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United States Department of Agriculture

USDA's  
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# Agricultural Outlook Forum

## A New Horizon: The Future of Agriculture

February 23-24, 2017 • Crystal Gateway Marriott Hotel, Arlington, Virginia

Presentation from the USDA Agricultural Outlook Forum 2017

United States Department of Agriculture  
93<sup>rd</sup> Annual Agricultural Outlook Forum  
“A New Horizon: The Future of Agriculture”

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United States Department of Agriculture

# Trends in Farm Household Income and Assets

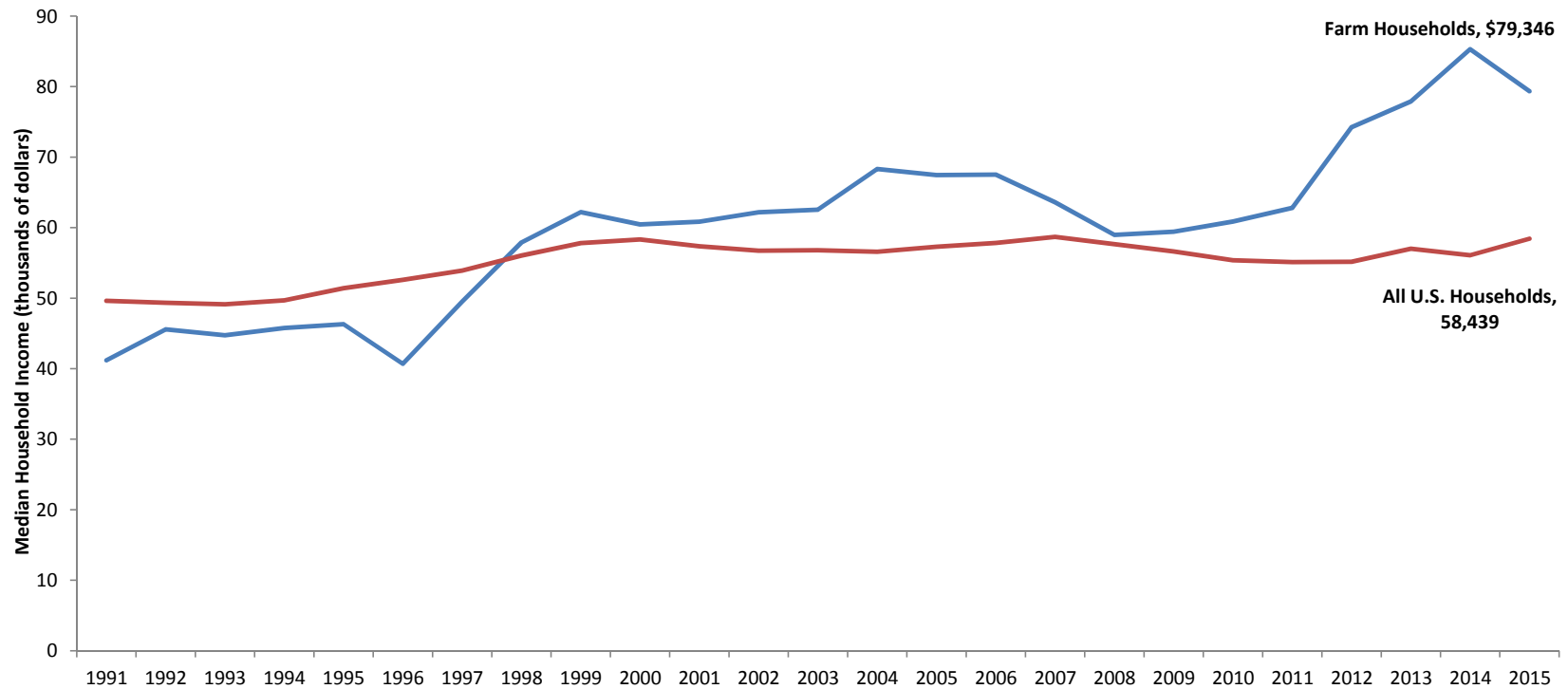
Daniel Prager  
Economic Research Service  
February 23<sup>rd</sup>, 2017

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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

