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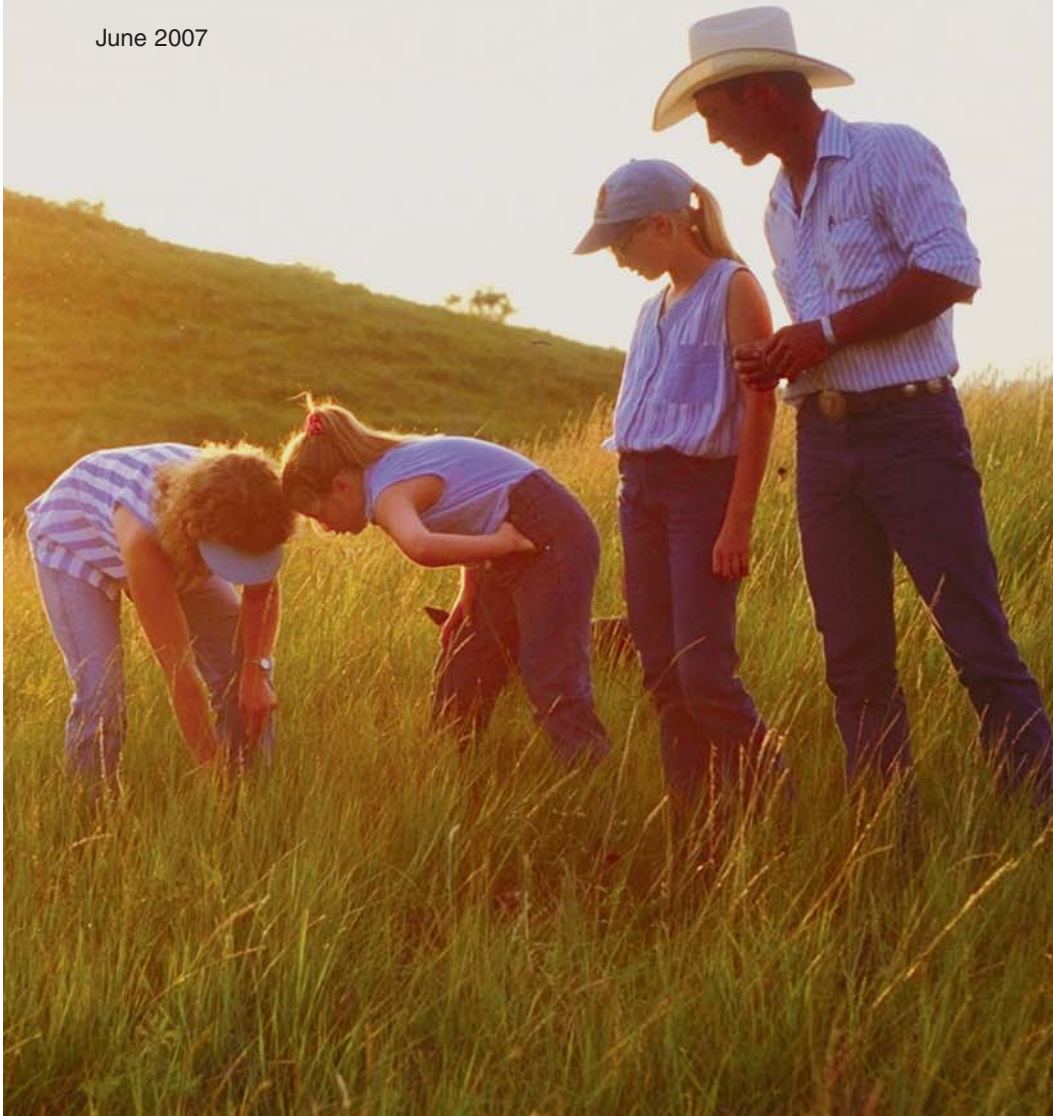
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America's Diverse Family Farms

2007 Edition



America's Diverse Family Farms

American farms encompass a wide range of sizes, ownership structures, and business types. A farm classification developed by USDA's Economic Research Service (ERS) categorizes farms into more homogeneous groupings for reporting and evaluation purposes. The typology is based largely on farm sales, organization, and the farm operator's primary occupation.

