

## Farm Operator Household Income Compares Favorably With All U.S. Households, But Varies by Geography and Size of Farm

*On average, farm operator household income was about the same as the average for all U.S. households in 1994. The average farm operator household received its income from various sources, but only 10 percent was from the farm. Commercial farm households, however, received half of their income from farming. Sources of income also varied geographically, reflecting differences in the concentration of commercial farms.*

The average income of farm operator households compares favorably with that of other U.S. households. According to recent estimates from the U.S. Department of Agriculture's Farm Costs and Returns Survey (see appendix, pp. 50-51), farm operator households averaged \$42,500 in income from all sources in 1994. Average farm household income was 98 percent of the average for all U.S. households.

### Sources of Income Vary With Farm Size

In 1994, 90 percent of operator household income came from off-farm sources, mostly from wages, salaries, and nonfarm businesses (fig. 1). Sources of income, however, vary with the characteristics of the operator and the farm (app. table 15). For example, dependence on off-farm income generally decreases with increasing farm size, as measured by sales of agricultural products.

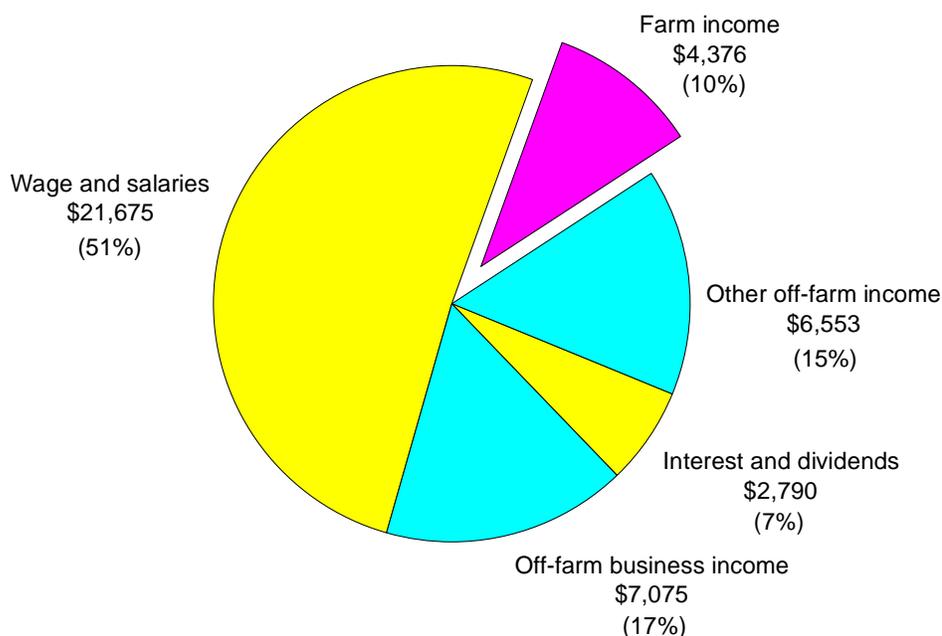
Most operators of noncommercial farms (sales less than \$50,000) reported a major occupation other than farming in 1994 or considered themselves retired. On average, households of these operators lost money farming in 1994, and depended on off-farm sources for virtually all their living expenses.

In contrast, households with commercial farms (sales of \$50,000 or more) depended on off-farm income for only half of their income. Combining farm and off-farm income was an effective strategy for these households. Operator households running commercial farms

Figure 1

### Sources of income for the average farm operator household, 1994

*Because so many farm households depend of off-farm jobs and income, farm income accounts for only 10 percent of total household income*



Source: Calculated by ERS using data from the 1994 Costs and Returns Survey.

averaged substantially higher total income (\$54,100) in 1994 than households running noncommercial farms (\$38,200).

The percentage of income from off-farm sources did not vary much by location for households with commercial or noncommercial farms. For households with commercial farms, the percentage ranged from 48 to 56 percent (table 1). For households with noncommercial farms, the percentage ranged from 102 to 116 percent. (When farm income is negative and off-farm income is positive, off-farm income is more than 100 percent of total income.)

### Operator Household Income Varies Geographically

The level and sources of operator household income varied geographically, and differences in the concentration of commercial farms help explain the variation in dependence on off-farm income. Operator households in areas with the highest concentrations of commercial farms generally were the least dependent on off-farm income.

### Operator Household Income Is Highest in the West . . .

Average operator household income reached \$57,000 in the West, substantially higher than in the other regions (fig. 2). Western operator households running commercial farms had a particularly high average income (\$82,800) compared with the average for all operator households or all households with a commercial farm. In part, the high household income of commercial farmers in the West reflects their specialization in high-value specialty crops—vegetables, fruits, tree nuts, and greenhouse/nursery products. About 27 percent of households with commercial farms in the West specialized in these crops, compared with only 8 percent nationally.