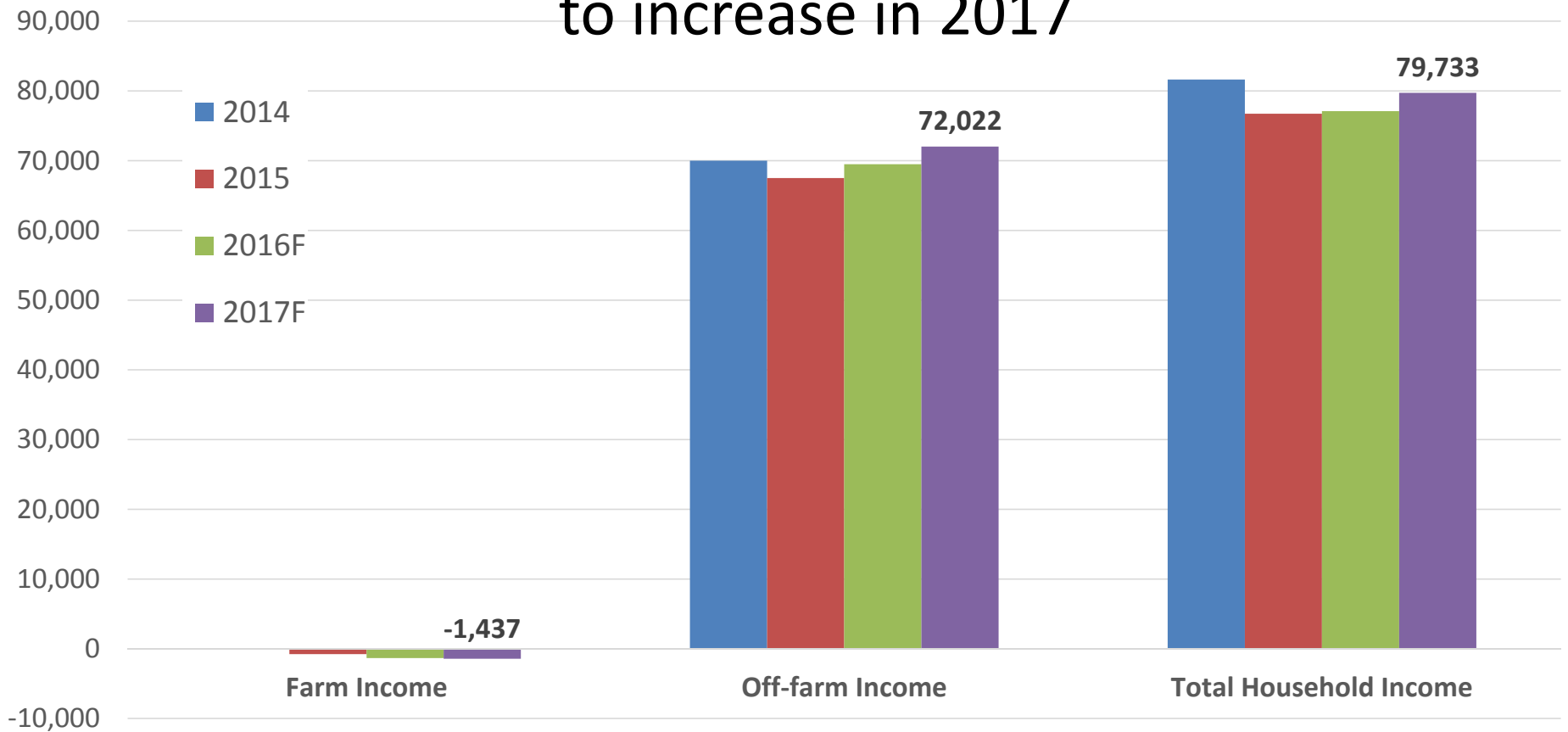
- U.S. net farm income expected to decrease 8.7% in 2017
- But, net cash income is up 1.8% over last year
  - Steady to higher for most crop farms (due to inventory sales)
  - Cash receipts down or flat for most livestock farms
- Additional stress on certain leveraged farms
- Government payments expected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



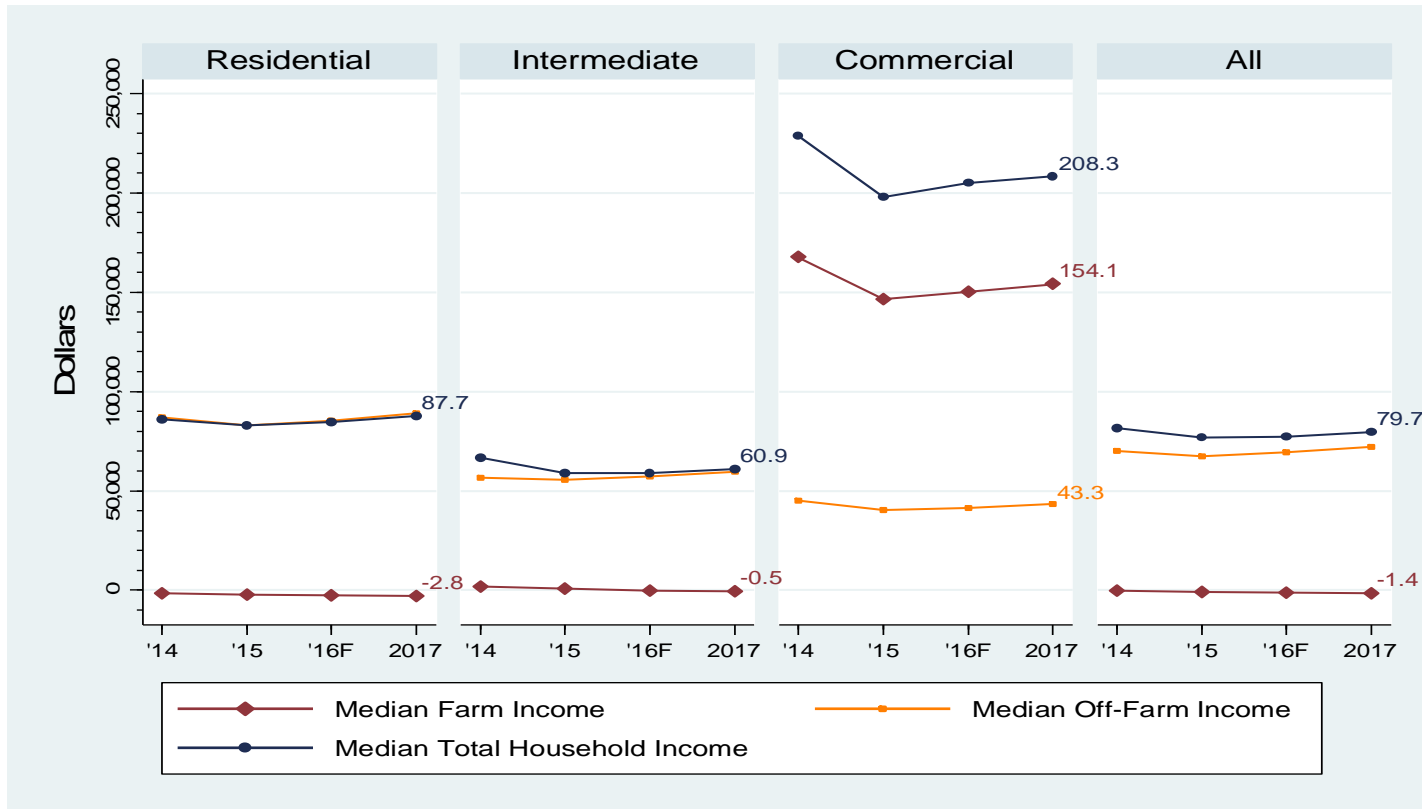
# Households exhibit varying degrees of dependence on net farm income