Farm Types for 2004

The farm classification developed by ERS focuses on the "family farm," or any farm organized as a sole proprietorship, partnership, or family corporation. Family farms exclude farms organized as nonfamily corporations or cooperatives and farms with hired managers.

Small Family Farms (sales less than \$250,000)

- **Limited-resource.** Farms with gross sales less than \$100,000 in 2003 and less than \$105,000 in 2004.¹ Operators of limited-resource farms must also receive low household income in both 2003 and 2004. Household income is considered low in a given year if it is less than the poverty level for a family of four, or it is less than half the county median household income. Operators may report any major occupation except hired manager.
- **Retirement.** Small farms whose operators report they are retired (excludes limited-resource farms operated by retired farmers).
- **Residential/lifestyle.** Small farms whose operators report a major occupation other than farming (excludes limited-resource farms with operators who report nonfarm work as their major occupation).
- **Farming-occupation.** Farms whose operators report farming as their major occupation (excludes limited-resource farms whose operators report farming as their major occupation).
 - **Low-sales.** Gross sales of less than \$100,000.
 - **Medium-sales.** Gross sales between \$100,000 and \$249,999.

Large-Scale Family Farms (sales of \$250,000 or more)

- **Large family farms.** Farms with sales between \$250,000 and \$499,999.
- **Very large family farms.** Farms with sales of \$500,000 or more.

Nonfamily Farms

- **Nonfamily farms.** Farms organized as nonfamily corporations and cooperatives, as well as farms operated by hired managers. Also includes farms held in estates or trusts.

¹The original gross sales cutoff was established at \$100,000 for 2003. The cutoff for subsequent years is adjusted by the index of prices paid by farmers.

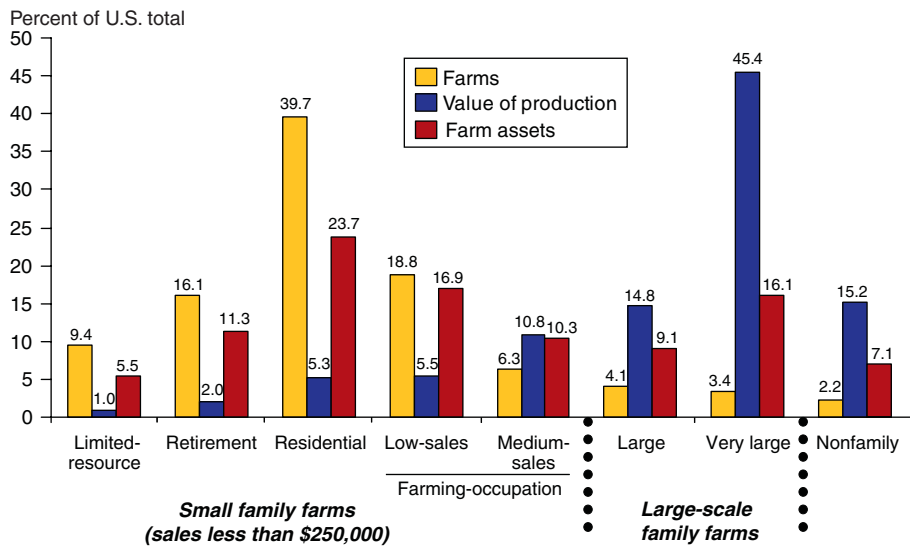
Cover photo: USDA, Natural Resources Conservation Service.

Farms, Assets, and Production

Most farms are small, and most farm assets are on small farms, but small farms account for only 25 percent of production.

- Ninety percent of farms are small, and these farms account for 68 percent of farm assets, including 61 percent of the land owned by farms.
- Large-scale family farms and nonfamily farms account for 75 percent of production.
- Family farms of different sizes account for 98 percent of farms and 85 percent of production.

Distribution of farms, value of production, and farm assets, 2004



Differences among farm types are illustrated in this brochure using 2004 data from the Agricultural Resource Management Survey, an annual survey conducted by USDA's Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). Data from various censuses of agriculture are used to follow trends over time.

For more information about the diversity of U.S. farms, see ERS's **Structure and Finances of U.S. Farms: Family Farm Report, 2007 Edition**.

