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FARM INCOME AND THE AGRICULTURAL SECTOR'S CONTRIBUTION TO NATIONAL ECONOMIC OUTPUT

James Johnson and Mitch Morehart Agricultural Economists, Economic Research Service U.S. Department of Agriculture

By all indications, 2004 was an exceptional year for the U.S. farm economy. Current information on production, prices, and government payments indicates that new records were established for a variety of financial measures in 2004. Agriculture's contribution to the national economy in the form of net value added from current production was a record high \$118 billion. Farmers likely bought a record amount of inputs from merchants in local and regional economies and paid out a record amount to stakeholders. Yet, the near \$30 billion surge in value of farm sector production over 2003's prior record of \$241 billion was of such magnitude that farmers still managed to earn a record \$73.6 billion of net farm income as a return to their labor, management and capital. The cash-operating margin, as measured by net cash income, is also projected to be a record \$77.8 billon. Even after adjusting for inflation, financial performance indicators were at a level not achieved for over 20 years. With crop and livestock values of production achieving record high levels, 2004's financial achievement was widespread among production specialties and regions of the country.

It is against this backdrop of exceptional financial performance that we develop the outlook for the U.S. farm economy for the 2005 calendar year. Financial indicators produced for the 2005 calendar year draw on the outlook for crop and livestock industries shared elsewhere in this conference and on prospects for changes in price and use of production inputs. USDA's baseline projections place the outlook for 2005 into a longer-term perspective. The outcome of organizational and business decisions made by farmers is not only a highly diverse farm structure, but also a situation where the income and value generated in farm production may be shared among operators, their households, and many others that have a stake in the farm business. The bottom line is that farm operators, as traditionally viewed, do not retain all the value added or net income generated from farming in today's farm sector. This becomes an important financial management issue since the income earned by a farm may support multiple families or go to other firms or entities due to contractual arrangements. We use information obtained from USDA's annual Agricultural Resource Management Survey to provide information about how the sector's income is shared among stakeholders involved in U.S. farming, including the share earned by farmers and their families.

Farmers' Contribution to National and Regional Economies Remains at High Level

In 2005, agriculture's value-added to the U.S. economy is expected to be almost \$109 billion-the second highest nominal value on record, superseded only in 2004 (figure 1). Net farm income, or the share of value-added that is earned by operators and others who share farm risks, is projected to be \$64.4 billion in 2005. The remaining \$45 billion of net value added goes to laborers, landlords, and lenders who provide production inputs in return for a negotiated price. This means that operators, broadly defined, will earn about 60 percent of the value generated by farming in 2005. Operators' share of value added in 2004 and 2005 is at levels comparable to the early 1990's and is due in large part to relatively stable expenditures paid to lenders and landowners.

Value added is an economic accounting concept that tracks the final value of goods and services purchased by consumers to the points where the value originated. Since net value added accounts for the cost of all purchased inputs except an industry's own factors of production, it represents the total returns to all factors employed. The forecast anticipates a draw back from 2004's record \$118 billion contribution to the U.S. economy largely because of a near 8 percent reduction in the value of farm output. Helping offset the impact from reduced crop and livestock production values will be lower production costs (primarily because feed and purchased livestock are anticipated to be at lower levels than 2004) and government payments that are forecast to rise by two-thirds to a record \$24.1 billion.

While the outlook is for a reduction in agriculture's contribution to U.S. economic output, putting the 2005 forecast in historical context shows that, if achieved, 2005 would not only be the second largest amount of value-added recorded for the farm sector, but would also be only the third time that net value added has exceeded \$100 billion. Putting 2004 aside and considering 2005 in the context of recent years shows that the amount of value added forecast for the farm sector this year would surpass 2003's previous record by \$8 billion. The three-year period, 2003 through 2005, accounts for the three largest nominal contributions of agriculture to the U.S. economy. The \$109 billion in net value added forecast for 2005 would exceed the average for the prior 10 years by over \$16 billion. The forecast for 2005 further illustrates just how exceptional 2004 was in terms of agriculture's output.

