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America's Diverse Family Farms

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Broad descriptions of farms based on U.S. averages can mask variation among the many sizes and types of farms. For example, in 2018, the average value of production on the 2 million U.S. farms amounted to $174,038. Few farms, however, are near the average; half of farms had production valued at $6,000 or less, while more than half of all production occurred on farms with at least $1 million of agricultural production.

This report uses a farm classification, or typology, developed by USDA's Economic Research Service (ERS) to categorize farms into more homogeneous groupings in order to better understand conditions across the Nation's diverse farm sector. The classification is based largely on the annual revenue of the farm, the main occupation of the farm's principal producer, and family or non-family ownership of the farm.

Farm Typology

The farm typology, developed by ERS, focuses primarily on the "family farm," or any farm where the majority of the business is owned by the principal operator—the person who is most responsible for making day-to-day decisions for the farm—and by individuals who are related to the principal operator. USDA defines a farm as any place that, during a given year, produced and sold—or normally would have produced and sold—at least $1,000 of agricultural products. USDA uses acres of crops and head of livestock to determine whether a place with sales of less than $1,000 could normally produce and sell that amount. Farm size is measured by gross cash farm income (GCFI), a measure of the farm's revenue that includes sales of crops and livestock, Government payments, and other farm-related income, including fees from production contracts.

Differences among farm types are illustrated in this report using 2018 data from the Agricultural Resource Management Survey (ARMS), an annual survey conducted by USDA's National Agricultural Statistics Service (NASS) and ERS. The analysis in this report is based on a sample of approximately 15,800 farms.

Small Family Farms (GCFI less than $350,000)

- **Retirement farms.** Small farms whose principal operators report having retired, though continuing to farm on a small scale (250,289 farms; 12.4 percent of U.S. farms in 2018).
- **Off-farm occupation farms.** Small farms whose principal operators report a primary occupation other than farming (819,208 farms; 40.5 percent of U.S. farms.
- **Farming-occupation farms.** Small farms whose principal operators report farming as their primary occupation.
    - **Low-sales farms.** Farms with GCFI less than $150,000 (640,223 farms; 31.7 percent of U.S. farms).
    - **Moderate-sales farms.** Farms with GCFI between $150,000 and $349,999 (102,708 farms; 5.1 percent of U.S. farms).

Midsize Family Farms (GCFI between $350,000 and $999,999)

- Farms with GCFI between $350,000 and $999,999 (111,486 farms; 5.5 percent of U.S. farms).

Large-Scale Family Farms (GCFI of $1,000,000 or more)

- **Large family farms.** Farms with GCFI between $1,000,000 and $4,999,999 (50,034 farms; 2.5 percent of U.S. farms).
- **Very large family farms.** Farms with GCFI of $5,000,000 or more (5,420 farms; 0.3 percent of U.S. farms).

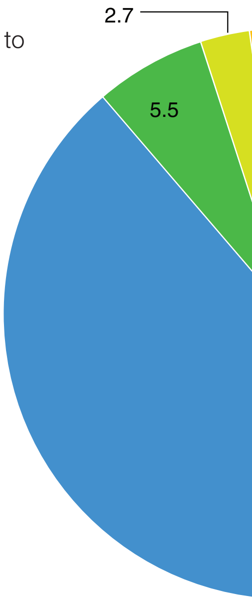
Nonfamily Farms

- Any farm where the principal operator and people related to the principal operator do not own a majority of the business (41,550 farms; 2.1 percent of U.S. farms).