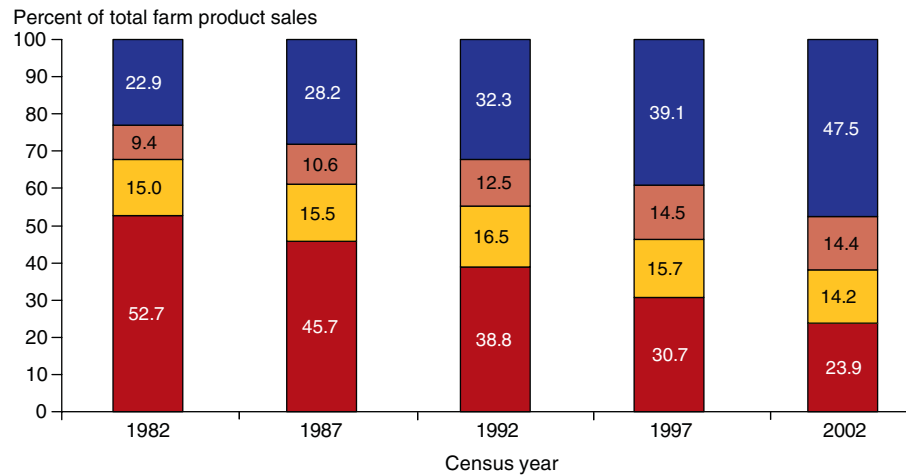


Shifts in Production to Million-Dollar Farms

Sales of farm products have shifted to million-dollar farms (sales of \$1,000,000 or more, in 2002 dollars) over the past two decades

- Million-dollar farms—less than 2 percent of all farms—accounted for 48 percent of the sales of farm products in 2002, up from 23 percent in 1982.
- At the same time, the share of sales by farms with less than \$250,000 fell from 53 percent to 24 percent.
- The most common specializations among million-dollar farms are specialty crops (27 percent of the group), poultry (19 percent), dairy (14 percent), and hogs (10 percent).
- Most million-dollar farms (88 percent) are family operations. Less than 1 percent of million-dollar farms are operated by large, publicly held corporations.

Farm product sales by constant-dollar sales class (2002 dollars), 1982 to 2002



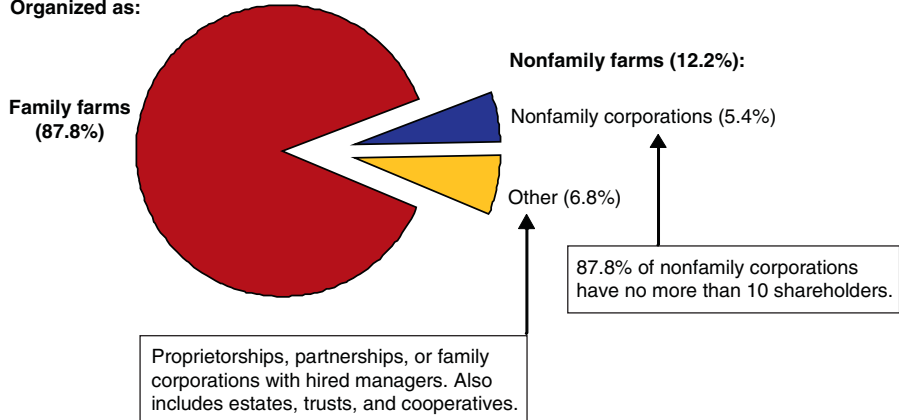
Sales class: ■ \$1,000,000 or more ■ \$500,000-\$999,999 ■ \$250,000-\$499,999 ■ Less than \$250,000

Note: Sales are expressed in constant 2002 dollars, using the Producer Price Index for farm products to adjust for price changes.

