

Distribution of Farm Activity by Sales

The paper states that "The large portion of extremely small scale farms is striking.....most of these small farms report losses for tax purposes". How the analysis can come to this kind of conclusion is very striking in itself. For one thing there is a large portion of beginning farmers who start out on a small scale in the hope that they will have a larger more viable operation in the future. Many of these individuals are working off-farm and ploughing all this extra income into their farms. Most well established farmers today pursued the same route to attain the operations they have today. Before anyone can accept the conclusion of the analysis that "these small farms report losses for tax purposes" one has to examine how much of their off-farm earnings are being invested into their farm businesses. Another factor that must be understood is that to start any business there are start-up costs which generally exceed income for a number of years. Unfortunately, farm profit during the last number of years has been very marginal and therefore has extended the time to establish the business on a profitable basis. Add to this, the increasing capital requirement of farming today which only adds to the time and extra income requirements to get established.

Finally, the distribution of size in farming should not be anymore striking than any other business or situation. According to Pareto's law, one will always find that about 20% of the businesses will have about 80% of the sales. A good example would be grocery stores, but we hope that government will not take action and set policies to