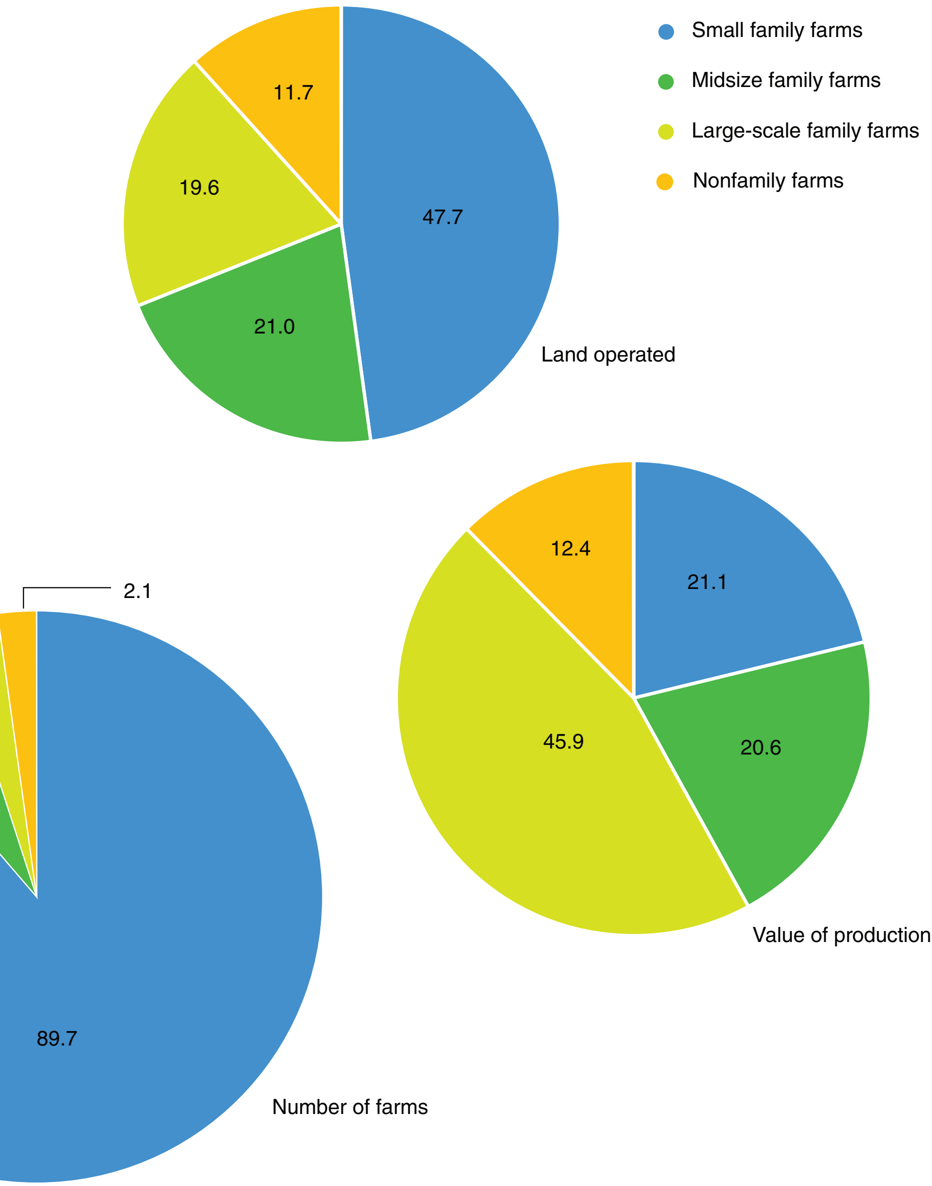
Farms, Production, and Farmland

Most U.S. farms are small; small farms operate almost half of U.S. farmland and account for 21 percent of production.

- Approximately 90 percent of U.S. farms are small. In 2018, small farms accounted for 48 percent of the land operated by farms.
- Large-scale family farms accounted for the largest share of production, at 46 percent.
- Family farms as a group, across type, accounted for 98 percent of farms and 88 percent of production in 2018.
- Nonfamily farms accounted for the remaining farms (2 percent) and production (12 percent). Fifteen percent of nonfamily farms had GCFI of $1 million or more. Such farms accounted for 87 percent of nonfamily farms' production. Examples of nonfamily farms include partnerships of unrelated partners, closely held nonfamily corporations, farms with a hired producer unrelated to the owners, and (relatively few) publicly held corporations.