Organization of farms with gross sales of \$1 million or more, 2004

Total number of million-dollar farms = 34,480

Organized as:

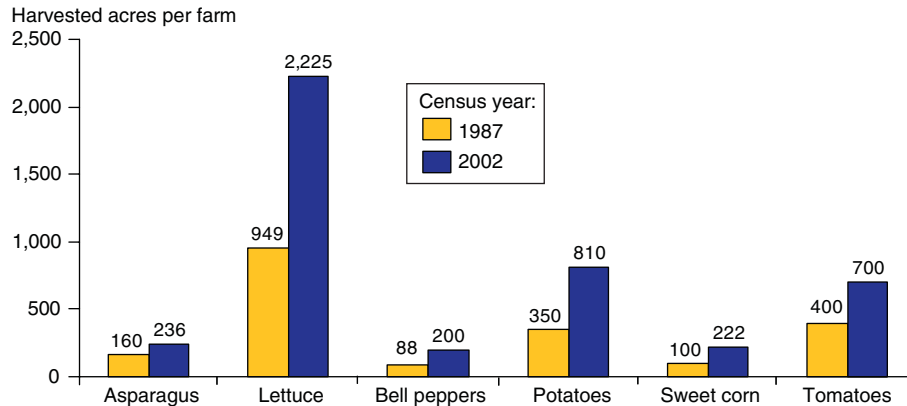


Increase in Typical Enterprise Size

The shift of sales to larger sales classes is reflected by an increase in typical enterprise size over time.

- Between the 1987 and 2002 Censuses of Agriculture, typical acres harvested roughly doubled for most types of vegetables, as well as for field crops.
- We use animals to define typical livestock enterprise sizes. In 1987, half of all hog sales came from farms selling 1,200 or fewer hogs, and half from farms selling more. By 2002, that typical enterprise size rose to 23,400 hogs.
- Typical fattened cattle and dairy enterprises also grew in size, approximately doubling and tripling (respectively) over the 15-year period.

Change in typical enterprise size for selected vegetables, 1987 to 2002



Note: "Typical enterprise size" is the median acres harvested of a particular vegetable. Half of all harvested acres of a vegetable came from farms harvesting more than the typical acreage, and half came from farms harvesting less. Enterprise size differs from farm size because a farm may have multiple crop or livestock enterprises.

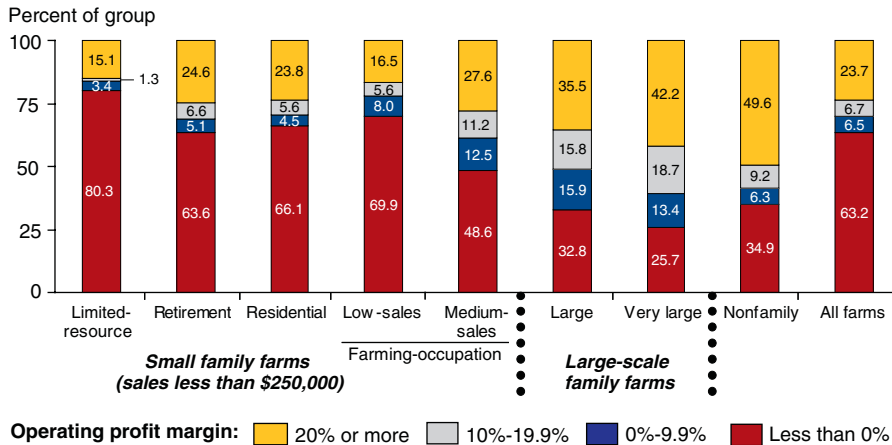


Farm Financial Performance

Small farms are more likely to have a negative profit margin, but some are profitable.

- Nearly half or more of the farms in each small farm type had a negative operating profit margin in 2004.
- Other small farms were more profitable—between 15 and 28 percent of each small farm group had an operating profit margin of at least 20 percent.
- Nevertheless, an even greater share of large-scale farms had operating profit margins that high, and most large-scale farms had positive margins.
- Only 3 percent of U.S. farms are classified as vulnerable (negative net farm income and debt/asset ratio greater than 40 percent), and 56 percent of these farms are residential/lifestyle.

Farms by operating profit margin, 2004



Note: Operating profit margin = 100% X (net farm income + interest paid - charge for unpaid operators' labor and management)/gross farm income.