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

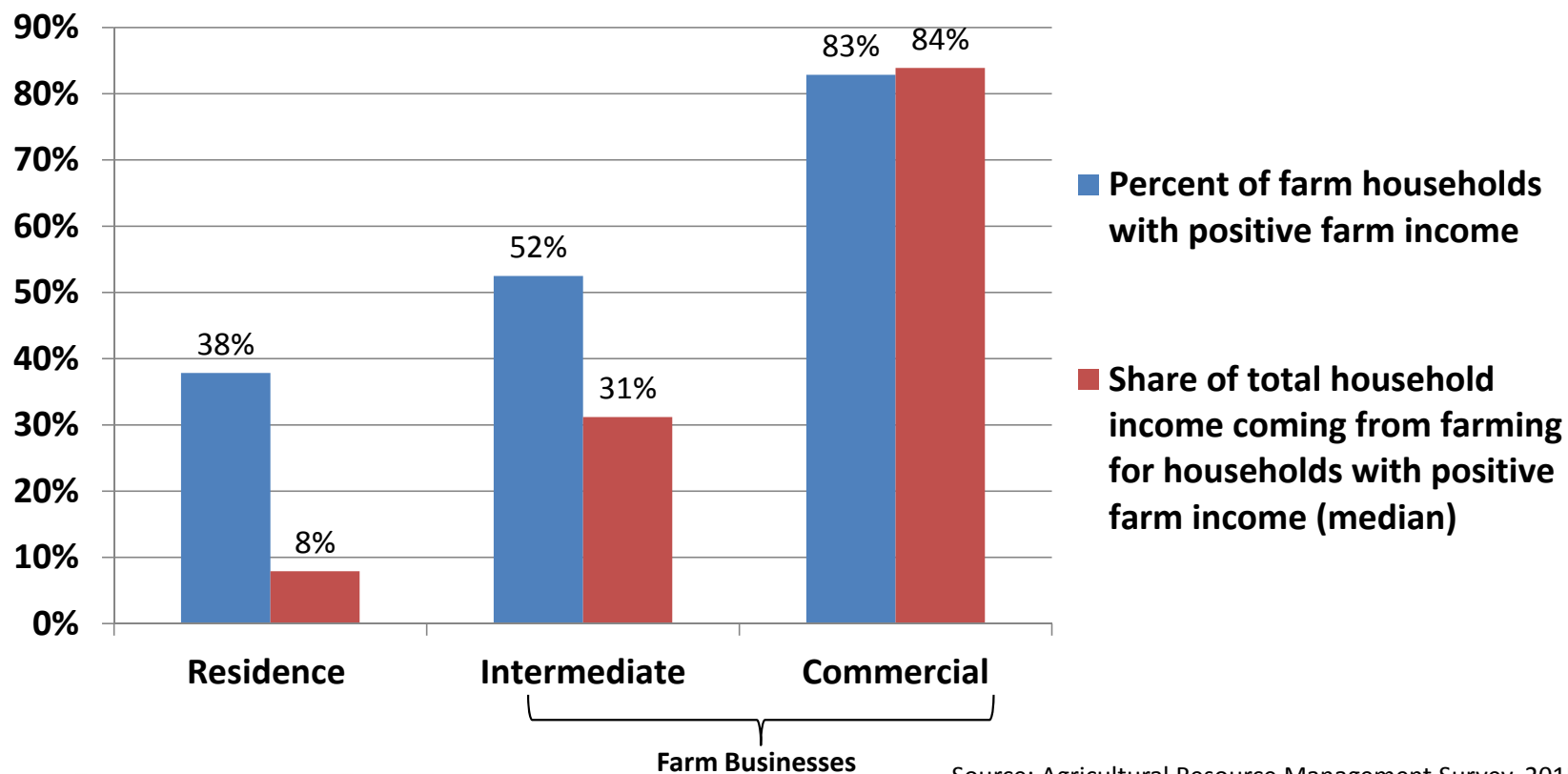


Source: Agricultural Resource Management Survey, 2014-15  
ERS Forecasts





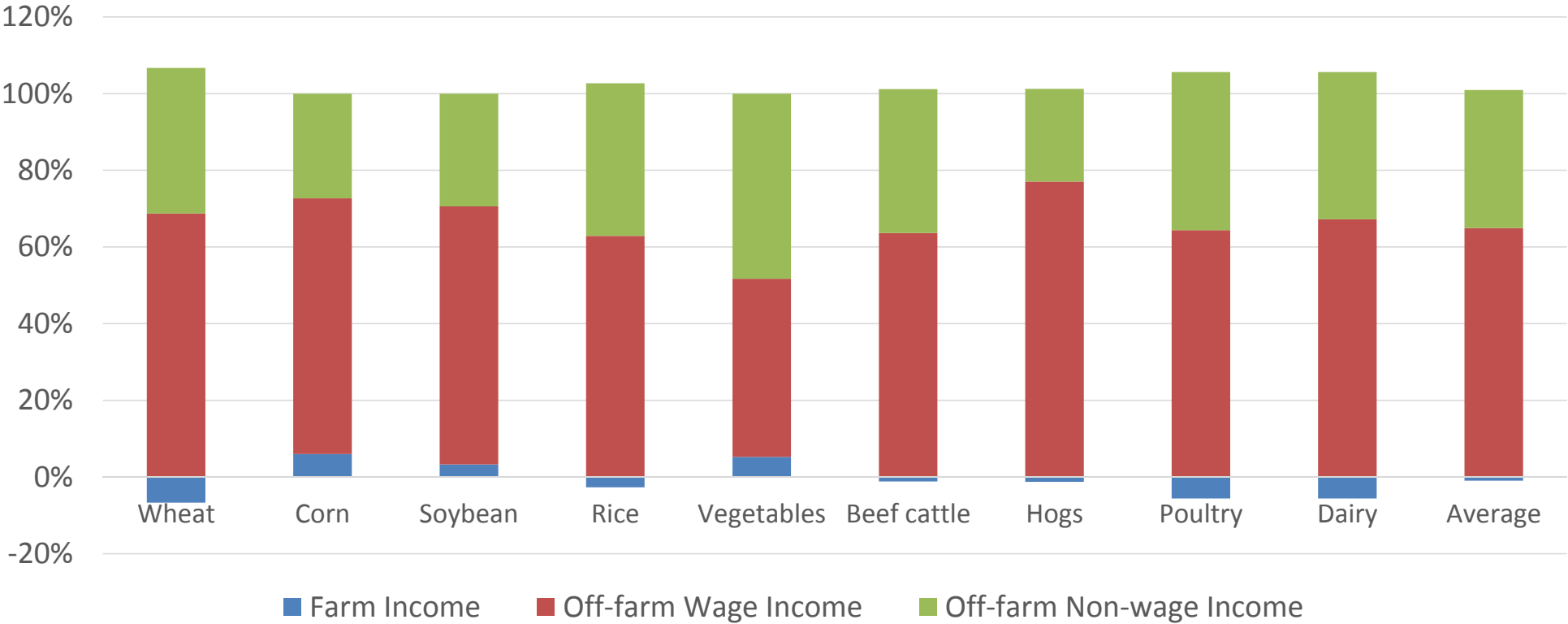
# Residence and Intermediate Farms Derive More Household Income from Off-farm Sources



Source: Agricultural Resource Management Survey, 2015



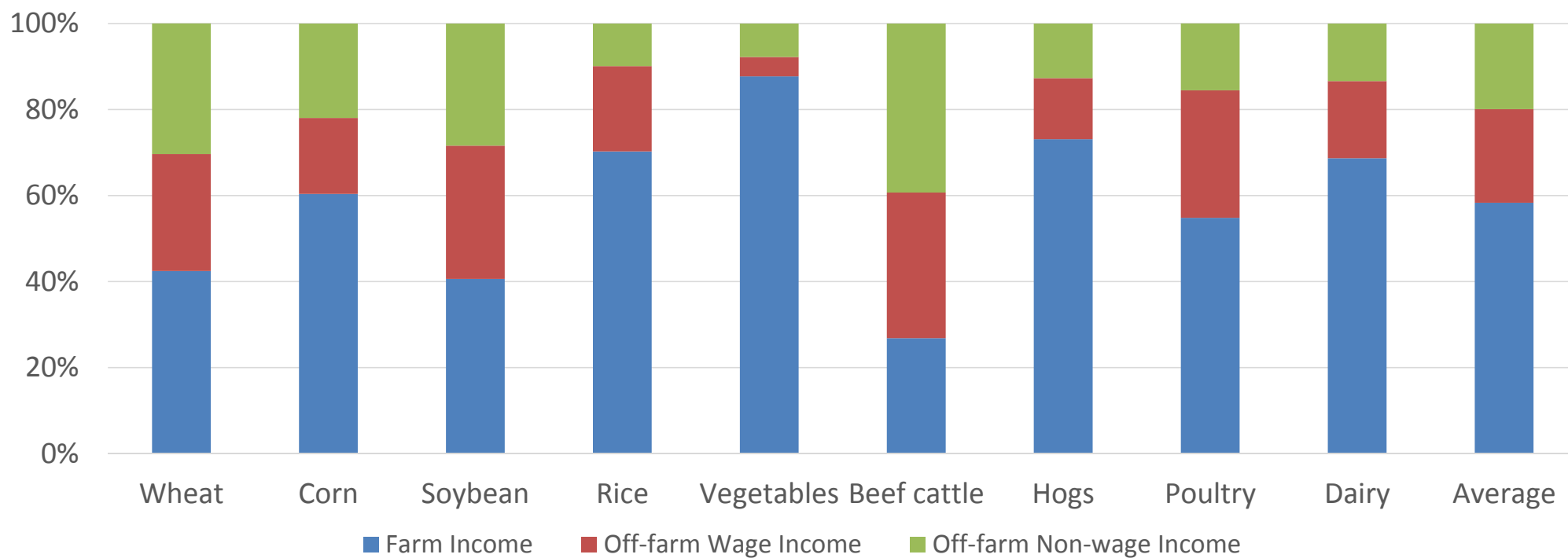
# Most residence farm households earn little on-farm income