Distribution of farms, land operated and value of production by farm type, 2018



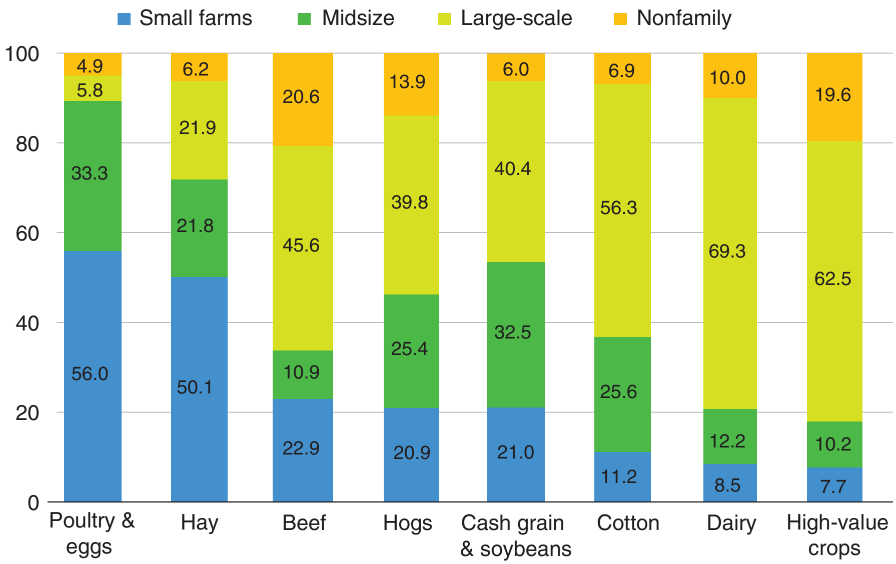
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Different types of farms account for the production of specific commodities.

- Large-scale family farms account for over two-thirds of dairy production, while large-scale family farms and nonfamily farms produce over 80 percent of high-value crops such as fruits and vegetables.
- Midsize and large-scale family farms dominate production of cotton (82 percent of production), cash grains/soybeans (74 percent), and hogs (66 percent).
- Small and large-scale farms together account for 69 percent of beef production. Small farms generally have cow/calf operations, while large-scale farms are more likely to operate feedlots.
- Small farms produce 56 percent of U.S. poultry and egg output and 50 percent of hay. Much of poultry production is done under production contracts, with a contractor paying a fee to a farmer who raises poultry to maturity.

Value of production for selected commodities by farm type, 2018

Percent of value of production



Note: High-value crops include fruits, vegetables, tree nuts, and nursery/greenhouse crops. Due to rounding, numbers may not add to 100.

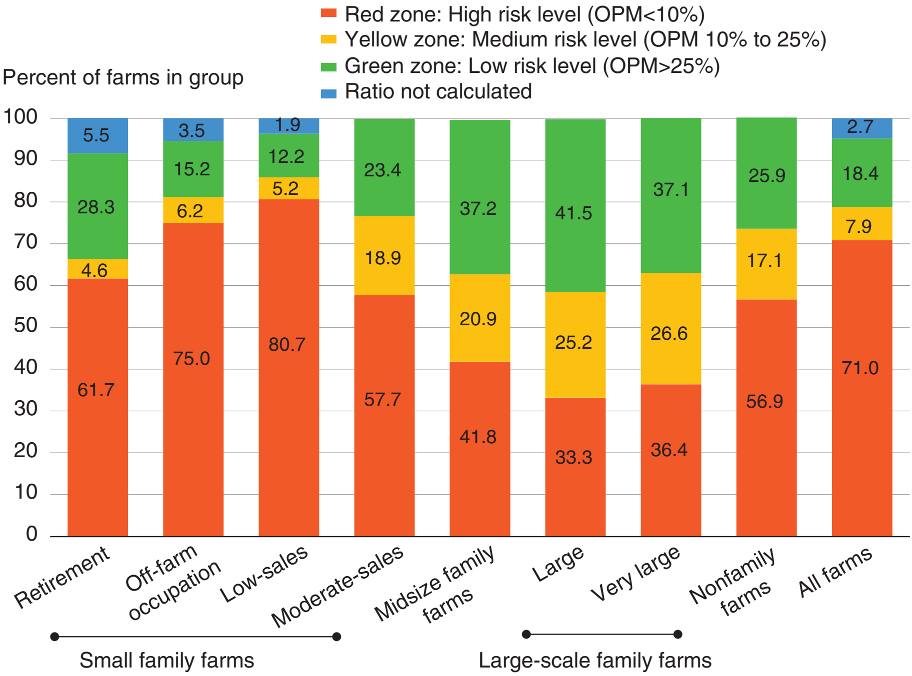
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Farm Financial Performance

Financial performance varies across farm size. Most small farms have an operating profit margin (OPM) in the red zone—indicating a higher risk of financial problems—while most midsize, large, and very large farms operate in a lower financial risk zone. *(See the figure for definition of OPM.)*

- Between 58 and 81 percent of small family farms—depending on the farm type—had an OPM in the high-risk red zone. Many small farms, however, have operators who do not consider farming to be their primary occupation, and who receive little or no income from farming. Instead, these small farms receive substantial income from off-farm sources. These earnings are not reflected in their OPM.
- Between 9 and 25 percent of small farms operate in the low-risk green zone, as do between 37 and 41 percent of midsize, large, and very large farms.
- The share of midsize and large-scale family farms with an OPM in the green zone declined between 2017 and 2018. Net cash income for farm businesses fell from $81,639 per farm in 2017 to $76,788 in 2018, with declining net cash incomes shifting some farms into the high-risk zone. Lower commodity prices played a substantial role, negatively affecting the OPM of many midsize, large and very large farms, depending on the farm's commodity mix.