Table 1

### Geographic variation in the sources of operator household income, by size of farm, 1994

*Share of income from off-farm sources varies little by location for households with commercial or noncommercial farms*

Geography	Off-farm income as share of total for households with <sup>1</sup> —			Operator households with commercial farms
	Commercial farms <sup>2</sup>	Noncommercial farms	Any farm	
<i>Percent</i>				
U.S. total	52	109	90	27
Region:				
North	53	111	93	28
Great Plains/Corn Belt	53	105	83	39
South	55	109	95	16
West	48	116	86	30
Metro status:				
Metro	49	111	93	22
Nonmetro	54	108	87	29
Adjacent	54	111	91	25
Nonadjacent	55	105	84	34
Economic specialization: <sup>3</sup>				
Farming-dependent	51	102	75	48
Other nonmetro	56	109	91	24

<sup>1</sup>Income from off-farm sources can be more than 100 percent of total household income, if farm income is negative.

<sup>2</sup>Commercial farms have sales of \$50,000 or more.

<sup>3</sup>Nonmetro counties only.

Source: Calculated by ERS using data from the 1994 Farm Costs and Returns Survey.

The South had the largest number of farm operator households (nearly 750,000), but only 16 percent of these households ran commercial farms. Average operator household income in the South was about equal to the U.S. average. Only operator households in the West had higher average income.

The average for all operator households in the South, however, masked high income earned by the small percentage of households operating commercial farms. Average total household income for households with commercial farms was \$67,200, substantially higher than the corresponding estimates for similar households in the North or the Great Plains/Corn Belt. Southern households running commercial farms had substantially larger farm and off-farm income than the corresponding households in the two other regions.

The Great Plains/Corn Belt had the highest concentration of operator households with commercial farms (39 percent) (table 1). The region's operator households also depended less on off-farm income than those in the North and South. The difference in dependence on off-farm income between the Great Plains/Corn Belt and the West, however, was not statistically significant. (For data for major farming regions, see app. table 15).