Source: Agricultural Resource Management Survey, 2015



# Farm Business Households Have Varied Income Sources

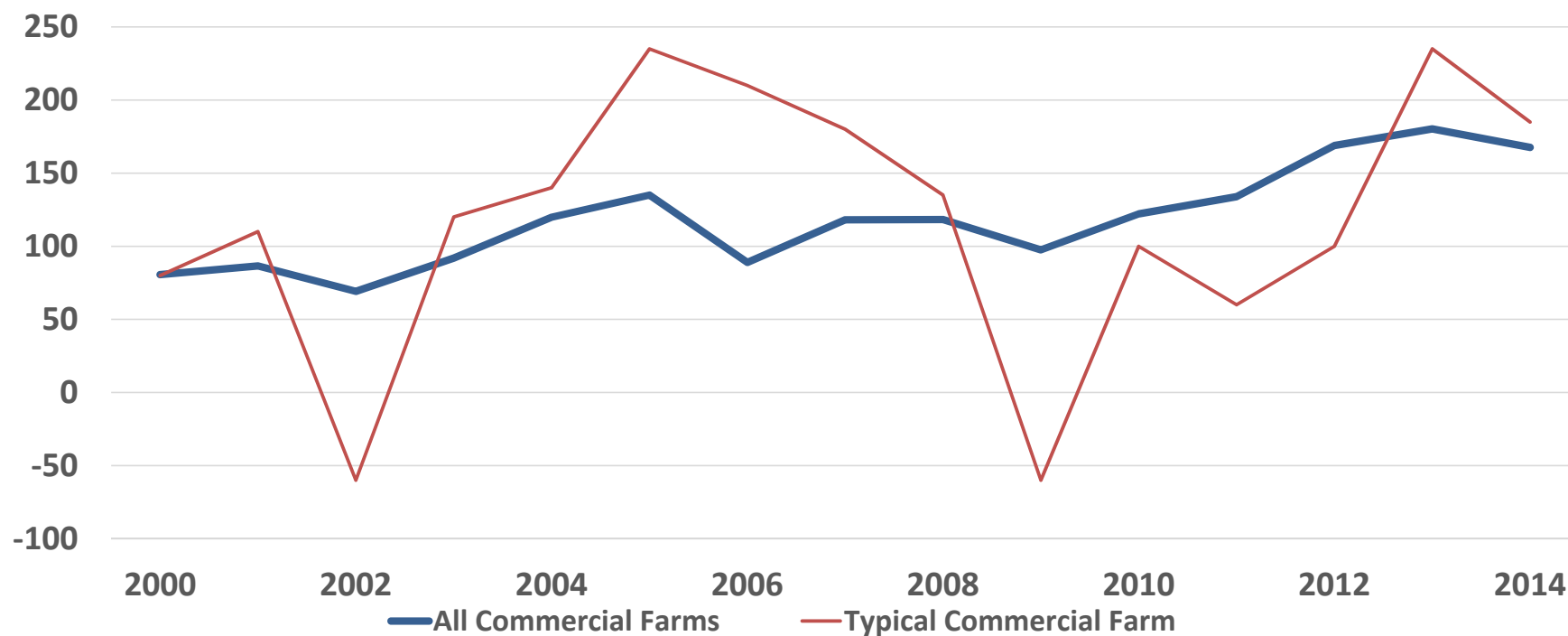


Source: Agricultural Resource Management Survey, 2015



# Commercial Farm Households Earn Higher Incomes but Also Experience Substantial Volatility

\$ thousands (2014 dollars)



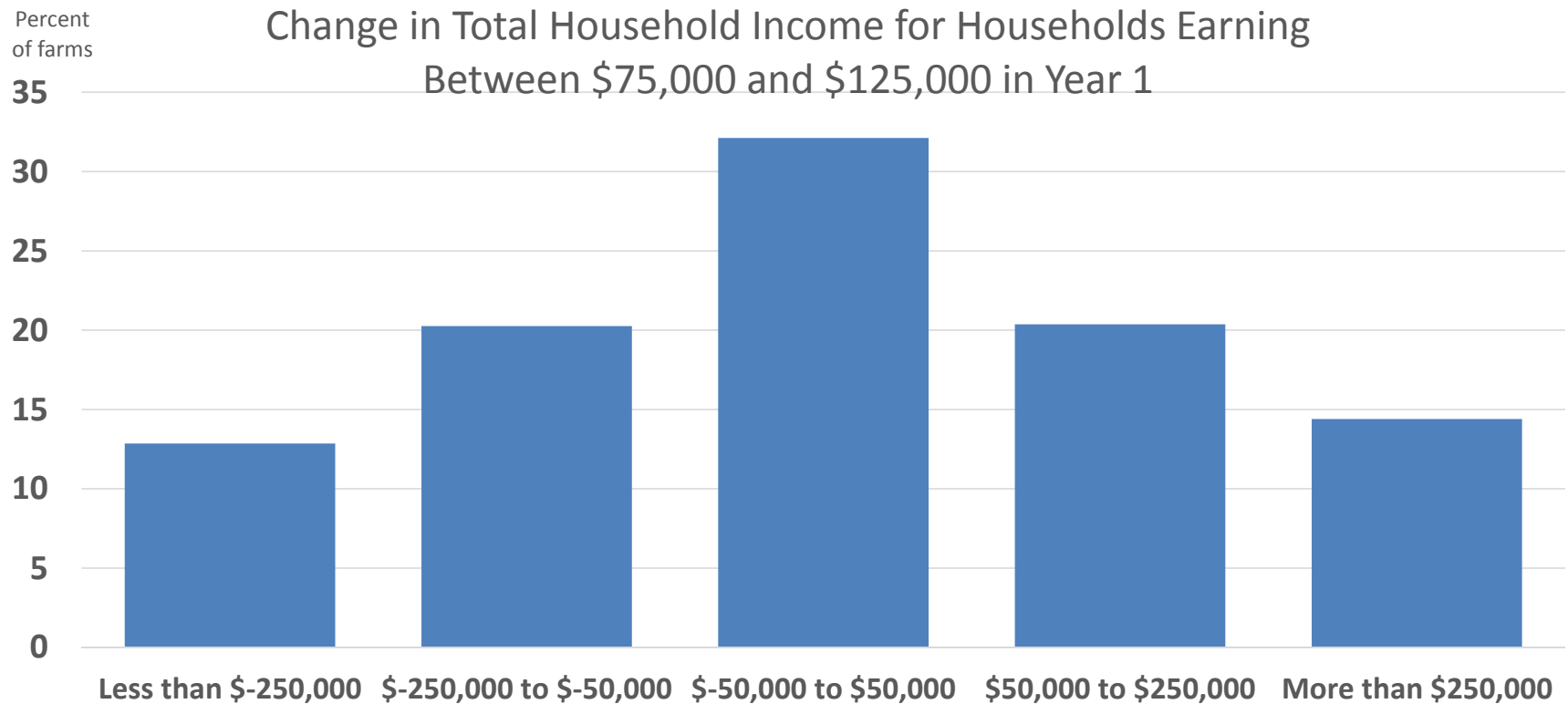
Source: Agricultural Resource Management Survey, 2000-2014