Farms by operating profit margin (OPM) and farm type, 2018



OPM = operating profit margin

Notes: Due to rounding, sums may not add to 100 percent. Operating profit margin (OPM)=100 X (net farm income + interest paid - charges for unpaid labor and management)/gross farm income.

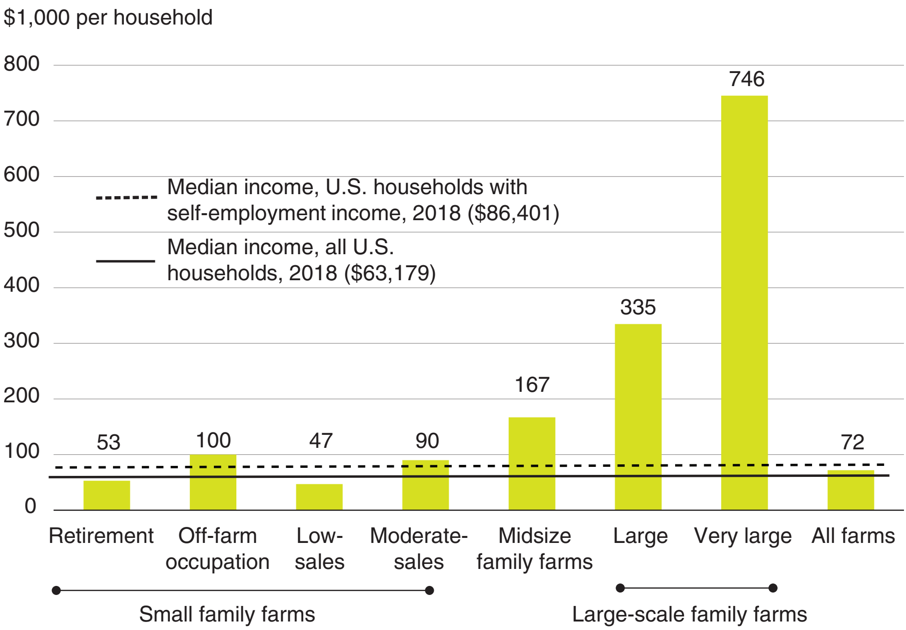
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Farm Operator Household Income and Wealth

Farm households in general are not low-income or low-wealth when compared with all U.S. households.

- In 2018, 57 percent of farm households received an income at or above $63,179, the median for all U.S. households. Median household income in five out of seven farm types exceeded both the median U.S. household income and the median income for U.S. households with self-emplyment income.
- The median income for all family farm households is lower than the median among all U.S. households with self-employment income.

Median operator household income by farm type, 2018



Notes: Operator household income includes both farm and off-farm income received by household members. Half of all households have incomes above the median, and half have incomes below the median.

Sources: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey for farm households. U.S. Department of Commerce, Bureau of the Census, 2019 Current Population Survey, March supplement for all U.S. households.

- Only 3 percent of farm households overall had lower wealth than the median U.S. household.
- Farm households often use off-farm income to cover farm expenses and fund farm operations. While self-employment and wage/salary jobs are the main sources of off-farm income for farm households, public and private pensions, interest and dividend payments, asset sales, Social Security payments, and other sources of income provide a significant share of off-farm income, particularly for retirement farms.
- Operators of small farms—especially retirement, off-farm occupation, and low-sales farms—often report losses from farming. For tax-reporting purposes, some producers who report losses write off farm losses against other income.

Farm households with income or wealth below the median for all U.S. households, 2018

	Farm households with...	
	Income below U.S. median ($63,179)	Wealth below U.S. median ($99,352)
	Percent of farm households	
Small family farms		
Retirement	58.0	0.3
Off-farm occupation	25.0	3.2
Low-sales	65.0	4.3
Moderate sales	37.7	4.3
Midsize family farms	25.4	3.0
Large-scale family farms		
Large	20.0	2.8
Very large	21.9	4.1
All family farms	42.6	3.2

Notes: Operator household income and wealth are not estimated for nonfamily farms. U.S. median wealth was adjusted to 2018 dollars using the Gross Domestic Product chain-type price index.

Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey. U.S. Department of Commerce, Bureau of the Census, 2019 Current Population Survey.

Farm operator household income by source and farm type, 2018						
Farm type	Mean total income	Income from farming		Mean income from off-farm sources		
		Mean amount	Is negative	Total	Earned	Unearned
	Dollars per household		Percent of households	Dollars per household		
Small family farms						
Retirement	67,144	2,865	56.1	64,279	29,818	34,461
Off-farm occupation	131,126	-4,392	70.9	135,518	113,406	22,112
Low-sales	57,626	-4,205	61.9	61,830	28,685	33,146
Moderate sales	108,053	40,057	23.9	67,995	34,090	33,905
Midsize family farms	197,016	118,024	18.4	78,992	50,381	28,611
Large-scale family farms						
Large	413,485	355,269	14.2	58,216	37,480	20,735
Very large	1,335,135	1,290,377	16.1	44,758	21,004	23,753
All family farms	112,210	18,425	59.1	93,786	65,596	28,190

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

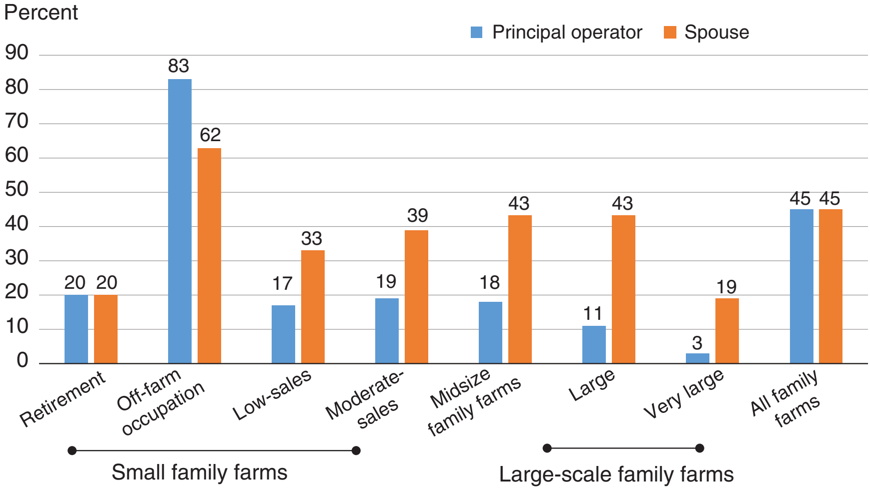
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Off-Farm Work by Principal Operators and Their Spouses

Many family farm households combine farm and off-farm work to generate income and other benefits for the household.

- Overall, 45 percent of principal operators work off the farm.
- Over 41 percent of U.S. family farms fall in the “off-farm occupation” typology class (whose principal operators declare an occupation that is not farming).
- Over 80 percent of those operators work off the farm, as do 62 percent of their spouses.
- Off-farm work is important in other typology classes as well. Among principal operators of retirement farms, small “farming-occupation” farms (low and moderate-sales), and midsize farms, 17 to 20 percent also hold jobs off-farm.
- Principal operators of large-scale family farms are less likely to work off the farm than are operators of small and midsize family farms. Eleven percent of principal operators of large farms and three percent of those at very large farms also hold jobs off the farm.
- Overall, 45 percent of the spouses of principal farm operators of family farms work off the farm; relatively few spouses on retirement farms and on very large farms hold jobs off the farm.
- Where the spouses of principal operators held jobs off the farm, a majority reported that “health care benefits” was one reason for working off the farm, while principal operators, particularly of large-scale farms and farming-occupation small farms, were less likely to cite health care benefits as a reason for working off the farm.