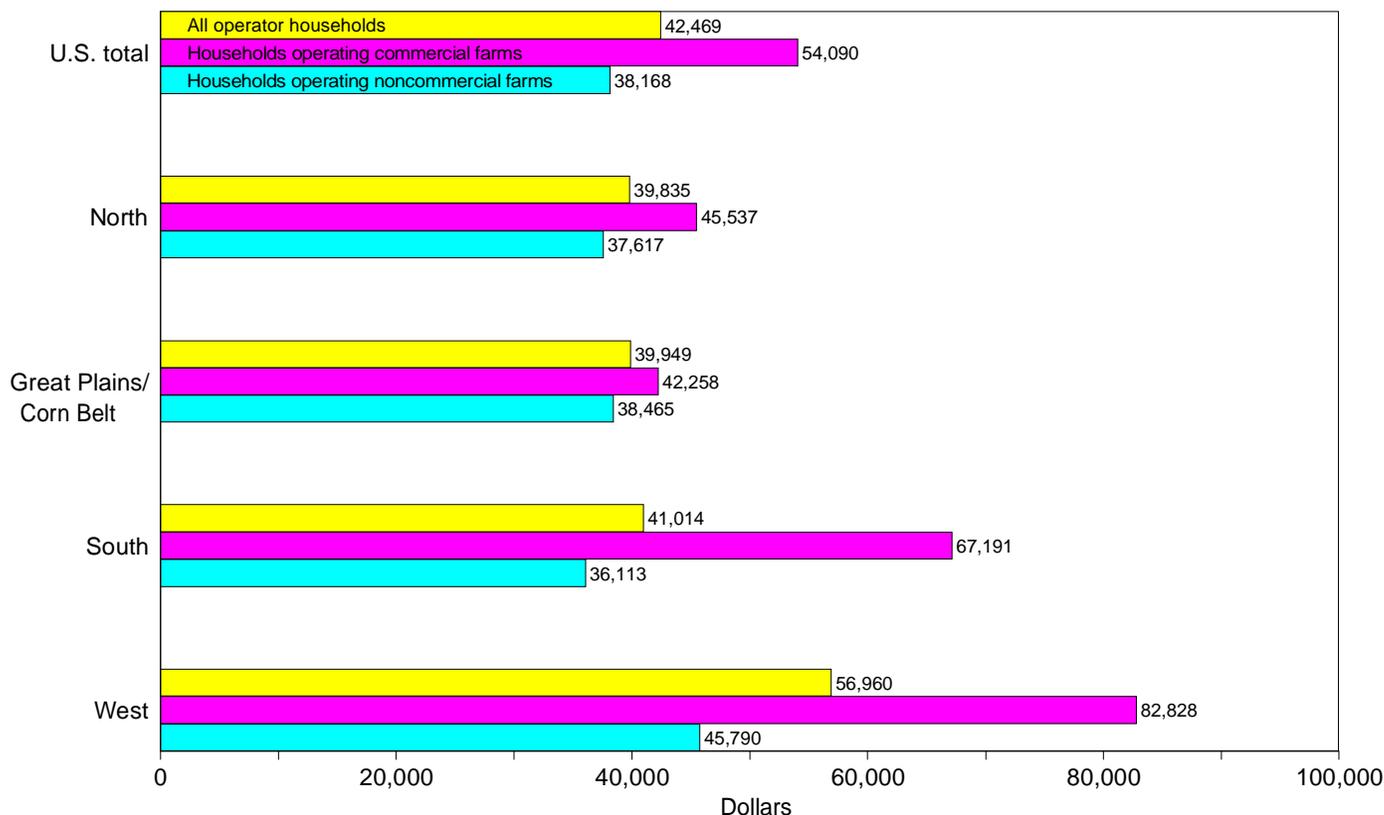
**... And Metro Areas**

Metro operator households averaged substantially higher total income (\$52,100) than their nonmetro counterparts (\$37,900) (fig. 3). The larger metro income was largely due to a \$15,400 difference in average off-farm income. Average farm income was at similar levels in both areas, less than \$5,000. For metro farm operators, the greater off-farm employment opportunities available locally are an important advantage.

Figure 2

**Average operator household income by region and size of farm, 1994**

*Income of households with commercial farms is highest in the South and West*



Note: Commercial farms have sales of \$50,000 or more.

Source: Calculated by ERS using data from the 1994 Farm Costs and Returns Survey.

Although only about one-fifth of metro operator households ran commercial farms, farming contributed substantially to their income. In metro areas, commercial farm households averaged \$65,800 in total income, \$16,000 more than in nonmetro areas. Farm income accounted for about \$11,000 of the difference.

Farm specialization explains part of the difference in farm-related income between metro and nonmetro households operating commercial farms. About 22 percent of metro households with commercial farms specialized in high-value specialty crops, compared with 3 percent of their nonmetro counterparts. Nearly three-fourths of the households operating commercial farms specializing in these crops were located in metro areas.

Operators of farms in nonmetro areas are more likely to run commercial farms than operators in metro areas (table 1). As a result, dependence on off-farm income was less in nonmetro areas (87 percent) than in metro areas (93 percent). Similarly, households in nonadjacent areas were more likely to run commercial farms than households in adjacent areas and depended less on off-farm income than households in adjacent areas.

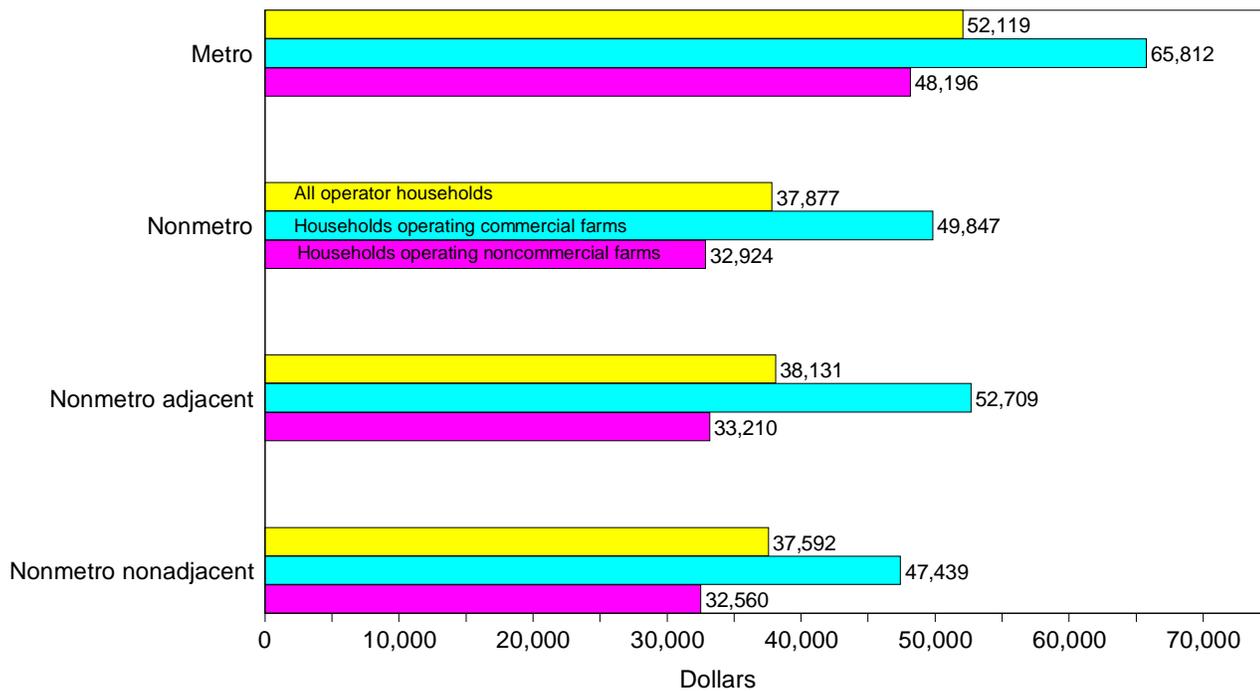
**Farming-Dependent Counties Rely Less on Off-farm Income**

