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93rd Annual Agricultural Outlook Forum
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United States Department of Agriculture

Trends in Farm Household Income and Assets

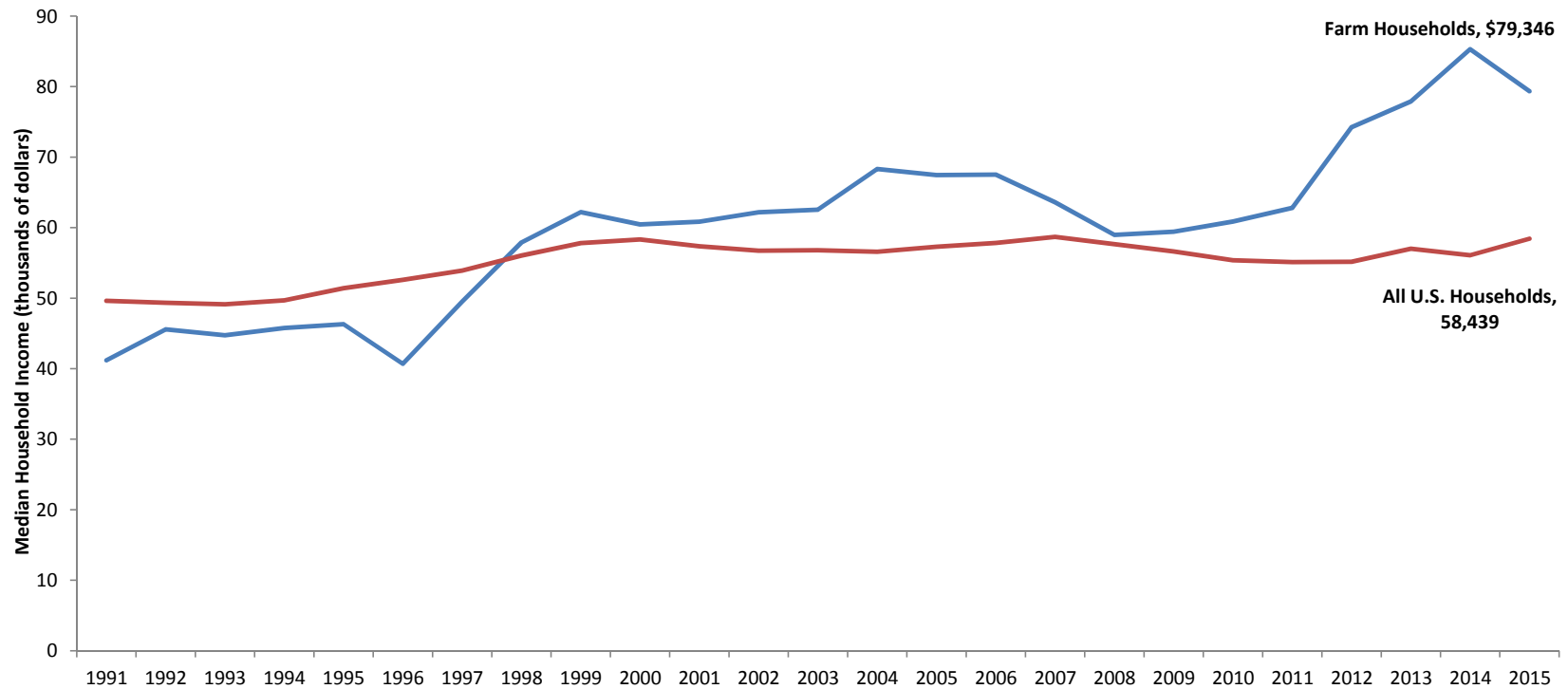
Daniel Prager
Economic Research Service
February 23rd, 2017

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Farm Household Income Has Increased Over Time



Note: nominal dollars have been deflated to 2017 dollars using the GDP Implicit Price Deflator Series (GDPDEF)

Average annual growth rate since 1991

- Farm Households: 2.7%
- U.S. Households: 0.7%

Sources: Agricultural Resource Management Survey (1996-2015); Farm Costs and Returns Survey (1991-1995); U.S. Census Bureau (1991-2015)