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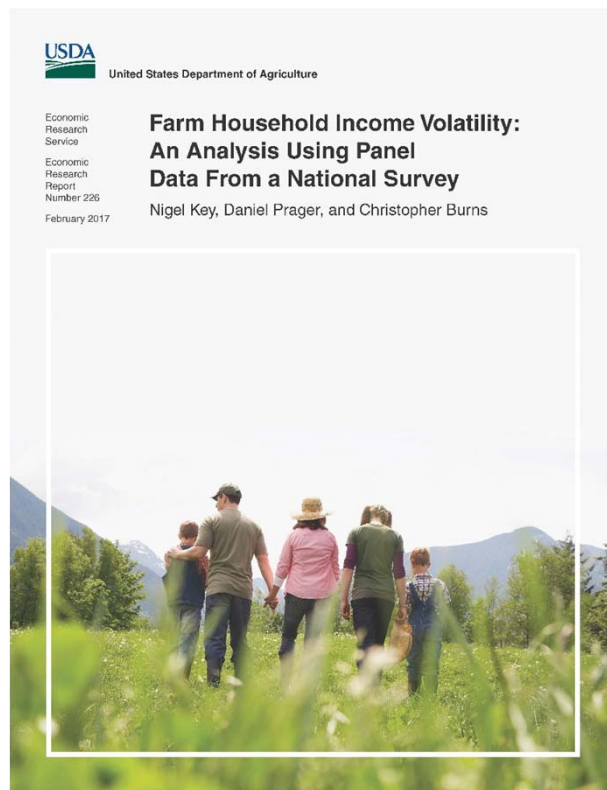
# Households Experience Large Year-to-Year Variation



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.

