



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*



Record High Farm Sector Income— What Does it Mean?

ERS is forecasting a new record high for net farm income in 2004. Increasing for the third consecutive year, net farm income is predicted to grow by 24.5 percent over 2003. Increases in crop and livestock receipts and small increases in production costs pushed farm incomes up, reducing the need for government support payments. Good news? Surely, but for whom?

U.S. agriculture is incredibly diverse and, as usual, statistics reporting averages (and in this case even the total) mask a lot of what is happening with incomes across the sector. To get a closer look at what is happening to the sector, one needs to consider the diversity of farms. For example, farms vary widely in terms of size and in their dependence on farming for household income. Very large family farms, which are relatively few in number but represent the bulk of production, depend primarily on farm income and, thus, fare quite well in this environment of steadily increasing farm income. But, what about everybody else?

The operators of small, medium, and large family farms—which represent about two-thirds of all U.S. farms—choose farming for a variety of reasons, including lifestyle, and do not typically depend on farming as their main source of income. In fact, most of these operators work full-time off the farm. Farming is not their principal occupation. Because most of their income depends on off-farm employment, their economic welfare depends more on the general economic trends driving the rest of the economy.

So, while the farm sector as a whole is seeing record growth in total net farm income, the growth in average income for all farm households is considerably more modest and more in line with U.S. households in general. To appreciate the economic well-being of farm households, we need to look beyond just the indicators for average farm income and consider the diversity of farms and their farm and nonfarm sources of income and wealth.

Robbin S. Shoemaker
Associate Director
Resource Economics Division, ERS

Amber Waves is published five times per year (February, April, June, September, and November) by the U.S. Department of Agriculture, Economic Research Service.

To subscribe, call 1-800-999-6779 or 703-605-6060, weekdays 8:30-5:00 ET. Subscription price is \$49.95 per year (to U.S. addresses). Call for prices for subscriptions sent to foreign addresses.

Send questions, requests, and letters to Sheila Sankaran, Editor, *Amber Waves*, USDA/ERS, Rm. N4165, 1800 M St., NW., Washington, DC 20036-5831, or to ssankaran@ers.usda.gov.

The editorial content of this magazine is in the public domain and may be reprinted without permission. Unless otherwise noted, the Economic Research Service, U.S. Department of Agriculture, is the source for all charts and tables shown in this magazine, although the underlying raw data often come from other agencies.

Cover photo: Detail from facade of Smithsonian's Arts and Industries Building taken by Stephen Peterson. Designed in a High Victorian style by the Washington architectural firm of Cluss and Schulze, it opened in 1881 in time for the inaugural ball of President James A. Garfield.

Use of commercial and trade names does not imply approval or constitute endorsement by USDA.

EDITORIAL BOARD:

Sheila Sankaran,
Executive Editor
James Blaylock
Mary Bohman
Stephen Crutchfield
Adrie Custer
Joy Harwood
Michael LeBlanc
Mary Maher
Thomas McDonald
Robbin Shoemaker
Keith Wiebe

MANAGING EDITORS:

Linda Hatcher
Dale Simms
John Weber

GRAPHIC DESIGNERS:

Cynthia Ray, Art Director
Susan DeGeorge
Anne Pearl
Victor B. Phillips, Jr.
Wynnicke Pointer-Napper
Curtia Taylor

ASSOCIATE EDITORS:

Nancy Cochran
Rosanna Mentzer Morrison
Carolyn Rogers
Carmen Sandretto

WEB DESIGNERS:

Karl Gudmunds
Lou King
Stephen Peterson
Matt Poyner

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410, or call (202) 720-5964 (voice and TDD). USDA is an equal opportunity provider and employer.