Take-Away Points from the Farm Sector Forecast

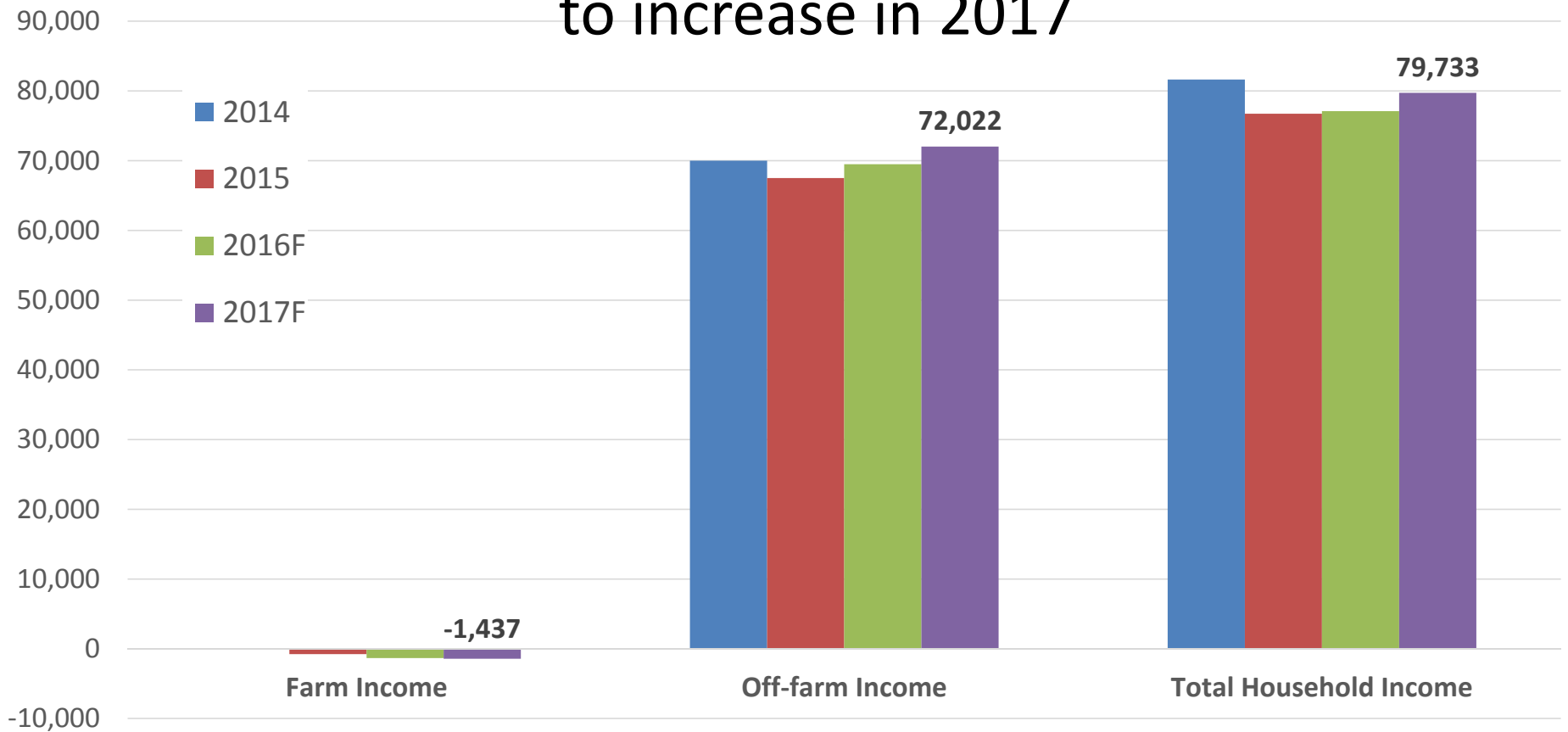
- U.S. net farm income expected to decrease 8.7% in 2017
- But, net cash income is up 1.8% over last year
 - Steady to higher for most crop farms (due to inventory sales)
 - Cash receipts down or flat for most livestock farms
- Additional stress on certain leveraged farms
- Government payments expected to fall 4 percent

Farm households rely on farm income to varying degrees

Farm Household Income = Farm Income + Off-farm Income



Median Income of farm households expected to increase in 2017



Sources: Agricultural Resource Management Survey 2014-15, ERS Forecasts



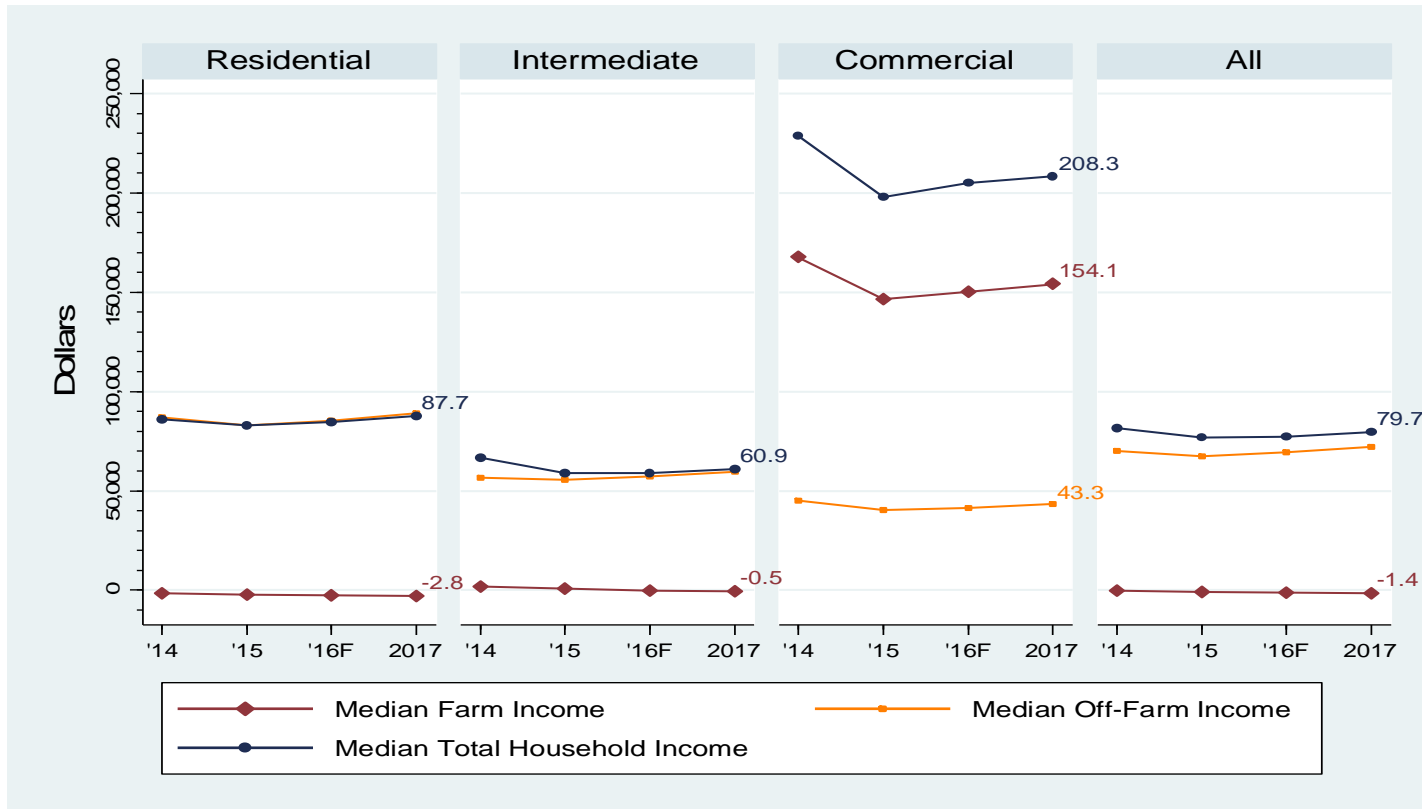
Households exhibit varying degrees of dependence on net farm income

Types of family farm households in ERS typology:

- **Residence farm households**
 - Farming is not primary occupation
 - 1.22 million households
 - Typical household loses money on farm
- **Farm businesses households**
 - Primary occupation farming or \$350,000 in gross cash income
 - 817,000 households: 77% Intermediate, 23% Commercial
 - **Intermediate farm households** (<\$350,000 in gross cash income)
 - Derive <10% of income from farm business on average
 - **Commercial farm households** (>\$350,000 in gross cash income)
 - Receive three-fourths of income from farming on average



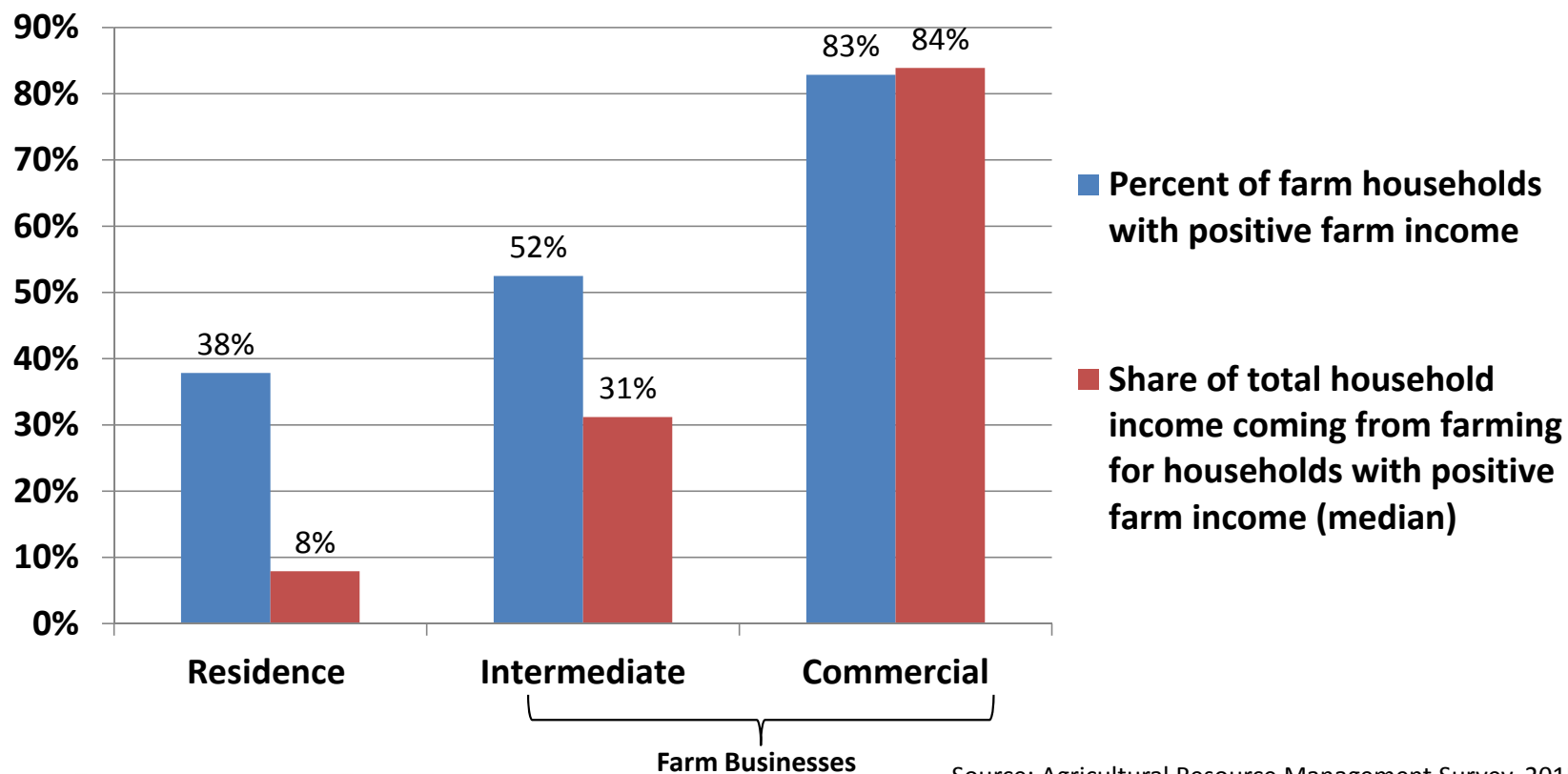
Farm Income Contributes the Majority of Commercial Farm Household Income



Source: Agricultural Resource Management Survey, 2014-15
ERS Forecasts



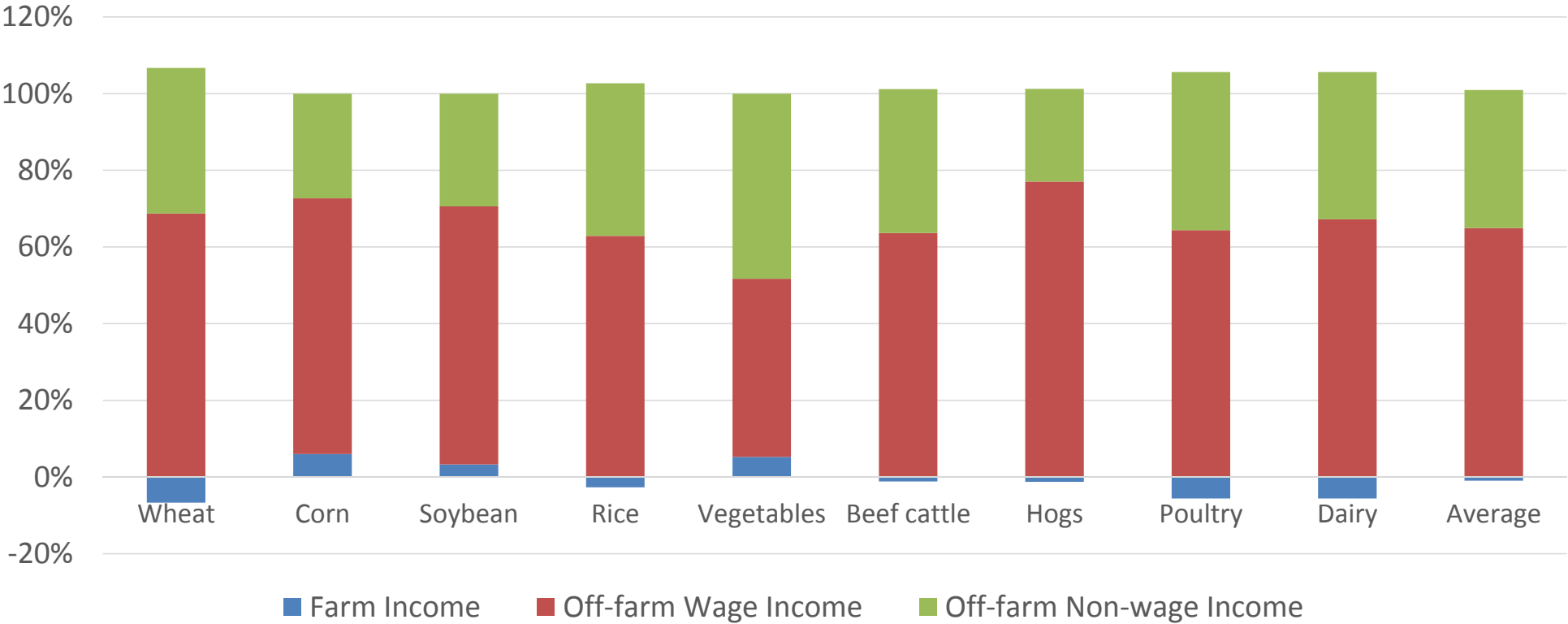
Residence and Intermediate Farms Derive More Household Income from Off-farm Sources



