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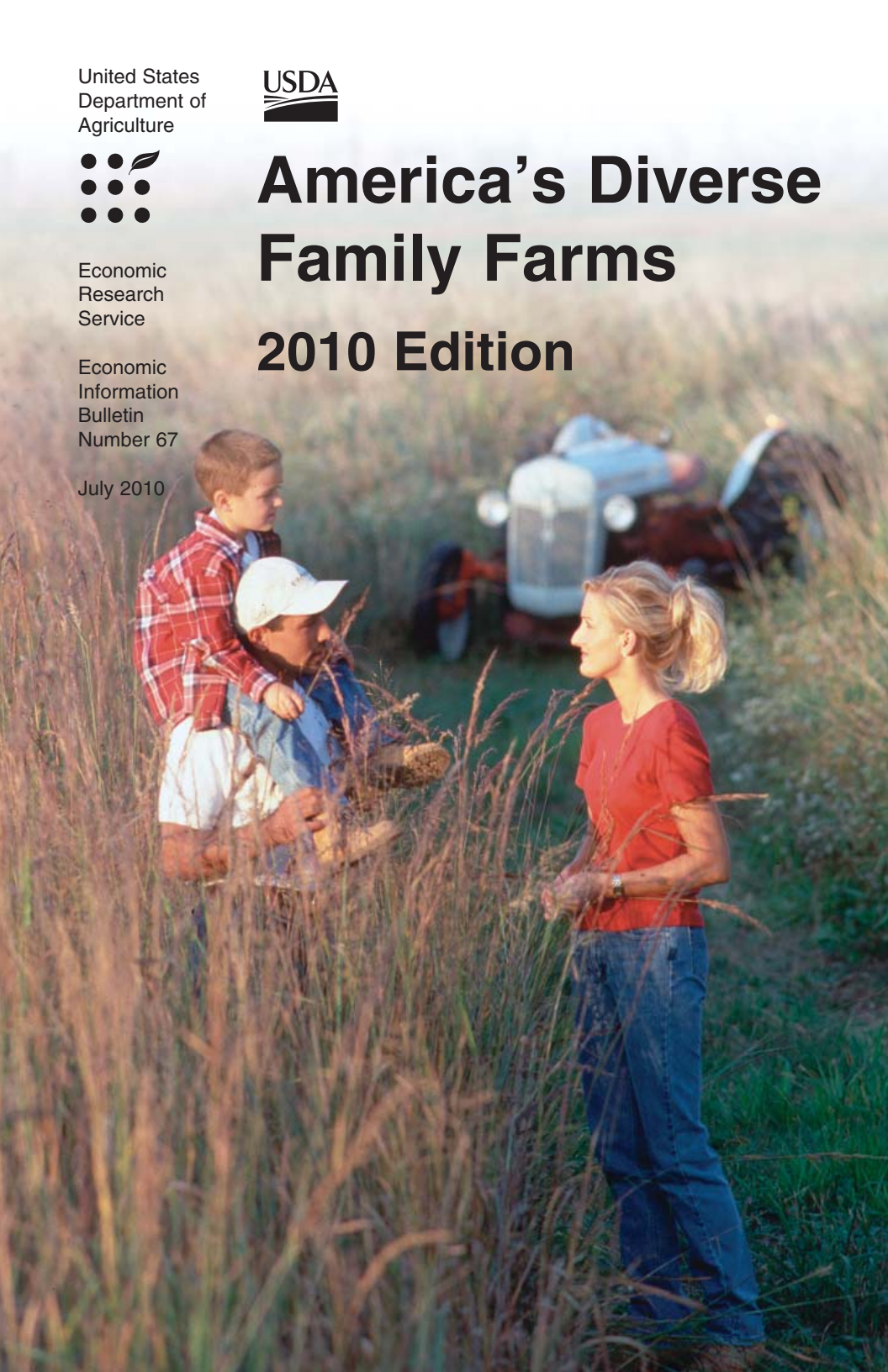
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America's Diverse Family Farms

2010 Edition



America's Diverse Family Farms

Broad descriptions of farms based on U.S. averages can mask variation among different sizes and types of farms. A farm classification developed by USDA's Economic Research Service (ERS) categorizes farms into more homogenous groupings for reporting and evaluation purposes. The classification is based largely on annual gross sales of the farm, major occupation of the operator, and family/nonfamily ownership of the farm.