The value of farm production is projected to recede from 2004's record by \$21.3 billion to a level of \$249.2 billion in 2005. While lower, the 2005 forecast would be the second highest level of nominal output generated by U.S. farming. In 2000 constant dollars, the 2005-output level ranks in the top fourth of annual outputs.

Crop production is expected to account for a predominant share of the overall reduction in farm output in 2005 (figure 2). The value of crop production is forecast to drop by over \$18 billion from 2004's record of \$119.5 billion. The value of livestock is forecast to be \$4.3 billion less than the 2004 nominal record of \$122.2 billion. While both crop and livestock receipts will be less in 2005, both industry groups will remain above \$100 billion for the third consecutive year (figure 3). The value of livestock production will also remain above the prior 10-year average of \$99.1 billion in 2005.

A similar story holds for most individual crops. Larger quantities available for sale will not completely offset reductions in price from what has been, in most cases, multiple year increases in prices received. The result will be widely shared reductions in the value of output among crop producers in 2005. For livestock, the value of production is expected to be lower for dairy, hogs, and eggs. As for crops, reductions in prices following substantial prior year increases will more than offset small increases in production for hogs and milk. Together, oilseeds (principally soybeans) and milk are expected to account for \$6.7 billion, or 31 percent, of the reduction in farm value of production for 2005.

The reduction in crop production value will be partially offset by an increase of \$9.6 billion in Government payments in 2005 (figure 4). Production and price levels forecast for program commodities result in payments that would total a nominal record \$24.1 billion. If achieved, this would also be the highest level of payments since the \$22.9 billion in 2000. The largest contributors to the expected increase in payments over 2004 are a \$4.0 billion increase forecast for counter-cyclical payments, a \$3.2 billion increase in ad hoc and emergency program payments is a result of legislation enacted to make financial assistance available to producers harmed by hurricanes, drought, and other disasters during the past year. Farmers will receive most of the payments associated with this legislative assistance during 2005.

Following a 7 percent increase in 2004, total production expenses are expected to be about 1 percent lower in 2005 (figure 5). Reductions forecast for feed and purchased livestock, marketing, storage and transportation, and miscellaneous operating costs are expected to be sufficient to offset increased expenditures for manufactured inputs, interest charges, and overhead items such as rents, property taxes, and capital consumption. Purchased inputs are forecast to be \$3.0 billion less so cost reductions will be for items that will mean less money out of farmer's accounts this year. In 2005, feed is forecast to have the largest absolute reduction in costs. Purchased livestock will likely have a slightly larger percentage reduction of over 9 percent compared to 8 percent for feed. Pesticides, fertilizers, and fuels and oils are forecast to be higher in 2005 and will account for the expected increase in manufactured input costs. Overhead items such as rents, property taxes, and capital consumption are forecast to increase \$1.3 billion in 2005, lagging only the increase forecast for manufactured inputs.

Farm Profit Recedes From Record High While Cash Margins Improve

Net farm income, or the profit earned by farms as business establishments, is forecast to total \$64.4 billion in 2005. This is higher than the \$59.2 billion earned in 2003 (a record amount at that time) but represents a decline from the record of \$73.6 billion earned in 2004 (figure 6). With record levels of aggregate sector-wide profit established in 2003 and 2004 and forecast net income for 2005 expected to remain at a level between these record setting years, the 2003-2005 period provides consecutive years of relatively high earnings. Measured in constant dollars, the 2003-2005 period shows sector profits have improved and are at a level only exceeded by the early 1970's. For comparison, in the most recent 10-year period, net income averaged \$50 billion in constant dollars. Whether measured in nominal or constant dollars, 2005 is projected to be another in a recent string of strong earning years for U.S. agriculture.