Source: Agricultural Resource Management Survey, 2015



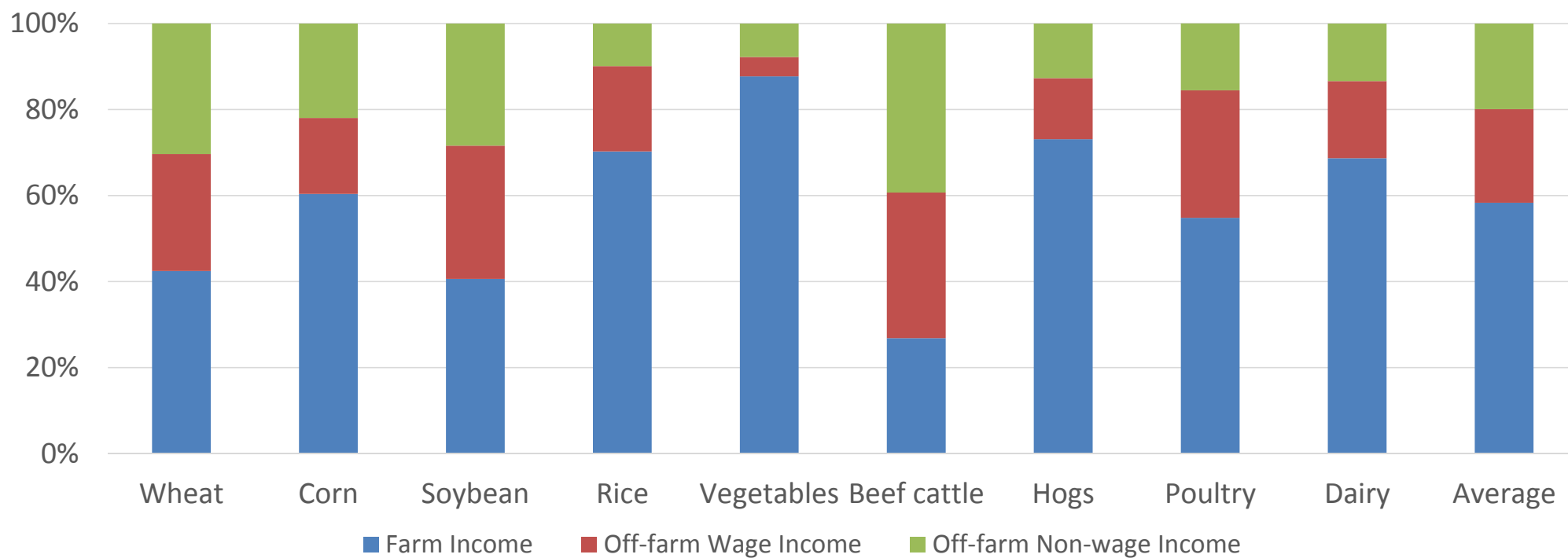
Most residence farm households earn little on-farm income