Farm Types, 2007

The farm classification developed by ERS focuses on the "family farm," or any farm where the majority of the business is owned by the operator and individuals related to the operator, including relatives who do not live in the operator's household. USDA defines a farm as any place that produced and sold—or normally would have produced and sold—at least \$1,000 of agricultural products during a given year. USDA uses acres of crops and head of livestock to determine if a place with sales of less than \$1,000 could normally produce and sell that amount.

Small family farms (sales less than \$250,000)

- **Retirement farms.** Small farms whose operators report they are retired, although they continue to farm on a small scale.
- **Residential/lifestyle farms.** Small farms whose operators report a major occupation other than farming.
- **Farming-occupation farms.** Small farms whose operators report farming as their major occupation.
 - **Low-sales.** Gross sales less than \$100,000.
 - **Medium-sales.** Gross sales between \$100,000 and \$249,999.

Large-scale family farms (sales of \$250,000 or more)

- **Large family farms.** Farms with gross sales between \$250,000 and \$499,999.
- **Very large family farms.** Farms with gross sales of \$500,000 or more.

Nonfamily farms

- **Nonfamily farms.** Any farm where the operator and persons related to the operator do not own a majority of the business.

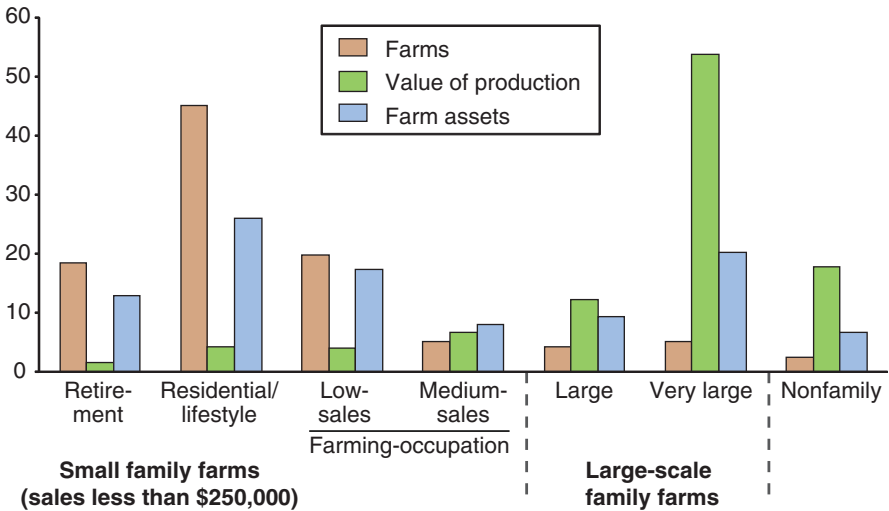
Farms, Assets, and Production

Most farms are small, and most farm assets are on small farms, but small farms account for only 16 percent of production.

- Eighty-eight percent of farms are small, and these farms account for 64 percent of farm assets, including 63 percent of the land owned by farms.
- Large-scale family farms and nonfamily farms account for 84 percent of production.
- Family farms of different sizes account for 98 percent of farms and 82 percent of production.

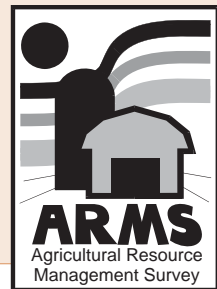
Distribution of farms, value of production, and farm assets by farm type, 2007

Percent of U.S. farms, production, or assets



Differences among farm types are illustrated in this brochure using 2007 data from the Agricultural Resource Management Survey, an annual survey conducted by USDA's ERS and National Agricultural Statistics Service.