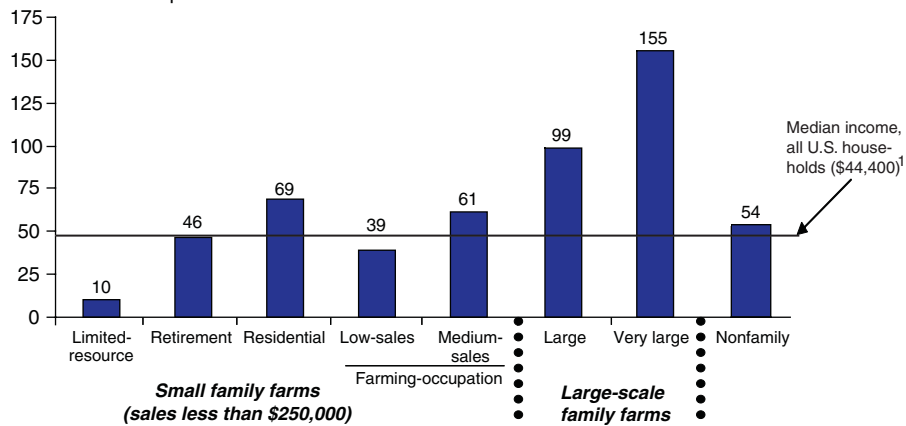
Farm Operator Household Income

Most types of farm households have a median income at or above the median for all U.S. households, when both farm and off-farm sources of income are considered.

- Only two types of farm households—those operating limited-resource and low-sales farms—have a median household income substantially below the median for all U.S. households.
- Operators of small farms (especially if farming is not their major occupation) often report losses from farming.
- Off-farm work provides the primary source of income for most types of farm households.

Median income of operator households, 2004

Thousand dollars per household



Note: Median income falls at the midpoint of the distribution of households by income, dividing households into two groups. Half of the households have income above the median, while the other half have income below that level. Farm household income is not estimated for nonfamily farms.

¹Median income for all U.S. households is from the U.S. Census Bureau, 2005 Current Population Survey.



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Average (mean) farm operator household income by source, 2004

Type of farm operated	Total average income	Income from farming		From off-farm sources		
		Amount	Negative	Total	Earned ¹	Unearned ¹
	<i>Dollars per household</i>	<i>Percent of households</i>		<i>..... Dollars per household</i>		
Small family farms:						
Limited-resource	7,680	-5,902	72.1	13,582	3,463	10,118
Retirement	62,468	4,128	50.8	58,339	20,252	38,087
Residential/lifestyle	96,515	-365	64.4	96,879	83,548	13,331
Farming-occupation:						
Low-sales	63,043	4,925	44.4	58,118	36,950	21,168
Medium-sales	70,365	34,354	24.6	36,011	26,241	9,769
Large-scale family farms:						
Large family farms	125,120	80,250	16.8	44,870	33,238	11,633
Very large family farms	272,527	225,094	16.3	47,434	29,320	18,114
All family farms	81,596	14,317	52.8	67,279	48,818	18,461

Note: Farm household income is not estimated for nonfamily farms.
¹Earned income comes from off-farm self-employment or wage or salary jobs. Unearned income includes interest and dividends, benefits from Social Security and other public programs, alimony, annuities, net income of estates or trusts, private pensions, etc.

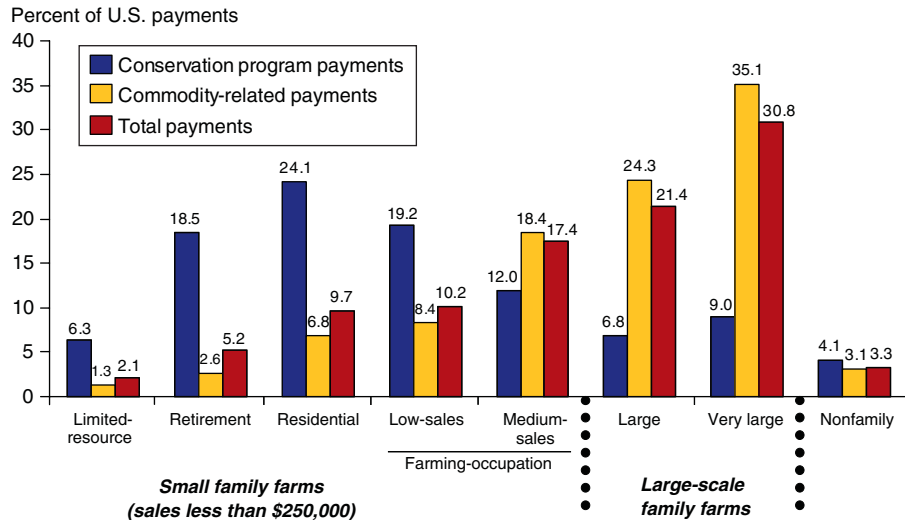


Government Payments

Government payments go primarily to family farms, but commodity-related payments tend to go to large-scale family farms, while conservation payments tend to go to small family farms.