Cash margins, as measured by net cash income, represent the difference between farming's gross cash income and cash expenditures, are forecast to be \$78.1 billion in 2005, slightly higher than the \$77.8 billion earned in 2004 (figure 7). Gross cash income, at \$263.4 billion, is projected to be about \$2.7 billion less than the record level established in 2004. A reduction in cash expenditures of \$3.0 billion is projected to be slightly more than the reduction in cash sources of income, leaving aggregate net cash income up a small amount in 2005. Measured in constant dollars, 2005 also compares favorably to recent years.

Comparing cash operating expenses to sources of income suggests that 70 cents of each dollar of earnings will be used to purchase inputs in 2005, leaving 30 cents to cover unpaid labor,

management, and capital costs. Expense to income ratios for the last 15 years suggest that expenses in 2005 will likely take 5-6 cents less out of each dollar of revenue than earlier in this decade. While expenses have increased, cash revenues have increased by a larger percentage amount. Improvement in expense to cash income ratios points to the importance of steps taken by farmers to control production costs in helping maintain or enhance cash flow and the earnings status of their businesses.

Farmers' Decisions as Business Persons Affect Distribution of Value Added and Net Income

Asset control and the introduction of complex organizational structures have increased the number and types of entities participating in production agriculture. Farm stakeholders include three major groups that provide resources, which they control, to the production process for a predetermined return or method of payment. These groups include non-operating property owners, hired laborers, and lenders.

Farmers' responses to business surveys provide documentation about the extent to which they use stakeholders that have a contractual claim on output in their businesses (figure 8). Farmers lease land, machinery, equipment, structures, and livestock. Machinery leases are most likely for a cash payment and, in that regard, affect the level of income but not its distribution. Yet, 169,000 farmers leased land for a share of production and 38,000 reported leasing livestock. About 40 percent of farmers reported owing debt at year-end. A fourth of farms reported use of hired labor, while a third reported having custom work performed for the business. Use of labor, debt capital, and leasing practices varies by size of farm. Roughly, two-thirds of farms with sales over \$100,000 rent land. In comparison, less than a fifth of farms with sales less than \$100,000 rent land. A larger share of farms with sales in excess of \$100,000 also hire labor, lease machinery, and owe debt at yearend compared to smaller sized operations. Incorporating stakeholders into the business is important to understanding who earns the value added generated by U.S. agriculture since these larger farms generate nearly 70 percent of the value of production nationally and account for more than 70 percent of the farm sector's contribution to net value added.

Landowners who rent land for a share of production usually have claim to a share of crops or livestock produced by the operator as well as a share of government payments received on the rented land. In contrast, cash rent land owners are typically paid a stated amount of rent no matter how much is produced, although some cash renters agree to vary rental payments with production or prices. Net rent represents the difference between the amount of rental payments received and any ownership and production expenses paid by landlords. Net rent has ranged between 8 and 13 percent of net value added since 1970 and in 2005 is projected to total \$11.8 billion or about 11 percent of net value added (figure 9). The forecast for 2005 is almost \$2 billion below the highest amount paid in constant 2000 dollars, which occurred in 1979.

Technological advances in agriculture have affected the demand for hired labor, but so have changes in farm operator and spouse farm and off-farm labor allocation decisions. Labor is compensated in the form of wages and benefits. During the last ten years, the average wages paid to hired farm workers has increased by 42 percent compared with changes in the general price level of about 25 percent. At the same time, the number of workers hired by farm operators has declined by 9 percent. The proportion of net value added accruing to hired labor has ranged

from 10 percent in 1973 to nearly 24 percent in 2002. Labor's share of net value added increased by 10 percentage points in the last ten years, with the 2004 forecast being the highest inflation adjusted amount of compensation at \$18.4 billion. Current projections suggest that employee compensation will be slightly less in 2005, totaling \$19.8 billion in nominal and \$18.0 after adjustment for changes in price level.