For more information about the diversity of U.S. farms, see ERS's *Structure and Finances of U.S. Farms: Family Farm Report, 2010 Edition*.



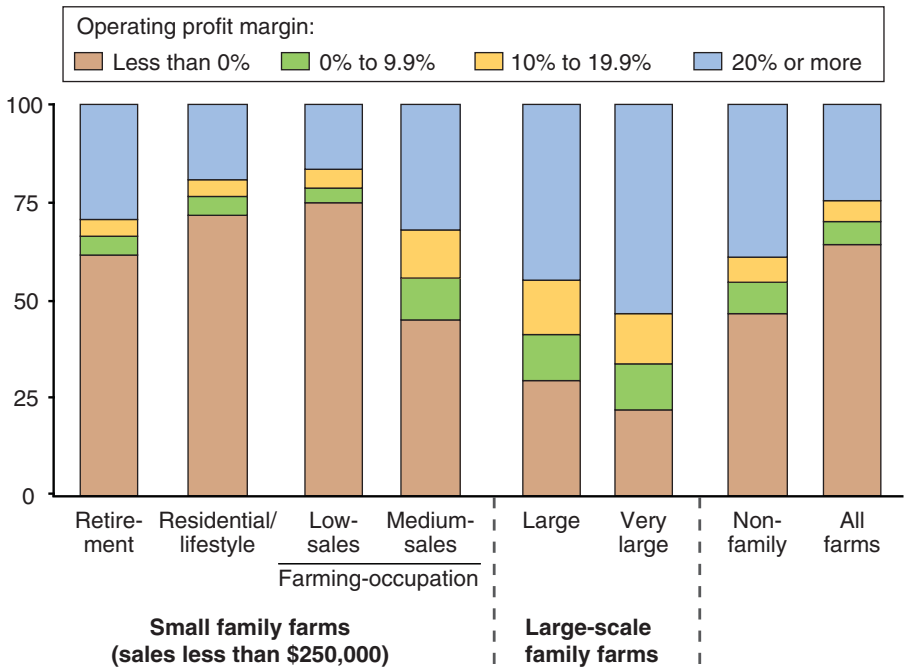
Farm Financial Performance

Small farms are more likely to have a negative profit margin, but some are profitable.

- Forty-five to 75 percent of the farms in each small farm type had a negative operating profit margin in 2007.
- Other small farms were more profitable: between 17 and 32 percent of each small farm group had an operating profit margin of at least 20 percent.
- Nevertheless, an even greater share of large-scale farms had operating profit margins that high, and most large-scale farms had positive margins.
- Only 3 percent of U.S. farms are classified as vulnerable (negative net farm income and debt/asset ratio greater than 40 percent), and the majority (71 percent) of these farms are residential/lifestyle farms.

Farms by operating profit margin and farm type, 2007

Percent of group



Operating profit margin = 100% X (net farm income + interest paid – charges for operator and unpaid labor – charge for management) / gross farm income.

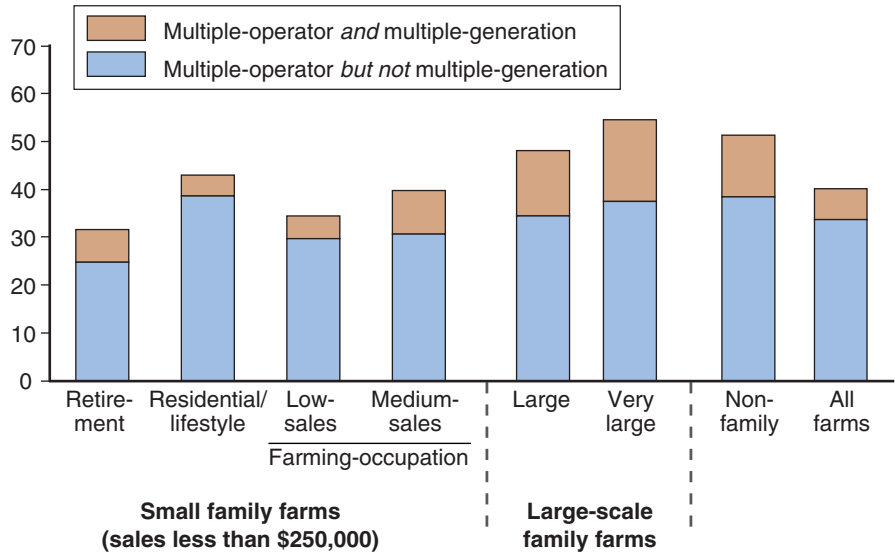
Farms and Farm Operators

Many farms have multiple operators, and many large farms have multiple generations of farm operators.