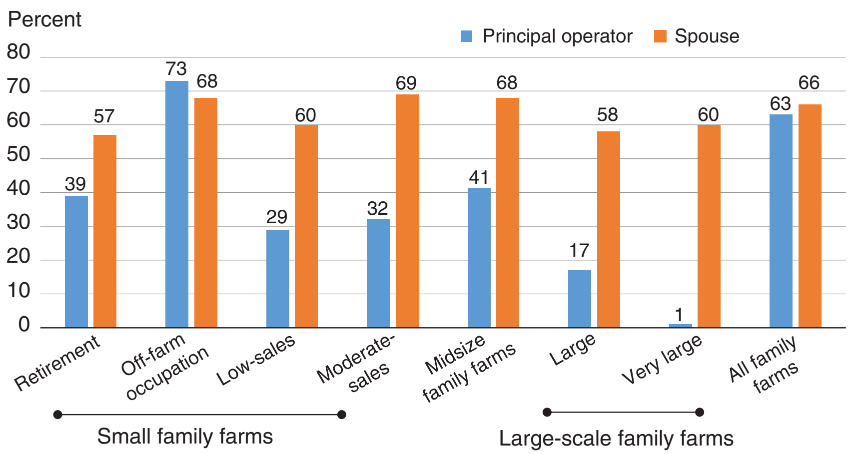
Percent of principal operators and spouses who work off the farm, 2018



Note: Spouse percents are calculated among those households with a spouse present.

Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Share of farm households who work off-farm that do so for health care benefits, by farm type, 2018



Note: Of those with off-farm employment, the share who cite “health care benefits” among the reasons for off-farm work. Spouse percent are calculated among those households with a spouse present.

Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

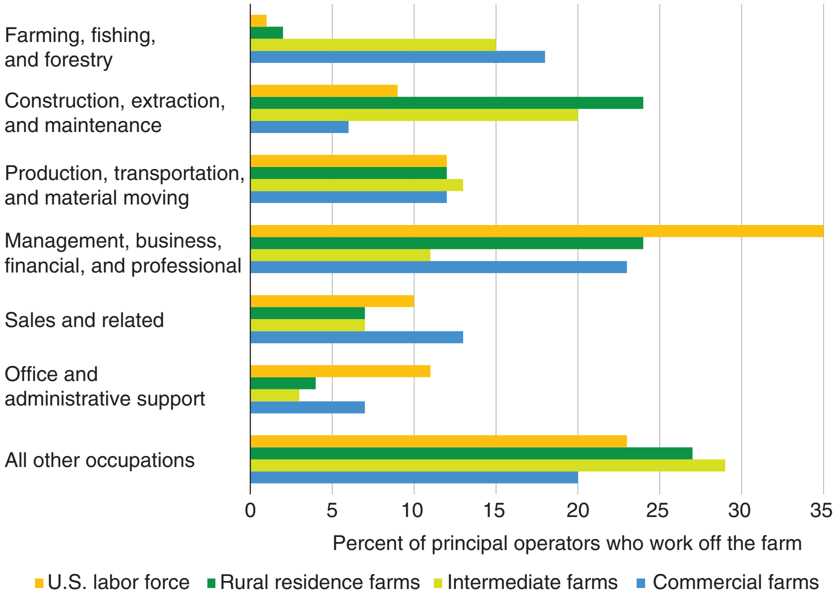
We use a compressed farm typology in this section. Commercial farms include midsize family farms, large-scale family farms, and nonfamily farms. Rural residence farms include retired and off-farm occupation farms, while intermediate farms include small family farms whose operators cite farming as a principal occupation (low- and moderate-sales small family farms).

Off-Farm Occupations of Principal Farm Operators

The occupations of farm operators who work off the farm differ from those of the general U.S. workforce.

- Among operators of commercial and intermediate farms who also hold off-farm jobs, 15 to 18 percent work in farming, fishery, or forestry occupations, compared to about 1 percent of the U.S. workforce.
- Among intermediate farm operators who also work off their farms, 20 percent work in construction, extraction, or maintenance occupations, while 24 percent of rural residence farm operators who also work off their farms work in those occupations. Among the U.S. workforce generally, only 9 percent work in those occupations.
- Farm operators are less likely to work in management and professional service occupations if they work off the farm, but this group of occupations is still among the largest categories of occupation of principal farm operators. Farm operators are less likely than those in the general workforce to work in office and administrative support positions.
- In general, farm operators are more likely to work in goods-producing occupations and are less likely to work in service occupations. These occupational choices may reflect location, with goods-producing activities more likely to be in rural areas.