Source: Agricultural Resource Management Survey, 2015



Farm Business Households Have Varied Income Sources

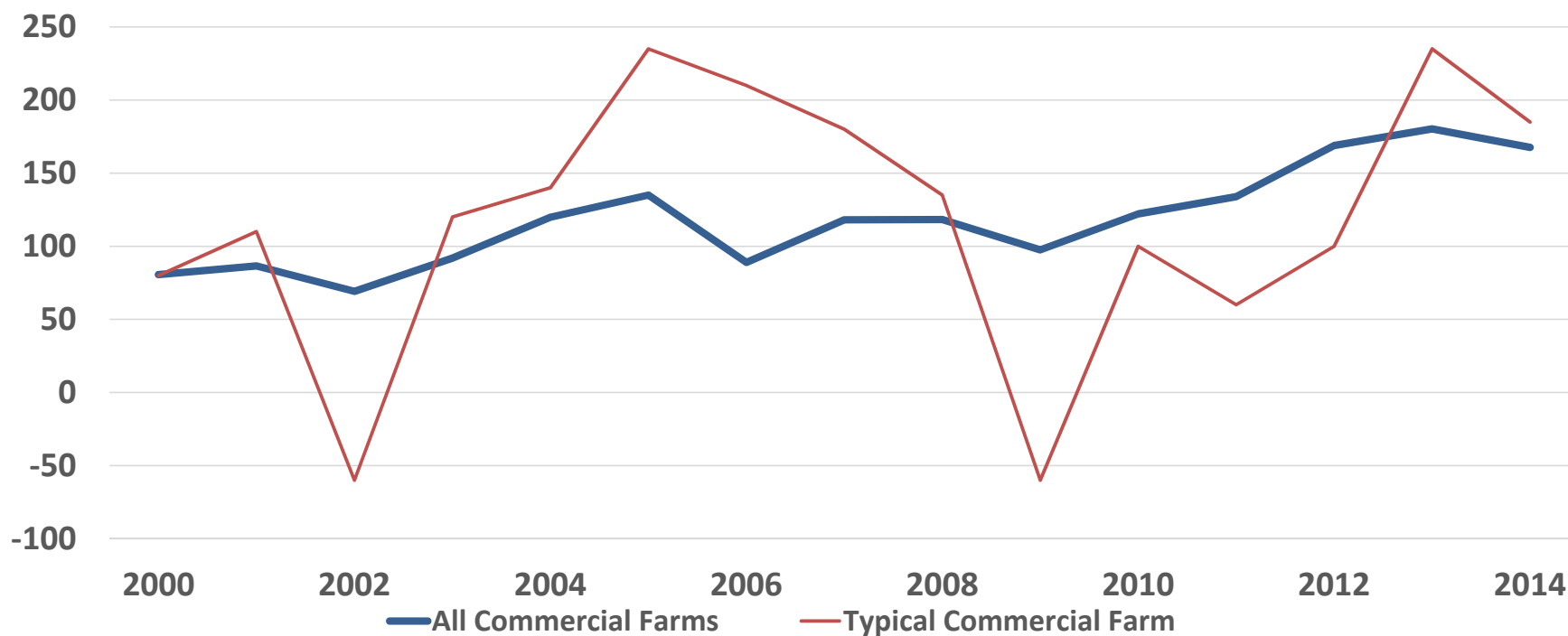


Source: Agricultural Resource Management Survey, 2015



Commercial Farm Households Earn Higher Incomes but Also Experience Substantial Volatility

\$ thousands (2014 dollars)



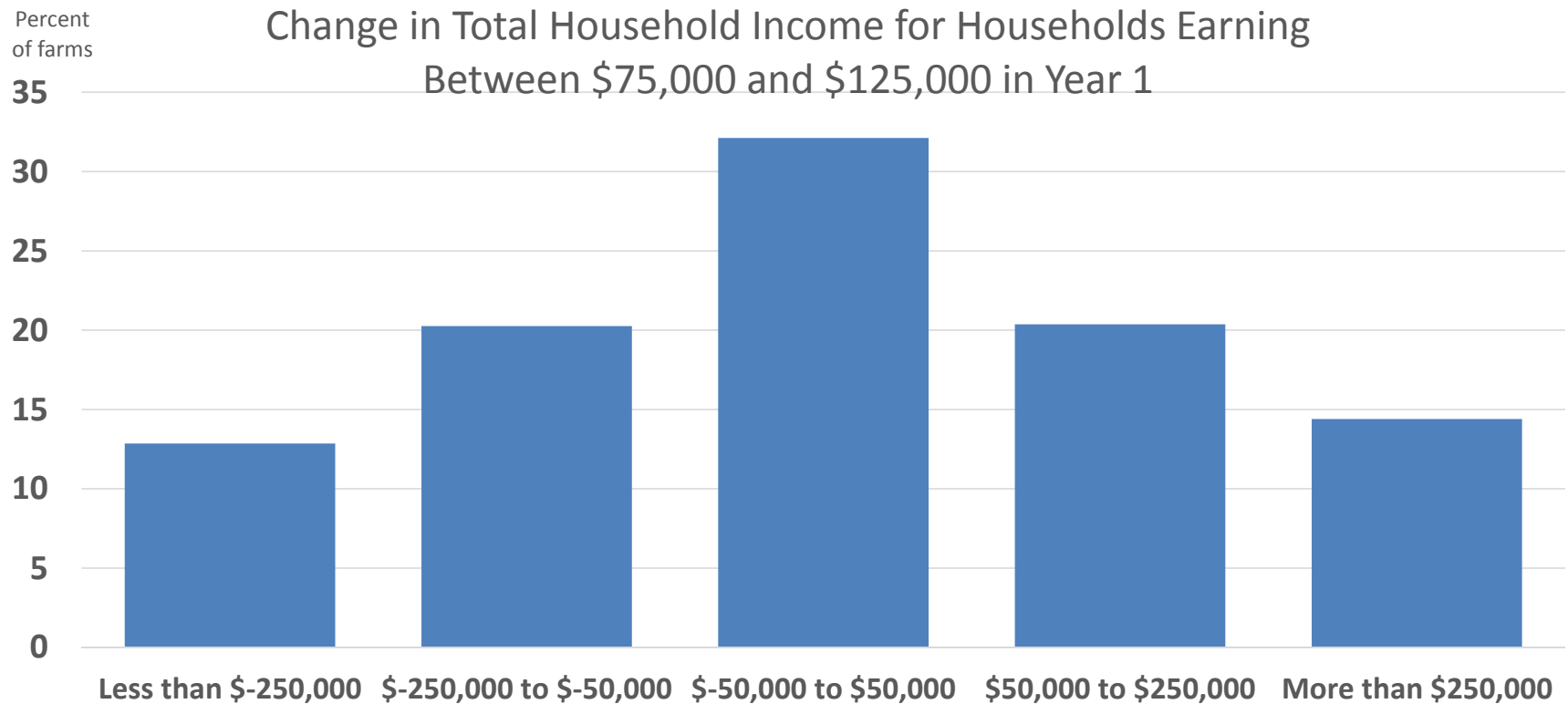
Source: Agricultural Resource Management Survey, 2000-2014



