HOW TO USE

FARM INCOME STATISTICS

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Need reliable statistics on farm income?

Probably you can find the ones you need in one of the major series of income estimates kept current and published regularly by the U.S. Department of Agriculture.

These major series, along with other important series from which they are derived, have been developed by the Department over more than half a century. Each series, whether major or minor, is designed for a specific purpose. For accurate results, use each series only in the way it was designed to be used.

One of the regular series may be ready-made to suit your purpose. If not, it may be possible to get what you need by making your own calculations, using figures from one or more of the USDA series.

Selecting the series that suits your particular need involves two main steps:

- Defining your purpose accurately in terms of kind of income sources and kind of farm population you want to measure or compare.
- Reading the labels on the income series carefully to see what each offers.

The information in this publication is presented to help you in taking both steps. It includes descriptions of USDA's major series of statistics on farm income, and tells how the series relate to each other and how each should be used.[1]

Unless otherwise noted all statistics quoted are for the calendar year 1961.

TWO CLASSES OF FARM INCOME

In general, USDA's series of statistics on farm income cover one of two broad classifications of income. These are:

1. Income from farming.
2. Personal income of the farm population from all sources.

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[1] This leaflet is intended as a general guide only. Persons who need more detailed and technical information on these series should consult "Major Statistical Series of the U.S. Department of Agriculture," Vol. 3, Agriculture Handbook No. 118, and "The Farm Income Situation," July 1962; the latter is a periodic release of the Economic Research Service. Both are available at major libraries.

Income From Farming

The series of statistics on the income of farm operators from farming show how agriculture rates as a business or an industry.

These figures measure gross farm income, farm production expenses, and the net income to operators for farmwork (their own and that of their families) and for capital invested in farm land, buildings, and equipment.

Statistics on the income from farming alone are needed by anyone studying the economic position of agriculture. Analysis of farm programs, development of agricultural policy, economic forecasting, the study of farm management—all require statistics on income from farming.

In these series, estimates based on statistics are for all units classified as farms by the U.S. Department of Agriculture.

Personal Income From All Sources

The series of statistics on the personal income of the farm population show all of the income of all the people who live on farms. This group includes persons who live on farms but work in town, retired persons, and farm laborers who live on farms—as well as farm operators and their families.

The series show for this group both the net income from farming and the net income from nonfarm sources.

In recent years the personal income of the farm population from nonfarm sources has been about one-third as great as the income of the farm population from all sources.

These statistics of the total income available to farmpeople for purchasing goods and services are needed by those studying the economic position of the farm population as a whole. They are the income figures comparable with income statistics for the nonfarm population.

VALID COMPARISONS

Practically every use of statistics involves comparison. It is the heart of income analysis.

USDA's farm income statistics are calculated in such a way that comparisons can be made within any series over time. This year can be compared with last year or any year since the series began.

Valid comparisons can also be made between series. Trends in gross income of farm operators, for example, can be compared with trends in net income.

USDA's figures on personal income of the farm population can be compared with personal income statistics prepared by the U.S. Department of Commerce.

To avoid making invalid comparisons find out before using a series exactly what it does and does not measure. And when comparing USDA statistics with those from another source, take into account any technical differences in the makeup of the statistics.

A common cause of error in using USDA figures arises from the fact that any farm income figure may be vaguely reported as "farm income," whether it is gross, net, or cash receipts. Yet there are billions of dollars worth of difference in these figures (see pp. 4 and 5).

Four statistical series, shown below, are needed to produce the es
that no adjustments are made for changes in inventories.

REALIZED GROSS INCOME

1961
Billion dollars

CASH RECEIPTS FROM FARM MARKETINGS 35.2

Money received from sales of about 150 farm products. Includes all sales of crops and forest products and all sales of livestock except those by one farmer to another farmer in the same State. Includes also the total value of price support loans of the Commodity Credit Corporation, minus redemptions.

This series is an indicator of general market conditions for farm products.