With farm debt expected to reach a record \$213 billion by the end of 2005, lenders continue to provide significant and valuable financial resources to the production process. The cost of debt capital is reflected in interest rates, which have recently seen historic lows, but are expected to continue to trend upward though 2005. Interest expense as a share of net value added is forecast to be about 12 percent, which would be well below its peak of almost 44 percent in 1983.

Production activities are heavily concentrated on the 7 percent of farms classified as commercial operations. These farms accounted for nearly 90 percent of the value of vegetable and hog production, 75 percent of cotton and fruit output, 66 percent of dairy, 60 percent of corn and soybean, and about half of cattle and wheat output in 2003. Put another way, the 2002 Census of Agriculture reported that it took 143,547 farms, or 6.7 percent of total, to account for 75 percent of sales. This was down from 232,605 farms, or 12.1 percent, a decade earlier. Value of both crop and livestock production and government transactions tend to be more concentrated on commercial farms than purchased input costs. As a result, the farm sector's value added is also concentrated with commercial farms accounting for about 70 percent of farming's contribution to the national economy. Intermediate farms contribute over 22 percent and the 64 percent of farms classified as rural residences contribute about 8 percent.

Contributions to value added differ among farms by type of commodity specialty and region of the country. The 14 percent of farms classified as cash grain and soybean operations (i.e., farms where more than half of value of production coming from these commodities) are the largest contributors to value of crop production, accounting for 41 percent of crop output. The 6 percent of farms classified as fruit and vegetable operations, or high value crop farms, contribute 35 percent of crop output, while the 19 percent of farms classified as field and general crop farms generate 20 percent. A similar pattern holds for livestock farms, which together account for 95 percent of value of livestock output; crop farms generated the remaining 5 percent. Thus, crop and livestock output is not only concentrated on larger farm businesses, it is also concentrated on farms that specialize in the production of selected commodities. One outcome of the concentration of production by economic size and type of farm is that the effects of a change in production, market, or policy circumstance for a specific commodity may be limited to a relatively small slice of the overall farm sector and rural economy.

Net government transactions, measured as government payments received minus property and land taxes paid, vary widely among farm types. Cash grain and oilseed, field crop, and dairy farms receive more in payments than they pay in taxes. Meanwhile, the opposite is the case for high value crop farms, beef cattle, poultry, and general livestock operations. These farms pay more in taxes than they receive in payments. This is an outcome of the focus of government program payments, where payments tend to be concentrated on farms that produce program commodities such as grains, oilseeds, cotton and rice.

Like output, use of owned capital and inputs acquired from other sectors of the economy differs among types of farm operations. Purchased input costs tend to be concentrated on high value crop farms, hog, dairy, poultry, cash grain, and soybean operations. There are substantial differences in types of inputs bought with crop farms centering more on manufactured inputs like fertilizer and chemicals, while livestock operations focus more on farm origin inputs such as feed.

Taking into account value of production, government transactions, input purchases and use of owned capital shows that the largest contribution of value to the U.S. economy comes from crop farms and the 6-7 percent of farms classified as dairy, hog, and poultry operations. The 55 percent of farms classified as beef and general livestock farms contribute about 17 percent of the sector's net value added. Nearly 70 percent of these farms are rural residence operations that tend to have losses in their farm businesses.

Multiple Stakeholders Affect the Level and Distribution of Sector Net Farm Income

Some stakeholders engaged in farm businesses share the farm's production and financial risks and affect the distribution of net income. Examples of persons or institutions that provide assets and share risks include operators in multiple family farms, farm partners and shareholders in corporations, contractors, participants in joint ventures organized to facilitate farming activities, and providers of equity capital used in the farm. Because of legal structure, agreements, or other arrangements, these stakeholders typically have a claim on income or profit of the business. As a result, not all of a farm's value added, or net income, may accrue to traditionally recognized farm families, or households, that operate farm businesses (figure 9).