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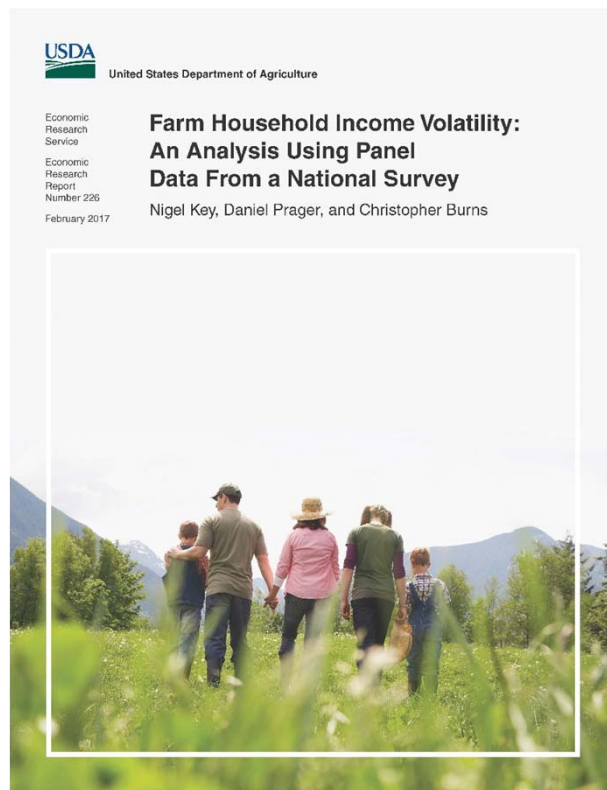
Households Experience Large Year-to-Year Variation



Source: Agricultural Resource Management Survey 1996-2013



Farm Household Income Volatility Report



Main findings:

- Farm household volatility much higher than non-farm households
- Off-farm income negatively covaries with farm income and mitigates farm income shocks.
- Government payments, especially countercyclical and crop insurance payments can help mitigate farm income shocks.

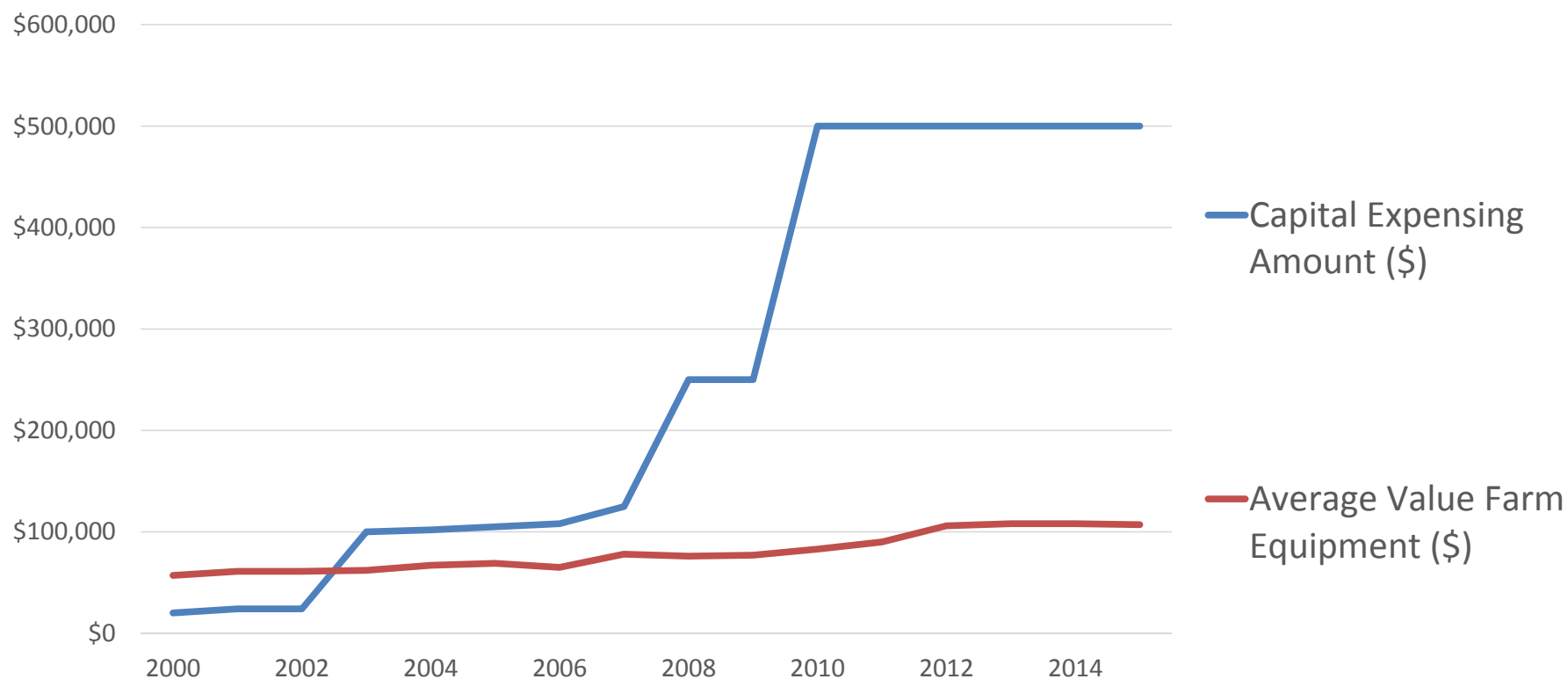


Farm Operations Provide Value to Households

- Over 2 million households own farms in the U.S., despite production consolidation in many farm sectors
- Households may hold large and small farms for different reasons
 - Large farms are usually profitable
 - Although, 18% of commercial farms lost money in 2015
 - Residence farms typically lose money but have other benefits
 - Keep for hobby/lifestyle
 - Retain to pass on to next generation
 - Tax benefits
 - Land appreciation