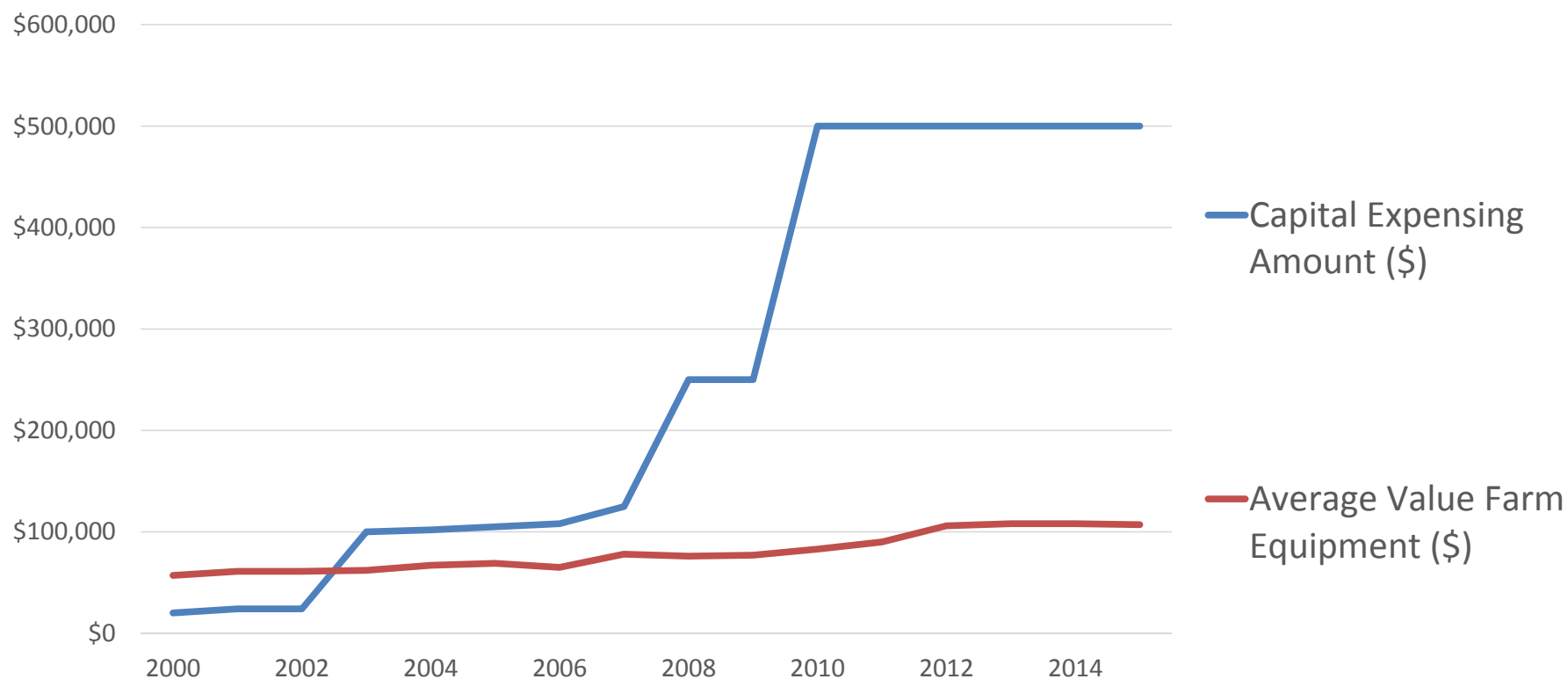


# Farm Operations Provide Value to Households

- 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

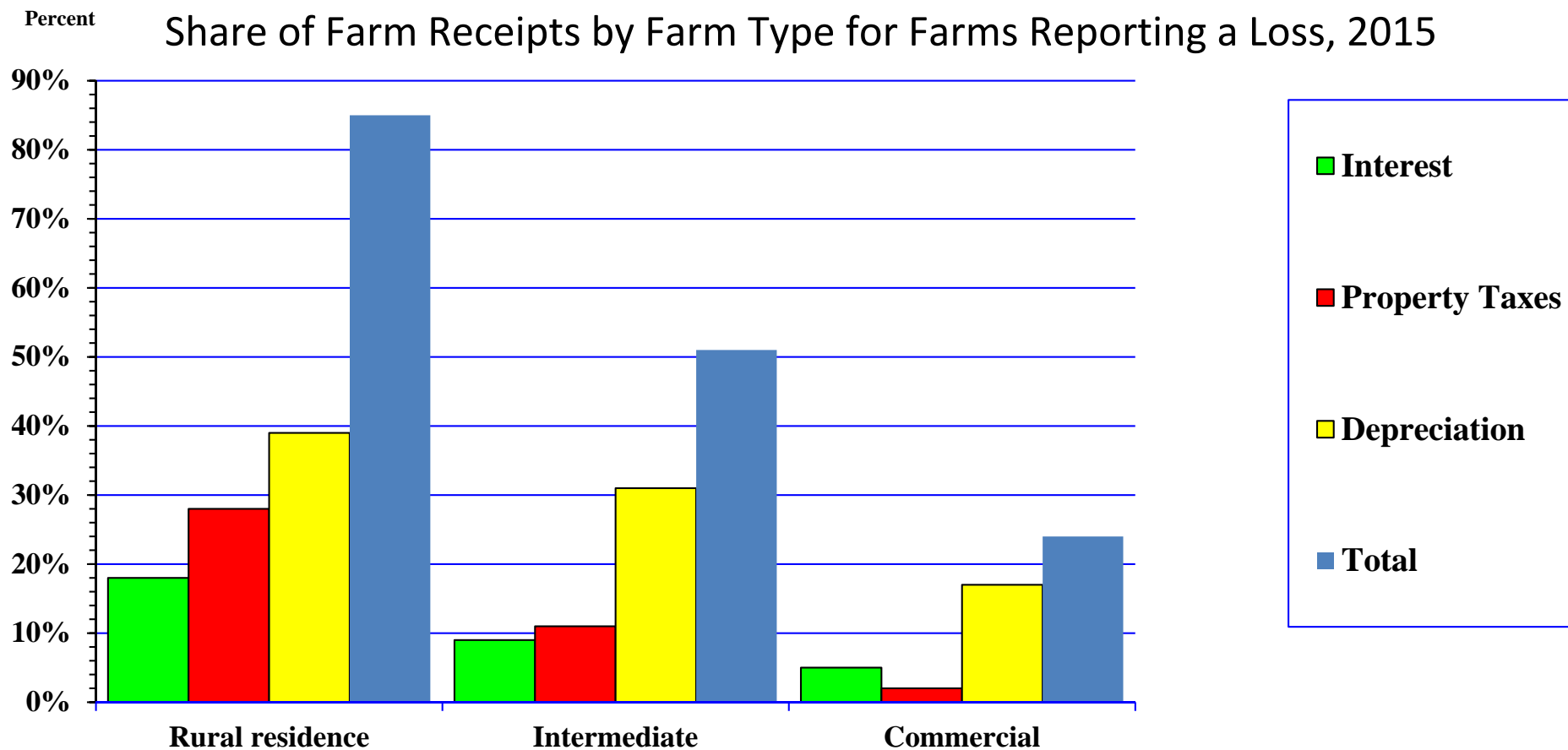