GOVERNMENT PAYMENTS TO FARMERS 1.5

Payments to farmers under such farm programs as the 1961 Feed Grain, Wool Incentive, Soil Bank, Agricultural Conservation, and Sugar Act. Price support loans are included with cash receipts above.

HOME CONSUMPTION OF FARM PRODUCTS 1.2

Food and fuelwood consumed on farms where grown, valued at the average prices received by farmers for similar items.

RENTAL VALUE OF FARM DWELLINGS 2.0

Estimated rent that farm operators would have to pay for their dwellings if the dwellings were rented separately from farms.

REALIZED GROSS INCOME FROM FARMING 39.9

Income from farming available for all purposes—farm operation, family living, and investment.

Realized gross is the sum of cash receipts from marketings, Government payments, and estimated nonmoney income from home consumption of farm products and the imputed gross rental value of farm dwellings. It does not include all of the income of operators; they also get some from nonfarm sources.

Note: A series on total gross income is also published by USDA. This is obtained by adding to or subtracting from the realized gross the net value of increases or decreases in inventories from the preceding year. See opposite page for discussion of inventory adjustments.

s on Realized Gross Farm Income. The word "realized" indicates

NET INCOME

1961
Billion dollars

REALIZED GROSS INCOME FROM FARMING 39.9

Income from farming available for all purposes. See opposite page.

PRODUCTION EXPENSES 27.1

All cash spent to operate the farm business, plus certain noncash items. Includes depreciation of equipment and other capital items rather than current purchases of these items.

Included are *current operating expenses*—for such items as fertilizer and lime, feed, seed, livestock, repair and operation of machinery and buildings, and wages for farm labor; *depreciation of capital equipment* (estimates based on current replacement costs); *taxes on farm property; interest on farm mortgage debt; net rent to nonfarm landlords.*

REALIZED NET INCOME 12.8

USDA's standard net income figure. The word "realized" indicates that the figure has not been adjusted for changes in inventories.

Realized net income is the amount available for spending or investing after allowing for production expenses. Does not include nonfarm income or wages operators receive from working on other farms.

Represents return to operator for his labor, the labor of his family, and his invested capital.

NET CHANGE IN INVENTORIES 2

Difference this year from last in quantities of each crop and livestock product held on farms, valued at average prices received by farmers during the year just ended.

Increase in inventories represents potential income, the exact amount to be realized depending on prices at time of sale.

Reduction in inventories means that farmers sold more than they produced during the year. Money received was included with cash receipts from farm marketings (opposite page).

TOTAL NET INCOME 13.0

This figure is a component of national income figures of the Department of Commerce. It is published in the national income reports of that Department as "net income of farm proprietors."

PERSONAL INCOME OF FARM POPULATION FROM ALL SOURCES

	1961 Billion dollars
PERSONAL INCOME FROM FARM SOURCES: TOTAL NET INCOME FROM FARMING OF FARM OPERATORS ON FARMS	11.7
This is the total net income of farm operators from farming described on page 5, *minus* the net income received by farm operators who do not live on farms. Represents return to resident farm operators for their capital, labor, and management. There is no allowance in farm production expenses for return on the large investment in farm capital.	
FARM WAGES OF LABORERS LIVING ON FARMS	1.8
Wages and other labor income for farmwork paid by farm operators out of their gross income to workers living on farms. These wages are a production cost to farm operators, but a source of income to farm population. Farm wages of migrant and other nonresident workers are not included in this figure.	
CONTRIBUTIONS OF FARM RESIDENT OPERATORS AND WORKERS TO SOCIAL INSURANCE	.2
TOTAL PERSONAL INCOME OF FARM POPULATION FROM FARMING	13.3
PERSONAL INCOME FROM NONFARM SOURCES	7.0
Includes wages, salaries, and other labor income of farm residents—from nonfarm jobs, rents and royalties, dividends and interest, net income from nonfarm business and professions, and transfer payments, such as employment compensation and social security.	
TOTAL PERSONAL INCOME FROM ALL SOURCES	20.3
This series of total personal income available to all persons on farms can be compared with personal income of nonfarm and of total population. It can be put on a per capita basis by dividing by number of persons living on farms.	