- Multiple-operator and multiple-generation enterprises are most common among large-scale family farms and nonfamily farms.
- Generational life-cycles, particularly the presence or absence of younger related operators, may affect farm expansion and contraction decisions.

Multiple-operator and multiple-generation farms by farm type, 2007

Percent of farms in group



Multiple-operator farms have more than one operator. **Multiple-generation farms** are multiple-operator farms with a difference of at least 20 years between the ages of the youngest and oldest operators. **Single-operator farms** have only one operator (not shown).



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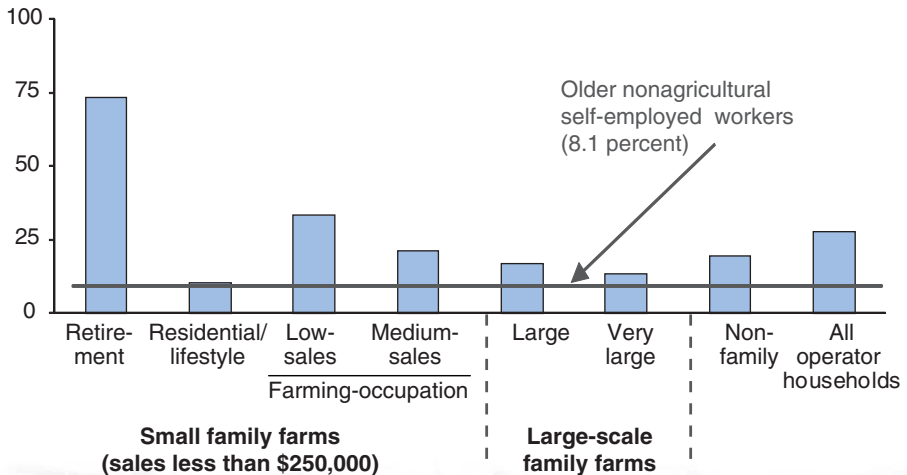
Farms and Farm Operators (continued)

The most striking characteristic of principal farm operators—the operator most responsible for running the farm—is their advanced age.

- About 28 percent of principal farm operators are classified as older (at least 65 years old), compared with only 8 percent of self-employed workers in nonagricultural businesses.
- Retirement farms had the highest percentage of older operators (73 percent)—as one might expect—followed by low-sales farms (33 percent).
- The advanced age of farm operators is understandable, given that the farm is the home for most farmers and farmers can phase out of farming gradually.

Older principal farm operators by farm type, 2007

Percent of principal operators classified as older



The **principal operator** is the operator most responsible for running the farm. In the case of single-operator farms, the sole operator is a principal operator. **Older operators** are at least 65 years old.