Source: Agricultural Resource Management Survey, 2000-2015





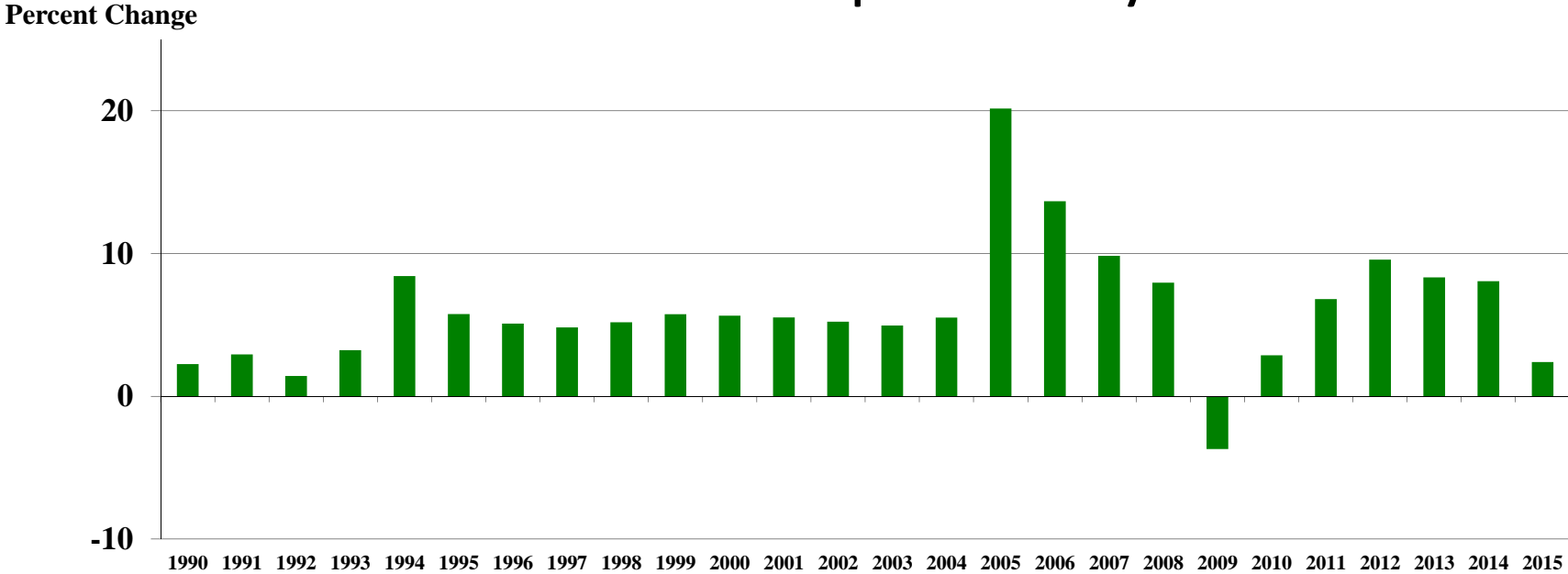
## Interest, Property Taxes, and Depreciation Expenses as a Share of Farm Receipts by Farm Type for Farms Reporting a Loss, 2015



