increased 7%**

Between 1995 and 2004, the average growth rate across farms in tillable acres was 7%. Tillable acres averaged 858 acres in 1999 and 912 in 2004 (see Table 1).

Percent of owned acres did not vary between 1999 and 2004. In both years, owned acres totaled 19% of tillable acre. Shifts in rented acres occurred. The percent of share-rented acres decreased from 51% in 1999 down to 45% in 2004 while cash-rent acres increased from 30% in 1999 up to 36% in 2004.

**Table 1. Farm Size and Tenure in 1999 and 2004, Illinois FBFM Farms.**

	Year	
	1999	2004
Tillable acres	858	912
Percent acres:	Percent	
Owned	19	19
Share rented	51	45
Cash rented	30	36

**Tillable Acre Increases Show No Trend with Larger Farm Sizes**

Farms were divided into size groups based on tillable acres in 1999. The smallest category consisted of farms having 500 or less acres. Beginning with 500 acres, categories were constructed for each 500 acre increment up to 3,000 acres. Farms over 3,000 acres were placed into the largest size category.

Table 2 shows number of farms by size group. There were 739 farms with “500 or less acres” in 1999. The largest number of farms was in the “501 to 1,000 acre” group, having 1,054 farms in 1999. Number of farms decreased for the larger size groups.

Growth rates varied across farm size categories. The highest growth rate was 10% for the “500 or less acre” and “2,001 to 2,500 acre” groups (see Table 2). The lowest growth rate was 3% for the “1,501 to 2,000 acre” group.

**Table 2. Growth Rates in Tillable Acres Between 1999 and 2004 by Farm Group, Illinois FBFM Farms.**

Farm Size in 1999	Number of Farms	Average Growth Rate
	No.	Percent
500 or less acres	739	10%
501 to 1000 acres	1,054	7%
1,001 to 1,500 acres	486	6%
1,501 to 2,000 acres	184	3%
2,001 to 2,500 acres	67	10%
2,501 to 3,000 acres	31	7%
Over 3,000 acres	21	6%
<b>All farms</b>	<b>2,582</b>	<b>7%</b>

While growth rates varied across size groups, a trend in growth rates did not exist. Larger farms did not grow faster than smaller farms in percentage terms or vice versa. Differences seen in Table 2 likely were due to random chance. This, perhaps, is surprising. These rates do not suggest that larger farms have an advantage in growing the relative size of their operations compared to smaller farms. While relative growth rates do not vary, absolute acre changes across size groups do vary. A 10% increase on a 3,000 acre farm is 300 acres while a 10% increase on a 1,000 acre farm is 100 acres.

### Farm Growth Varied Across Farms

Farm growth varied tremendously across farms. For all farms in the sample, only 8% of the farms stayed the same size (see Table 3). Forty percent of the farms declined in acreage, with 21% of the farms having declines of more than 10%. Of the 60% of the farms that increased in farm size, 22% increased acres by more than 20%.

**Table 3. Farms Divided into Growth Rate Classes Between 1999 and 2004, Illinois FBFM Farms.**

Farm Size in 1999	Growth Rate Class					
	Less than -10%	Between -10.1% and -0.1%	Same Size	Between 0.1% and 10%	Between 10.1% and 20%	Greater than 20%
	Percent of Farms					
500 or less acres	23	18	17	14	5	23
501 to 1000 acres	22	17	5	22	10	24
1,001 to 1,500 acres	18	20	2	25	12	23
1,501 to 2,000 acres	17	28	1	24	12	18
2,001 to 2,500 acres	18	15	21	13	27	6
2,501 to 3,000 acres	10	26	3	35	13	13
Over 3,000 acres	12	20	20	8	24	16
<b>All farms</b>	<b>21</b>	<b>19</b>	<b>8</b>	<b>21</b>	<b>9</b>	<b>22</b>

Perhaps surprising is the number of farms that lost acres. Of all farms, 40% lost acres. Table 3 shows percent of farms growing by different rates by size group. All size groups had at least 30% of their farms lose acreage. Hence, the phenomenon of losing acres is not confined to small or large farms. While the reasons for losing acreage is not known, it is highly likely that many, if not most, farms lost acres that they wish they could have kept farming. These statistics suggest that losing acres is a real possibility and a very real farming risk.

## Summary

Farms will continue to grow into the future. It is also likely that a significant portion of farms will lose acres, particularly as competition among farmers for farmland continues and perhaps grows. The chance of losing farmland is a source of risk that should be considered when conducting financial plans or projecting financial performance into the future.

## Acknowledgments

Data used in this study comes from the local Farm Business Farm Management (FBFM) Associations across the State of Illinois. Without their cooperation, information as comprehensive and accurate as this would not be available for educational purposes. FBFM, which consists of 6,000 plus farmers and 62 professional field staff, is a not-for-profit organization available to all farm operators in Illinois. FBFM field staff provides on-farm counsel with computerized recordkeeping, farm financial management, business entity planning and income tax management. For more information, please contact the State FBFM Office located at the University of Illinois Department of Agricultural and Consumer Economics at 217-333-5511 or visit the FBFM website at [www.fbfm.org](http://www.fbfm.org).

Issued by: Gary Schnitkey, Department of Agricultural and Consumer Economics