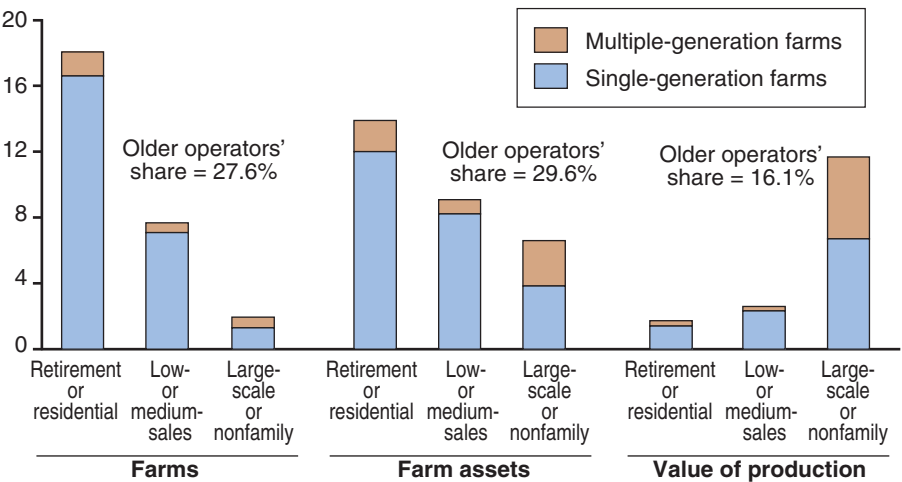
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Older operators' 28-percent share of U.S. farms—and their 30-percent share of U.S. farm assets—raises questions about a future mass exit of farmers from agriculture and the likelihood of finding younger operators to replace them and productively use their assets.

- The exit of older farmers appears less ominous if one examines the types of farms they operate; the assets to be absorbed are much less than 30 percent of total farm assets.
- Most older farmers operate retirement or residential/lifestyle farms, accounting for less than 2 percent of U.S. production.
- The 14-percent share of farm assets held by older operators of retirement and residential/lifestyle farms does not contribute significantly to their production, although they often rent farmland to other operators.
- Most production of older operators comes from the more commercially oriented large-scale and nonfamily farms (12 percent of U.S. production) and—to a lesser degree—farming-occupation farms (3 percent).
- Older operators' assets that must be absorbed to maintain production amount to only 12 percent of total U.S. farm assets—the assets found on farming-occupation, large-scale, and nonfamily farms run by older farmers as single-generation operations with no replacement operator in place.

Distribution of farms, assets, and production of principal operators, 2007

Percent of U.S. farms, farm assets, or production



Older operators are at least 65 years old.

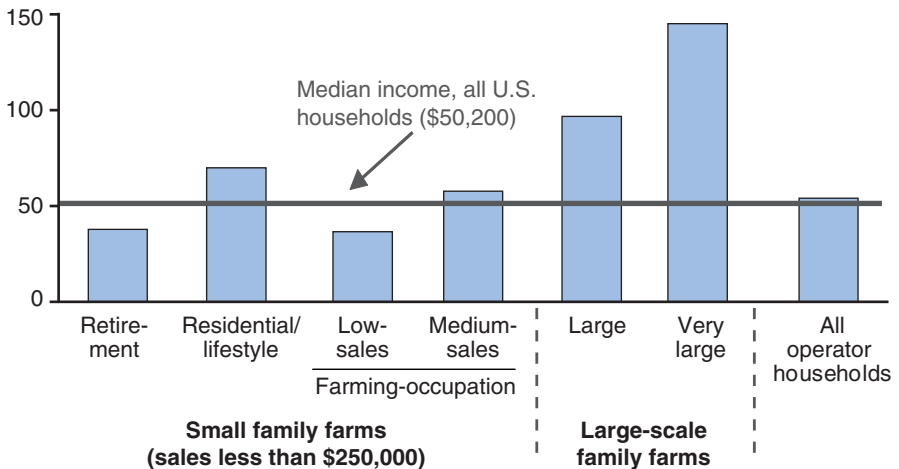
Farm Operator Household Income

Most types of farm households receive a median income at or above the median for all U.S. households, when both farm and off-farm sources of income are considered.

- Only two types of farm households—those operating retirement or low-sales farms—received a median household income substantially below the median for all U.S. households.
- Limited-resource farms, however, make up between 3 and 12 percent of all farms, depending on how “limited-resource” is defined.
- Operators of small farms—especially retirement, residential/lifestyle, or low-sales farms—often report losses from farming.
- Off-farm work provides the primary source of income for most types of farm households.

Median income of principal-operator households by farm type, 2007

\$1,000 per household



Median income falls at the midpoint of the distribution of households ranked by income. Half of the households have income above the median, while the other half have income below that level.