Larger farms, those with sales over \$250,000, have a larger share of operations with production contracts than farms with a lower sales volume. Over a fourth of farms with sales in excess of \$500,000 reported contracts in 2003. In comparison, about 5 percent of farms with sales between \$100,000 and \$250,000 and an even smaller share of farms with sales less than \$100,000 reported use of contracts. Larger farm operations also reported having a larger number of operators, on average, and a larger number of households sharing in net income. Thus, while larger farm operations, particularly those with sales over \$500,000, report earning a substantial portion of the net income reported by farm businesses, income may be shared on a substantial number of these farms. For example, operators of farms with more than \$1,000,000 in sales reported, on average, in excess of two operators per farm. A third of these operations reported use of production contracts in their businesses and they also frequently reported households other than the operator's sharing in the net income of the business. This means that farmers that are generating a predominant share of farm value added are also incorporating complex arrangements in their businesses. Current evidence shows that net income comprises about threefifths of value added and that primary operators of farms earn about two-thirds on net income. In order to gauge how financial circumstances may vary among farms, it is important to understand business arrangements used by farmers, where value is added to the U.S. economy, and where farm income is going.

Income Outlook and Financial Circumstances Varies Among Farms

Farm operators, as self-employed businesses owners, remain the largest group of stakeholders in production agriculture. Those with a primary occupation of farming (about 700,000) are considered farm businesses. Net cash income for farm businesses is projected to change little in 2005, going from an average of \$59,700 in 2004 to \$59,000. For analytical purposes, farms can be classified into several different groups including economic size of business, commodities produced, and geographic location to help capture the effects of size and scope of business, production choices, and location on farm performance.

Average net cash income is projected to decline for most crop farms in 2005 (figure 10). The exceptions are farms that specialize in the production of wheat, cotton, and rice where increases in government payments will help offset the expected decline in market sales. Average net cash income is projected to remain similar to 2004 for producers that specialize in the production of other field crops. Aside from corn farms, the expected decline in average net cash income is relatively modest (between 6 and 12 percent) (figure 11). For farms classified as corn operations, net income may be down by over a fourth, largely due to lower receipts. Payments are forecast to rise on these farms but not by an amount sufficient to offset expected reductions in crop receipts. Cash expenses are also forecast to rise for corn farms. Average income for corn farms is still expected to remain above earlier years of this decade. The income outlook for livestock producers is mixed (figure 12). Average net cash income of beef, poultry and other livestock farms farm is expected to increase in 2005. Beef producers will see a return to 2003 incomes with an abundance of hay and grain that will help hold down production costs. Average incomes of hog and dairy producers are expected to decline in 2005, but remain well above 2003 levels.

Geographic concentration of commodity production explains much of the regional variation in the income outlook for farm businesses. In 2005, average net cash income is projected to increase in most regions (figure 13). The largest increases are anticipated in the Prairie Gateway (15 percent) based on the anticipated strength of cotton and rice income combined with the optimistic outlook for beef income and in the Southern Seaboard (8 percent) which has a large concentration of poultry and hog production. The largest decline in average net cash income is expected to occur in the Heartland, where corn and soybeans are prominent commodities. Average incomes are expected to decline by 5 percent in the Northern Crescent where dairy is the most common farm type.

There is also variation in projected net cash income changes by size of farming operation in 2005. Income is expected to increase slightly for farms with sales below \$250,000 or in the case of the very smallest farms, become less negative (figure 14). Average net cash income is forecast to decline from 4 to 5 percent for farms with gross sales of \$250,000-\$99,999. For the largest farms, having gross sales of \$1 million or more, average net cash income is unchanged from 2004's forecast.