PERSONAL INCOME PER PERSON

The main USDA series on personal income received by people living on farms shown on opposite page can be used as the basis for two series of statistics on personal income per person.

The two series: Per capita personal income of farmpeople from farming; and per capita personal income of farmpeople from all sources.

Of the two the second is the most useful, mainly because it can be compared with the per capita personal income figures of nonfarmpeople.

Remember, however, that when you compare these farm income statistics with figures for incomes of nonfarmpeople the large differences (in favor of nonfarm incomes) do not necessarily indicate the same differences in economic welfare.

First, current income is not the only determinant of economic welfare; assets accumulated during the years are also important. The income statistics do not measure these assets.

Second, there are certain differences in the methods used by the Department of Agriculture and the Department of Commerce in constructing the two income series. These differences are the result of the varied problems in the collection and interpretation of data necessitated by the wide differences in the farm and the nonfarm economies.

Third, even after technical problems are taken into account there remains the problem of what conclusions can be drawn from a particular comparison; many items in urban and farm living are difficult to measure by the same yardstick.

In general, the comparison of year-to-year changes or long-term trends of farm and nonfarm incomes is more meaningful than the comparison of absolute levels of income.

From Farming

This figure is calculated by dividing the total net income of farm population from farming (p. 6) by the number of people living on farms as of April 1. The farm population figure is published each year by the Bureau of the Census and USDA.

The calculation for 1961: $13.3 billion divided by 14,788,000 equals $899.

This figure shows the personal income per person from farming of every man, woman, and child in the entire farm population.

From All Sources

Per capita personal income of farmpeople from all sources is calculated by dividing total personal income of the farm population from all sources (opposite page) by the number of people living on farms.

This per capita income figure can be compared with income per person of the total population. These data are available for the years since 1934.

The calculation for 1961:

Total personal income of farm population from all sources . . . $20.3 billion.

Divided by number of persons living on farms . . . 14,788,000.

Equals per capita personal income of . . . $1,373.

FARM INCOME PER WORKER

This figure is calculated by adding total farm wages to realized net income (p. 5), then dividing by average number of farmworkers during year.

Farmworkers include hired laborers, farm operators, and unpaid family members who work for more than 15 hours a week on the farm (except for those who do housework only).

The calculation for 1961: $12,803 million plus $3,048 million divided by 6,990,000 equals $2,268.

In calculating average income per worker on farms, no allowance is made for return on farmers' invested capital. This investment on January 1, 1962, averaged about $23,259 per worker.

ANNUAL RATES

Estimates of annual income do not, of course, show any fluctuations that take place within the year.

Farm income fluctuates for two main reasons—changing seasons and changing economic conditions. It is to show the fluctuations caused by changing economic conditions that USDA calculates quarterly "seasonally adjusted annual rates."

The seasonally adjusted annual rate for a quarter represents the total that would result for the whole year if income in other quarters showed only normal seasonal variation.

The variations shown by the seasonally adjusted annual rate can be considerable because of the extreme sensitivity of agricultural prices to changing economic conditions.

For example, the seasonally adjusted annual rates of farmers' realized net income for each quarter of 1961 were as follows:

	Billion
First quarter	$12.5
Second quarter	12.4
Third quarter	12.9
Fourth quarter	13.5

For the year, the average was $12.8 billion. If farmers' realized net income in 1961 had shown only normal seasonal variation from the first quarter's rate the year's total would have been $12.5 billion.

Quarterly estimates of seasonally adjusted annual rates are published for each of the series on income and production expenses listed on pages 4 and 5. Quarterly estimates are not available for the income that farm people receive from nonfarm sources.

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