- Commodity program payments reflect acreage in crops historically eligible for support; 59 percent went to family farms with at least \$250,000 in sales in 2004.
- Conservation and commodity payments are distributed among different farms; 80 percent of conservation payments went to family farms with less than \$250,000 in sales.
- Because commodity-related payments make up 83 percent of all government payments, the distribution of total government payments and commodity-related payments is similar.
- The share of farms receiving government payments is particularly high for medium-sales small farms and large-scale farms, largely due to their participation in commodity-related programs.

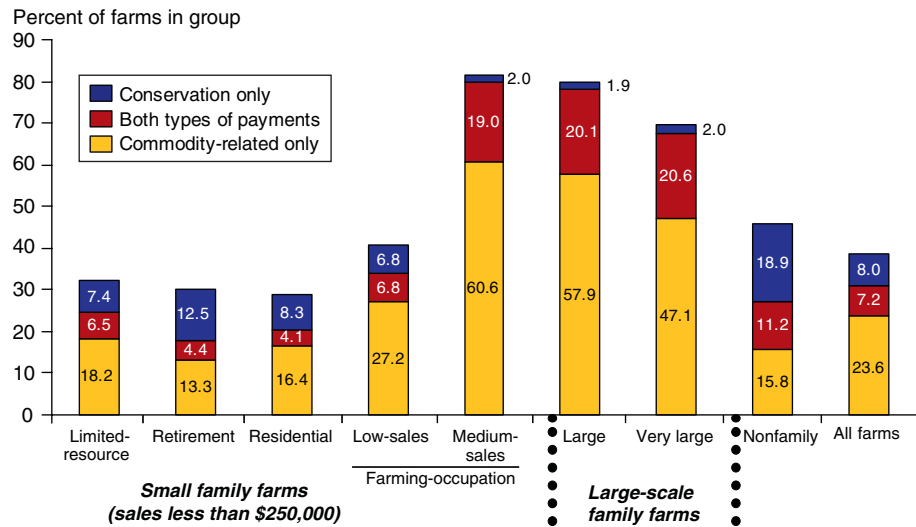
Distribution of government payments by type of payment, 2004



Conservation programs: Conservation Reserve Program (CRP), Wetlands Reserve Program (WRP), and Environmental Quality Incentives Program (EQIP) payments.

Commodity-related programs: Direct payments, countercyclical payments, loan deficiency payments, marketing loan gains, net value of commodity certificates, peanut quota buyout, milk income loss contract payments, agricultural disaster payments, etc.

Farms receiving government payments by type of payment, 2004



Sources of Data on Government Payments

The Agricultural Resource Management Survey (ARMS) relies entirely on responding farm operators for program-related information and records only the payments that they report receiving. In contrast, administrative data—based on payment records kept by the agencies involved—also include payments received by people who do not farm, mainly nonoperator landlords. Thus, the survey shows different levels and composition of government payments than do administrative data. The advantage to ARMS is that it includes detailed information about the farms and operators receiving the payments. Administrative data contain limited information about recipients of government payments.



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Farm Policy and Family Farms

- **Sales of farm products shifted dramatically to farms with sales of \$1,000,000 or more between the 1982 and 2002 Censuses of Agriculture.** Most of these million-dollar farms are organized as family farms, and those organized as nonfamily corporations generally have no more than 10 stockholders.
- **Farming is still an industry of family businesses.** Ninety-eight percent of farms are family farms, and they account for 85 percent of farm production.
- **Different farm policies affect distinctly different sets of farmers.** Commodity program payments largely flow to large and very large family farms, and are shifting toward such farms along with production. Policies addressing natural resource and conservation concerns, which are often based on land ownership, have stronger impacts on smaller family farms.
- **The nonfarm economy is critically important to operators of small family farms.** Because small-farm households rely on off-farm work for most of their income, general economic policies, such as tax or economic development policy, can be as important to them as traditional farm policy.

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