Looking Ahead: The Longer-Term Outlook for Farm Income and the Sector's Contribution to Economic Output

Incorporating the longer-term outlook for commodity production, prices, and production costs into projections of value added and net income suggest a farm sector that is expected to experience a modest expansion in its nominal contribution to the U.S. economy. During the second half of the baseline period, farming is expected to attain, or exceed, the level of value added generated in 2004. Current projections indicate that net income during the next two years should be relatively stable in the \$63-\$64 billion range prior to settling at near \$60 billion in nominal dollars. Measured in real terms, relatively stable nominal net incomes would be eroded over time by changes in general price levels.

Baseline projections do not suggest a substantial decline from 2005's economic contribution. Both crop and livestock receipts are expected to remain above the \$100 billion plateau and contribute to a nominal increase in gross income. Direct government payments recede from the expected 2005 record level during the baseline and are projected to approach a level similar to the early 1990's. With growth in receipts and gross farm income, a larger share of farm revenues is expected to come from market sources. Payments as a share of gross income are forecast to drop from the 5-9 percent level attained in 2003-2005 to about 3-4 percent of gross income.

Expenses are projected to increase by around 2 percent per year, on average, during the baseline period, in line with changes in economy-wide price levels. Current projections suggest that interest charges and wages and benefits paid to hired labor may increase more than cash expenses. Payments to owners of these factors of production will put downward pressure on net income earned by farms. The sector's net cash income is projected to pull back from record levels established in 2004 and 2005. However, cash income is still expected to remain at or above 2003's \$68.6 billion in nominal dollars for all but one year during the baseline period. Taking into consideration general price level changes, real net cash income is expected to be less, much like net farm income. Expense to gross cash income ratios rise from the decade low of 0.70 in 2005 to 0.75 toward the end of the baseline, also illustrate a tightening of farms' cash position. Profit positions and cash margins will continue to place a premium on farmers' business management practices. In this regard, financial circumstances likely to exist during the baseline period will be much like those of the past decade.

Business and Financial Management Challenges

Estimates of the number of farms and land in farms released in January 2005 show a decline in the overall number of farms and farmland with a small increase in the share of larger farm operations (USDA). This most recent report builds on trends reported in the Census of Agriculture and other farm survey data. Underlying these aggregate sector-wide outcomes for number, size, and organization of farms are wide ranging decisions about how to manage farms to achieve personal, business, and family goals. Prospects for cash margins and net incomes that may tighten in real terms, suggests that farmers will continue to confront a variety of financial and business management challenges, including whether to incorporate new practices or arrangements in their businesses or to alter the size and scope of operation.

Management functions such as planning and organizing business operations, tracking and measuring performance, and taking needed corrective or preventive actions to meet business goals play a part in determining business success. A successful farm operation has been defined as one that meets the owner-operator's objectives (Ervin). Goals held for farm businesses and even reasons for having become a farm operator vary widely among households and management units. For example, about half of operators report their primary reason for becoming a farm operator was to take over the operation of an existing farm or to develop a business to generate additional income. Meanwhile, about a fifth report their primary reasons as being able to live in a rural area or to set up a retirement residence or activity. In addition to widely different reasons for having become a farm operator, farmers also report that they engage in a range of actions to control operations. For example, preparation and use of financial statements to analyze business performance is a relatively common practice reported by producers, especially managers of larger farming operations (figure 16). A fourth of all farmers and nearly three-fifths of farmers with sales over \$500,000 also report having hired professional or farm management services. Aside from purchased services, farmers report obtaining advice about the organization or operation of their business from people outside the ownership team.

Like purchased services, obtaining informal advice also differed among sizes of farms, with managers of larger farms being more likely to obtain informal advice.