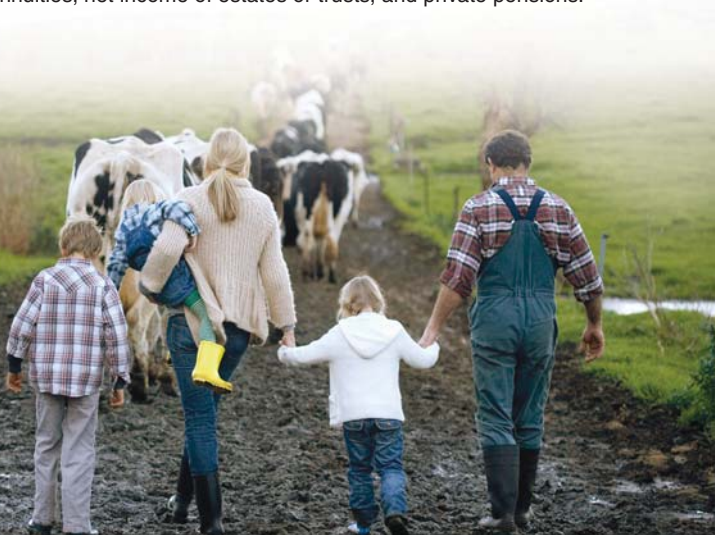
Average (mean) farm operator household income by source and farm type, 2007

Type of farm operated	Total average income	Income from farming		From off-farm sources		
		Amount	Negative	Total	Earned ¹	Unearned ¹
	<i>Dollars per household</i>		<i>Percent of households</i>		<i>Dollars per household</i>	
Small farms:						
Retirement	55,228	-1,990	65.6	57,219	24,367	32,851
Residential/lifestyle	101,677	-5,984	75.6	107,661	93,750	13,911
Farming occupation:						
Low-sales	44,488	-5,070	60.1	49,559	30,286	19,273
Medium-sales	76,191	29,018	25.2	47,173	34,015	13,158
Large-scale family farms:						
Large family farms	109,639	63,027	20.9	46,613	32,597	14,016
Very large family farms	268,227	226,490	19.6	41,736	28,462	13,275
All family farms	88,912	11,733	62.7	77,179	58,680	18,499

Note: Household income is not estimated for nonfamily farms.

¹Earned income comes from off-farm self-employment or wage or salary jobs. Unearned income includes interest and dividends, benefits from Social Security and other public programs, alimony, annuities, net income of estates or trusts, and private pensions.

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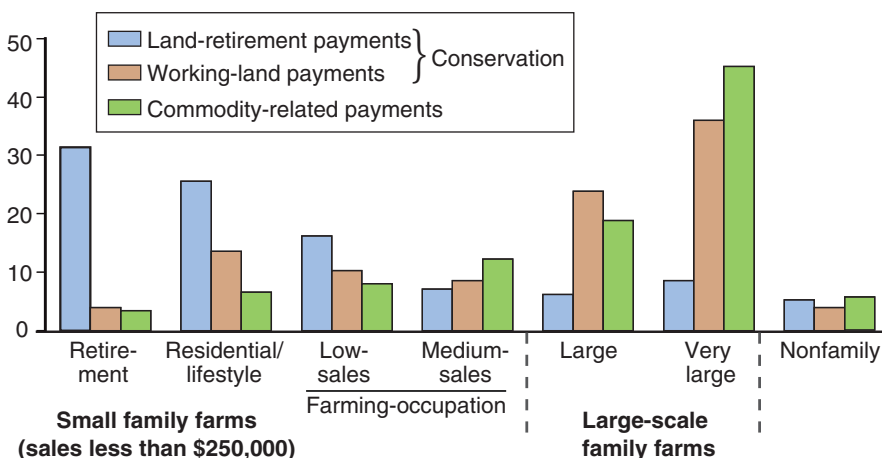
Government Payments

Commodity-related Government payments largely go to medium-sales and large-scale family farms, working-land conservation payments mainly go to large-scale farms, and most land-retirement payments go to smaller farms.