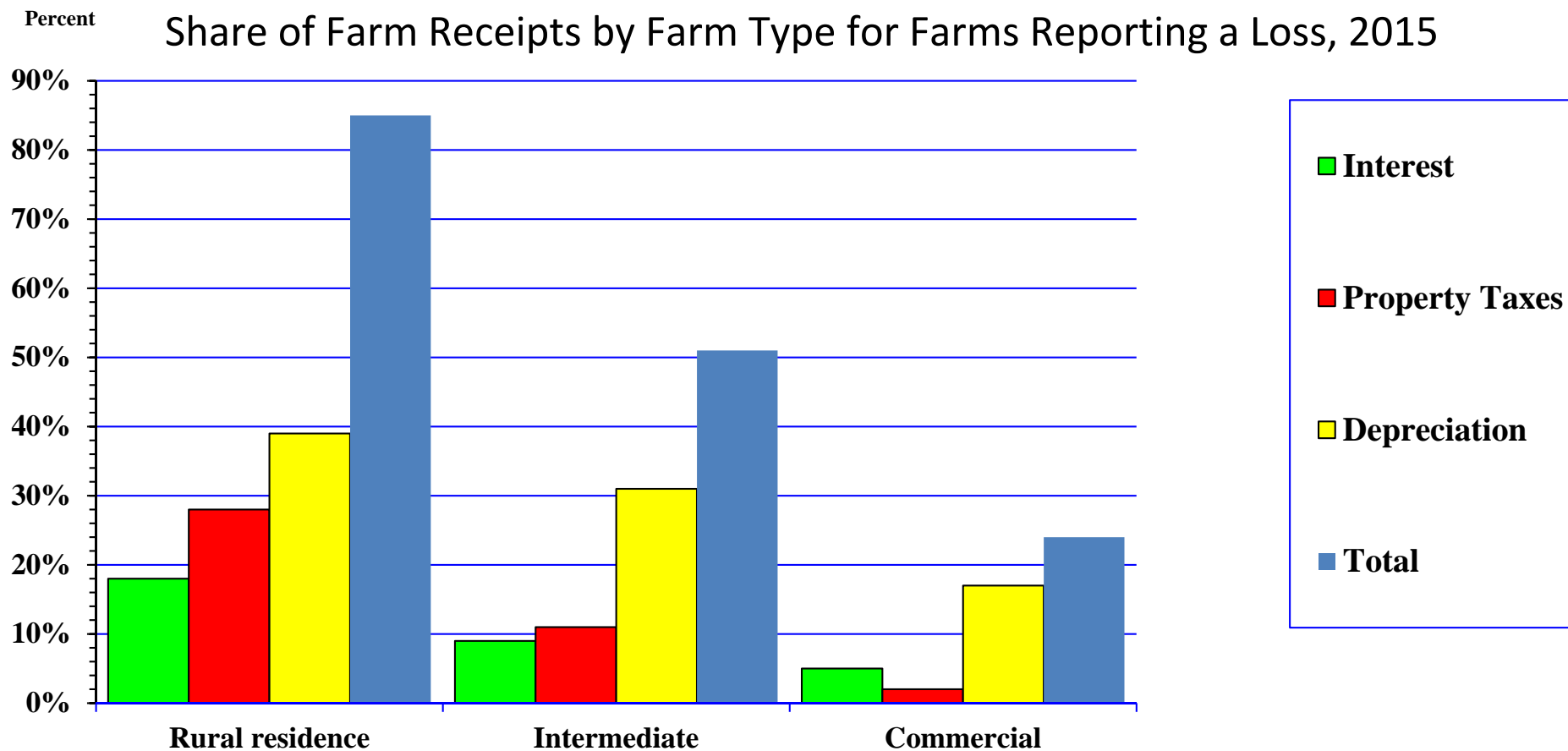
Tax law changes allow greater amounts of capital to be expensed



Source: Agricultural Resource Management Survey, 2000-2015



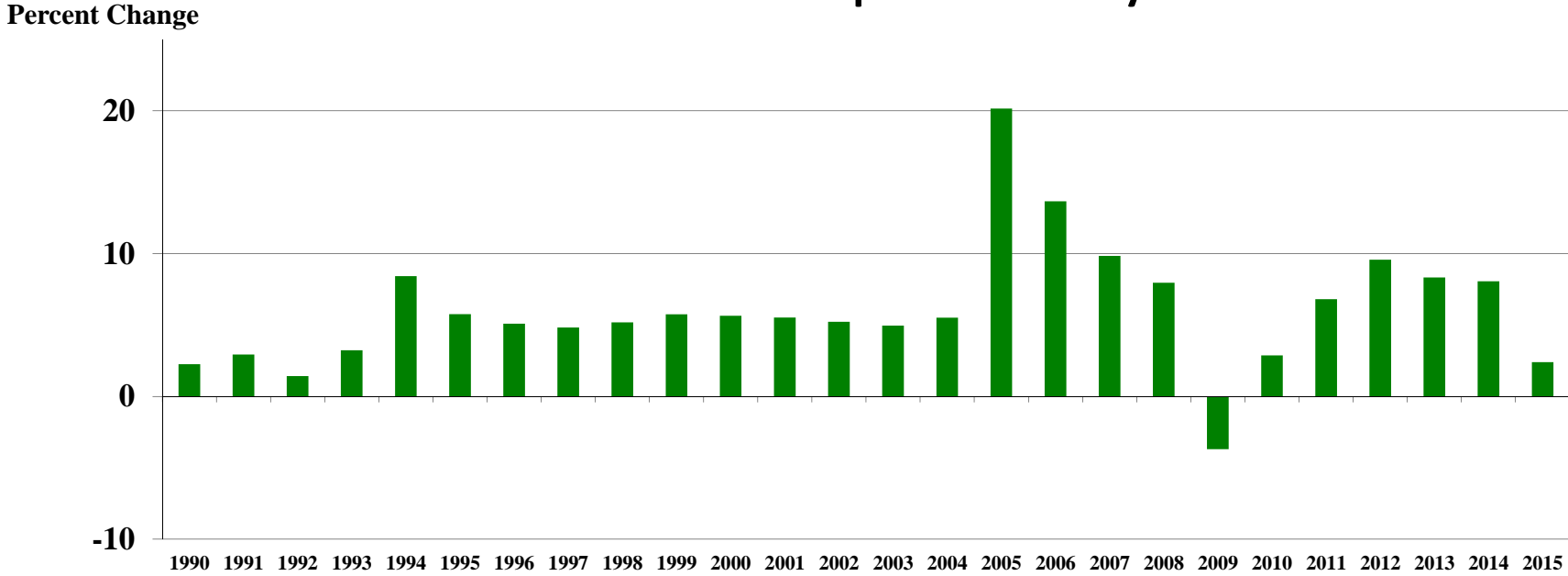
Interest, Property Taxes, and Depreciation Expenses as a Share of Farm Receipts by Farm Type for Farms Reporting a Loss, 2015