Farmers' management actions are reflected in steps taken to control input costs, an issue of concern among farmers, lenders, and others. Survey data suggest that about 15 percent of farmers nationally took steps such as reducing quantities of input use, negotiating a lower price, changing production practices or altering the enterprise mix, to reduce input costs. From five to seven percent of farmers reported taking steps to reduce overhead costs. In both cases, the share of producers taking these actions was much higher for larger farms, where crop and livestock production is concentrated. When asked more specifically about purchases of inputs for crop production, including time of purchase, from a fourth to a third of farms overall, depending on input, reported purchases before January 1 of the survey-reporting year. A much higher share of larger operations reported pre-purchase of inputs, with the main reason being to reduce input price risk (Daberkow). For farms focused on corn production, survey data show that farms with an operator whose occupation was farming, and those located in major corn production regions were more likely to undertake practices that reduce the price risk associated with nitrogen fertilizer. Efforts to exercise control over costs of production and the organization and operation of business activities are indicators of a diverse set of farms in the sector and reflect a wide range of goals held by farmers. Actions taken by farmers to control costs or to enhance revenues have resulted in widely varying cost to output relationships. Survey data for 2003 suggest that about 28 percent of farms had total costs of less than one for each dollar of income generated. These farms produced about three-fifths of output. Past efforts suggest that farmers will continue to seek out and adopt ways to improve their cost-output relationships, especially if cash margins tighten in real terms.

Troubleshooting farm business finances includes looking at operation size, debt structure, and efficiency of operation (Jolly). Farmers now frequently include multiple stakeholders in their businesses whether in the form of multiple households sharing income, parties in ventures or alliances, business partners, contractors, or property owners. On average, farmers report 1.5 operators per farm, with larger units reporting having over two operators. Use of contracts and participation in alliances or buying clubs to acquire inputs also are strategies used more frequently by operators of larger farms. For example, while about 2 percent of farms in total report using production contracts, over a fourth of farms with sales over \$500,000 report use of these arrangements. Similar differences exist between sizes of operations in decisions to participate in alliances or buying clubs to acquire inputs. Incorporation of new stakeholders and approaches to input acquisition, or, for that matter, new market channels or approaches to the disposition of production into a farm's business structure may not only affect the overall level of income but, as noted earlier, its distribution. Based on our most recent survey reports, traditional farm operators earn about two-fifths of value-added and two-thirds of net income produced in U.S. agriculture. How these shares may change in the years ahead will not only depend on changes in the farm and non-farm economies they will also depend in large measure on decisions made by farmers about how to organize and manage their businesses.

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Figure 1. Agriculture's value-added to the U.S. economy is expected to be \$109 billion, the second highest amount on record



Figure 2. Crop production will account for a predominant share of the reduction in farm output in 2005



Figure 3. Crop receipts down in 2005, while livestock remains above \$100 billion for third consecutive year



Figure 4. Government payments are projected to increase by \$9.6 billion in 2005









199A

vagy

2000

2004

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199b

Figure 7. Farm Sector Net Cash Income, 1996-2005f



Figure 8. Farmers include multiple stakeholders in their businesses

- 169,000 farms rented land for a share of production; 525,000 farms rented land for cash; 142,000 leased machinery, equipment or structures; 38,000 leased livestock
- 842,000 farms owed debt at year-end
- 517,000 farms used hired labor; 194,000 used contract workers paid by a crew leader, contractor, etc; 690,000 farms had custom work performed, hiring both labor and machines
- 46,000 farms grew agricultural commodities for other firms or farms under a production contract arrangement
- 165,000 households (other than the primary operator's) shared net income; farms, on average, have 1.5 operators
- 96,000 farms were organized as partnerships; 63,000 were corporations

Source: 2003 ARMS, USDA

Figure 6. Farm Sector Net Income, 1980-2005f

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0

~980 ~982

1984 .08b

Figure 9. Multiple stakeholders affect the distribution of net value added, 2005f



Figure 10.Average net cash income is projected to decline for most crop farms, but not for cotton and rice



Figure 11. Decline in average net cash income expected to be largest for corn farms







2004f

2005f



Figure 13. In 2005, average net cash income is projected to

Figure 14. Net cash income of farm businesses remains relatively stable across economic size of farm



Figure 15. Net farm income in nominal and real terms, 1988-2014



Figure 16. Share of farmers reporting use of management strategies to control business operations, 2003