Off-farm occupational choices of principal farm operators who work off the farm, 2018



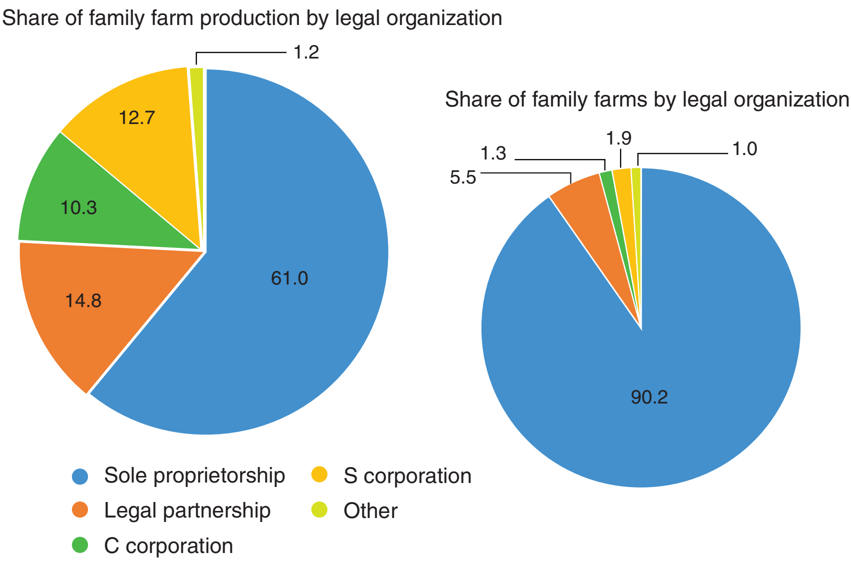
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey; and U.S. Department of Commerce, Bureau of the Census, 2019 Current Population Survey.

Farm Legal Organization

The vast majority of family farms (about 90 percent) are operated as sole proprietorships owned by a single individual or family. They account for close to 61 percent of the value of production.

- Sole proprietorships are the most common form of legal organization across the farm typology. Ninety-two percent of small family farms and seventy-four percent of midsize farms are organized as sole proprietorships.
- Relatively few farms—1 percent—are organized as C corporations (or “regular” corporations), and they account for 10 percent of the value of agricultural production.
- Approximately 98 percent of family farms are organized as pass-through entities (sole proprietorships, partnerships, or S corporations); pass-through entities account for 88.5 percent of production.

Most family farms are organized as sole proprietorships, and they account for most production.



Note: “Other” includes estates, trusts, cooperatives, grazing associations, etc.
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Legal Organization of Family Farms

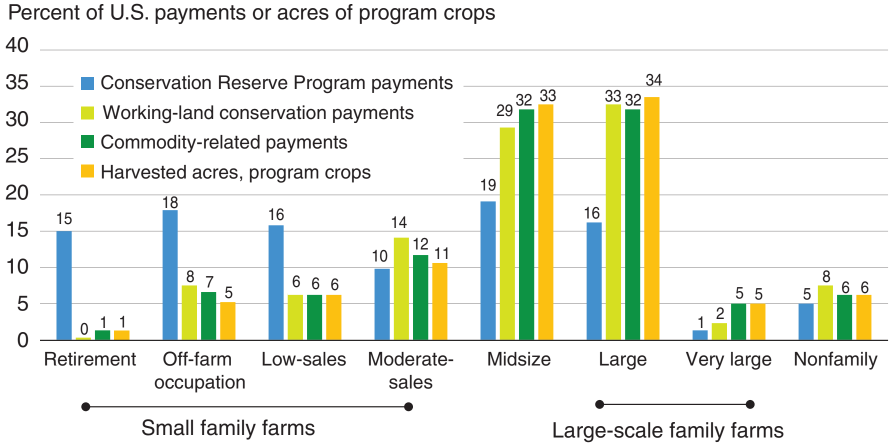
The legal organization of a family farm determines how its income is taxed. Farms that are sole proprietorships, partnerships, and Subchapter S corporations are pass-through entities, meaning any profit or loss from them is passed to the owner/partner/shareholder, and tax is paid at the individual level on their personal income tax returns. Farms may choose to organize as Subchapter C corporations, and such corporations are liable for corporate income taxes; any dividends paid to their shareholders may be subject to individual income taxes as well.

Government Payments and Federal Crop Insurance

Recipients of Government payments differ by program.

- Commodity-related program payments generally reflect acreage in crops historically eligible for support. Seventy-six percent of these payments went to moderate-sales, midsize, and large family farms in 2018, roughly proportional to their 78-percent share of acres in program crops.
- Thirty-three percent of working-land conservation payments went to large family farms, another 29 percent went to midsize family farms, and 28 percent went to small family farms.
- USDA's Conservation Reserve Program targets environmentally sensitive cropland for removal from production. In 2018, retirement, off-farm occupation, and low-sales farms received 49 percent of these payments.
- Seventy-one percent of all farms (71 percent of farm land) received no farm-related Government payments in 2018.