Source: ERS analysis of Agricultural Resource Management Survey



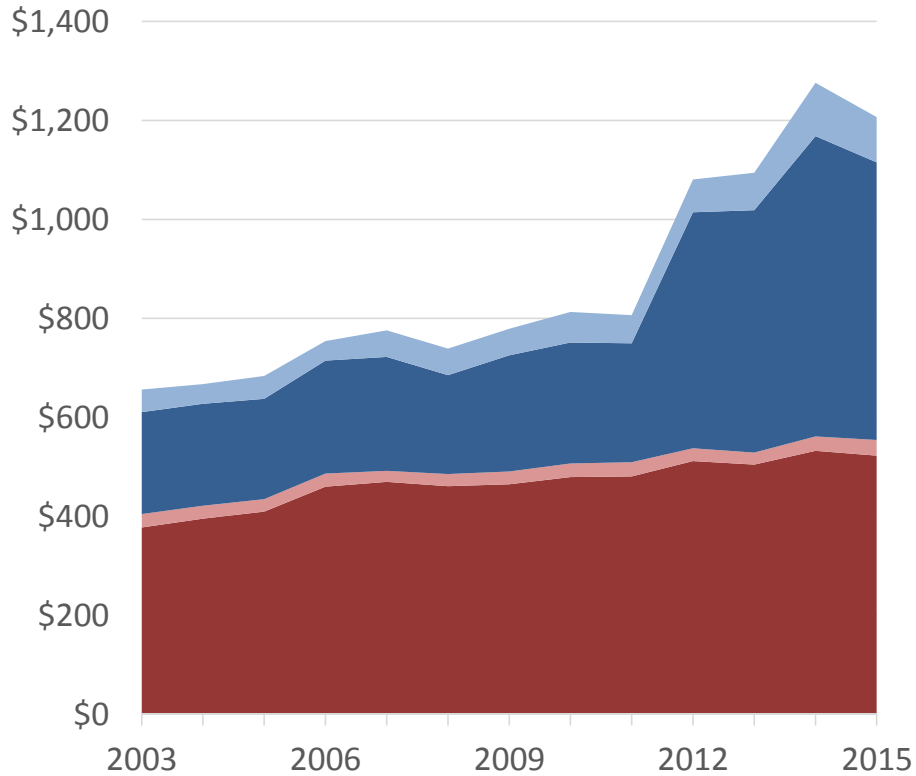
In most years from 1990-2015, real estate values rose relative to the previous year.



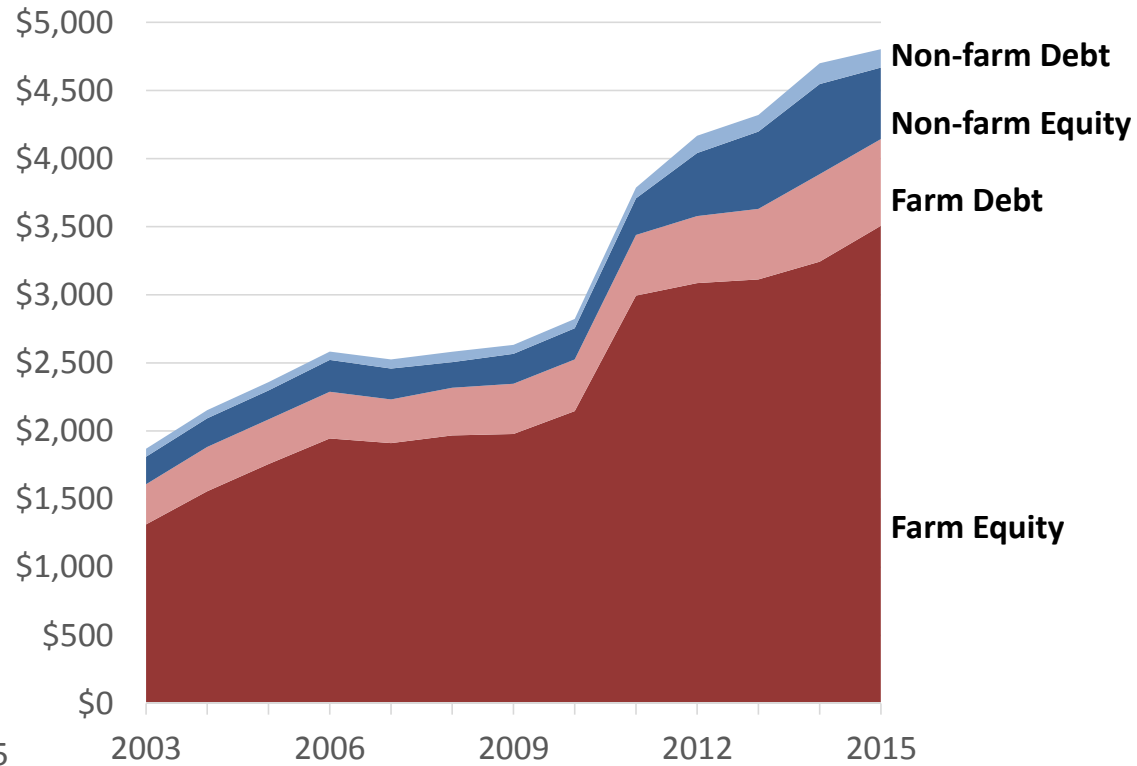
Source: USDA-ERS using data from NASS.



Mean Household Assets Have Grown for All Farms



Residence Farm Households



Commercial Farm Households



Conclusions

- **From the forecast:** Farm household income looks stable on average over 2016 and 2017. Many farm households have diversified income sources, and farm household assets have grown.
- **From our recent report on volatility:** Farm household income is volatile, more so than for non-farm households. But, off-farm income and government payments reduce overall volatility.
- **Additionally:** Data indicate benefits from keeping a farming operation that aren't included in net cash farm income. Similar to non-farm businesses, there are benefits from tax losses, equipment expensing, and land value appreciation.



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- Household Data Pages
 - Household Well-being Topic Page: <http://www.ers.usda.gov/topics/farm-economy/farm-household-well-being.aspx>
 - Farm Household Income and Characteristics Data Product: <http://www.ers.usda.gov/data-products/farm-household-income-and-characteristics.aspx>
 - Web query tool: <http://www.ers.usda.gov/data-products/arms-farm-financial-and-crop-production-practices.aspx>