Source: ERS analysis of Agricultural Resource Management Survey



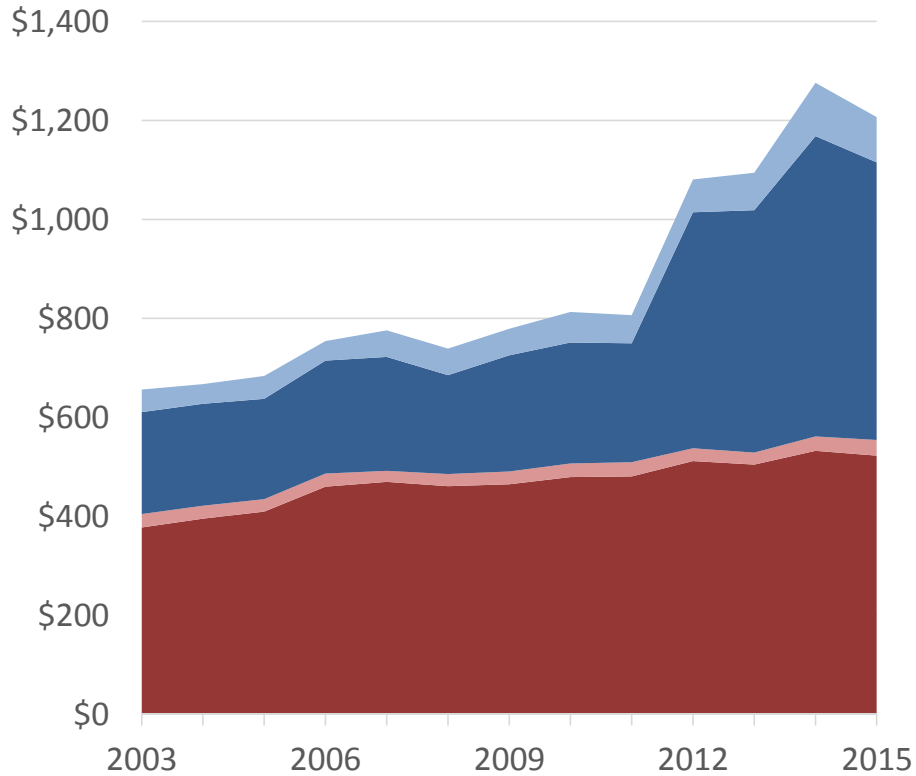
# In most years from 1990-2015, real estate values rose relative to the previous year.



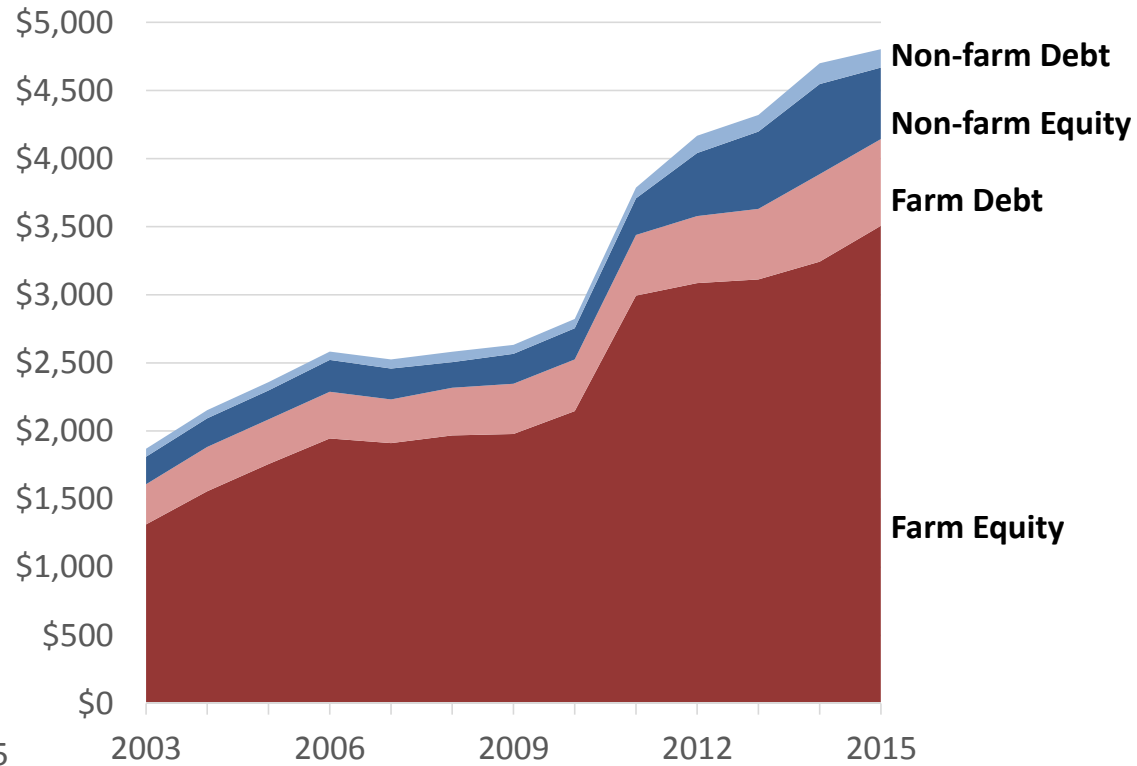
Source: USDA-ERS using data from NASS.



# 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 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>
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