Distribution of government agricultural program payments, and harvested acres of program crops, 2018

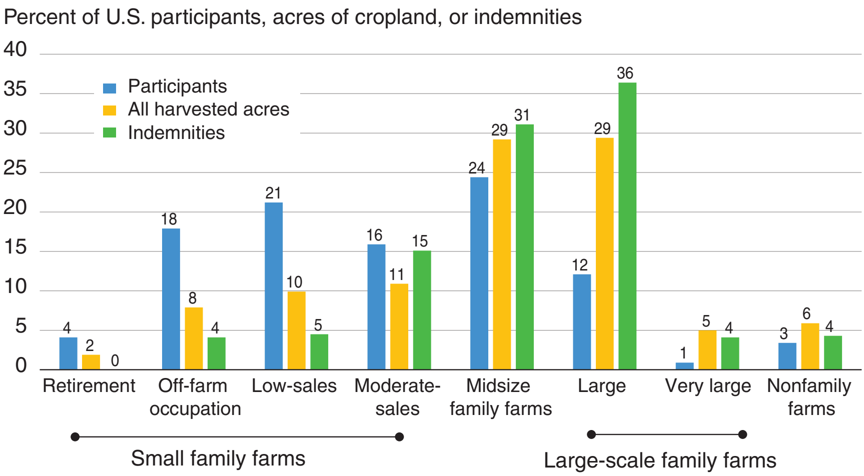


Note: Program crops include barley, corn, dry edible beans/peas/lentils, oats, peanuts, rice, sorghum (grain), soybeans and other oilseeds, canola, and wheat.
Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service 2018 Agricultural Resource Management Survey.

Indemnities from Federal crop insurance are roughly proportional to acres of harvested cropland.

- Midsize and large family farms together received 67 percent of indemnities from Federal crop insurance in 2018.
- Midsize and large farms' share of indemnities reflects their commodity mix and their high participation in Federal crop insurance. About two-thirds of midsize farms and three-fourths of large farms participated in Federal crop insurance, compared with only one-sixth of all U.S. farms. While midsize and large family farms were 8 percent of all U.S. farms, they accounted for 24 and 12 percent of crop insurance participants, respectively, and 58 percent of all harvested cropland acres.
- Grain and oilseed farms—the most common specialization among midsize and large family farms—accounted for 65 percent of all participants in Federal crop insurance and 65 percent of all harvested cropland in 2018.

Federal crop insurance participants, harvested cropland, and indemnities, by farm type, 2018



Note: Indemnities are payments from insurance to compensate for losses and will depend on variation in weather and other events that result in loss. Participants are farms paying crop insurance premiums.

Source: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, 2018 Agricultural Resource Management Survey.

Conclusions and Implications

- **Farming is still overwhelmingly comprised of family businesses.**
  Ninety-eight percent of U.S. farms are family farms, and they account for 88 percent of farm production.
- **Small family farms make up 90 percent of the farm count and operate almost half of the farmland.**
  The largest share of the value of farm production (46 percent), however, occurs on large-scale family farms. Small farms account for over half the value of poultry and hay production.
- **The share of farms with an operating profit margin (OPM) in the green zone varied by farm size in 2018.**
  Between 58 and 81 percent of small farms have an OPM in the high-risk zone—depending on the farm type—compared with 35 to 44 percent of midsize and large-scale farms. Some small farms in each type operate in the low-risk zone, as do more than 35 percent of midsize, large, and very large farms.
- **Farm households in general are neither low-income nor low-wealth.**
  Median farm household income in 2018 exceeded that for all U.S. households, but was lower than the median among all U.S. households with self-employment income. In 2018, about 43 percent of farm households had income below that of the median for all U.S. households, and 3 percent had wealth less than the U.S. median.
- **Off-farm work is an important source of income for farm households, especially for small and midsize family farms.**
  Farm spouses who work off the farm cite health care benefits as an important reason for off-farm work.
- **Conservation Reserve Program (CRP) payments go to different farms than other Government payments.**
  CRP payments target environmentally sensitive cropland, with most payments going to retirement, off-farm occupation, and low-sales farms. In contrast, commodity-related and working-land payments go to family farms with gross cash farm income (GCFI) of $150,000 or more. Most U.S. farms, however, do not receive Government payments and are not directly affected by them, although they may be affected indirectly by changes in land values and rents.

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