- Commodity program payments reflect acreage in crops historically eligible for support; 76 percent went to family farms with at least \$100,000 in sales in 2007.
- About 60 percent of working-land conservation payments went to large-scale farms since these programs target production—although indirectly—by targeting environmental programs on lands in production.
- Land-retirement programs, however, target environmentally sensitive land—regardless of its production—and retirement, residential/lifestyle and low-sales farms received 73 percent of these payments.
- The share of farms receiving Government payments is particularly high for medium-sales small farms and large-scale farms, largely due to their participation in commodity-related programs.

Distribution of government payments by farm type, 2007

Percent of U.S. payments



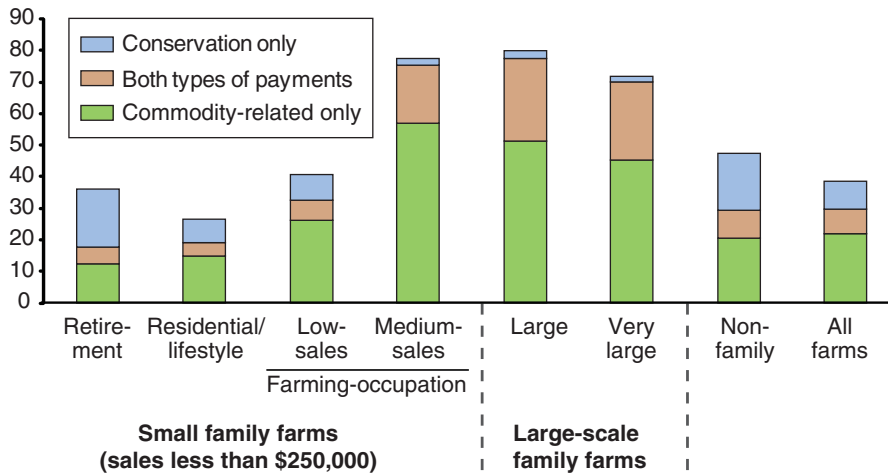
Conservation programs:

- **Land-retirement programs:** Conservation Reserve Program, Wetlands Reserve Program, etc.
- **Working-land programs:** Environmental Quality Incentives Program and Conservation Security Program.

Commodity-related programs: Direct payments, countercyclical payments, marketing loan benefits, agricultural disaster payments, etc.

Farms receiving government payments by type of payment and farm type, 2007

Percent of farms in group



Sources of Data on Government Payments

ARMS relies entirely on the responding farm operators for program-related information and records only the payments they report as received by the farm. As a result, the survey shows different levels and composition of Government payments than do administrative data, which are based on payment records kept by the agencies involved. Administrative data include payments received by persons who do not farm, mainly nonoperator landlords. ARMS data account for 86 percent of total Government payments recorded by administrative data, after adjusting for payments to nonoperator landlords.

The advantage of the ARMS data is that they include information about the farms receiving the payments. Administrative data, in contrast, contain limited information about the characteristics of farms receiving Government payments.

Farm Policy and Family Farms

- **Farming is still an industry of family businesses.** Ninety-eight percent of farms are family farms, and they account for 82 percent of farm production.
- **Small farms make up most of the farm count and account for the bulk of farm assets, including farmland.** Most farm production, however, occurs on large-scale and nonfamily farms.
- **The nonfarm economy is critically important to operators of small family farms.** Because small-farm households rely on off-farm work for most of their income, general economic policies, such as tax or economic development policy, can be as important to them as traditional farm policy.
- **Twenty-eight percent of U.S. farms have a principal operator at least 65 years old.** Most of these older operators, however, are on retirement or residential/lifestyle farms that produce only 2 percent of U.S. farm output. In addition, some larger, more commercially oriented farms with older principal operators are multiple-generation farms, with a younger replacement operator in place.
- **Different farm policies affect distinctly different sets of farmers.** Commodity program payments largely flow to medium-sales, large, and very large farms; most working-land conservation payments go to large-scale farms; and land-retirement payments go to retirement, residential/lifestyle, and low-sales farms. Most farms, however, do not receive government payments and are not directly affected by them.

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