By definition, farming-dependent counties have a large local farm sector relative to other types of business. Not surprisingly, farming-dependent counties also had a higher portion of households with commercial farms and a lower share of household income from off-farm sources than other nonmetro counties (table 1). Half the households with commercial farms in farming-dependent counties specialized in cash grain, compared with only one-third in other nonmetro counties.

Figure 3

**Average operator household income by metro status and size of farm, 1994**

*Metro farm operator households receive more income than their nonmetro counterparts*



Note: Commercial farms have sales of \$50,000 or more.

Source: Calculated by ERS using data from the 1994 Farm Costs and Returns Survey.

Total operator household income for all operators was of similar magnitude in farming-dependent and other nonmetro counties (fig. 4). But, income of households running commercial farms was substantially lower in farming-dependent counties (\$39,400) than in other nonmetro counties (\$55,700). This resulted largely from differences in off-farm income. Off-farm income accounted for about two-thirds of the \$16,300 difference between the two areas in total income for households with commercial farms.

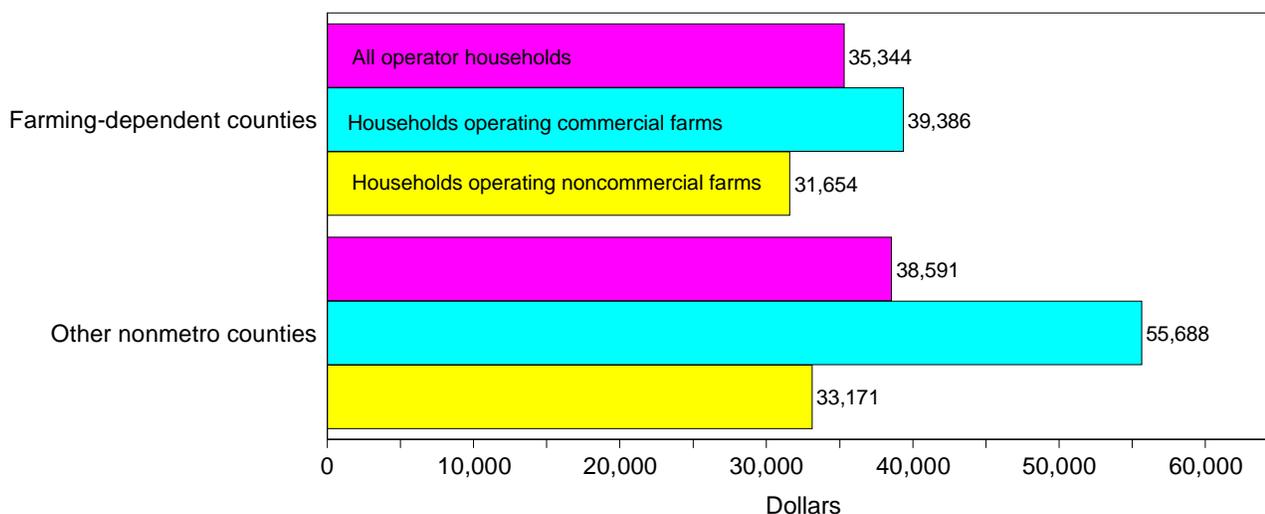
**Off-farm Income Is Important Regardless of Farm Size or Location**

Farm operator households depend heavily on off-farm sources of income. Although households with commercial farms do rely less on off-farm sources, even they receive about half of their income from off-farm sources. Regardless of where they live, the local off-farm economy is important to farm households with either commercial or noncommercial farms. Off-farm income can help buffer farm operator households from bad economic conditions that occur in the farm sector from time to time. On the other hand, a household's farm income may prove crucial if the local economy deteriorates. [Robert A. Hoppe, 202-501-8308, rhoppe@econ.ag.gov, and Judith Z. Kalbacher]

Figure 4

**Average operator household income by nonmetro county specialization and size of farm, 1994**

*Households operating commercial farms outside farming-dependent counties have high income*



Note: Commercial farms have sales of \$50,000 or more.  
 Source: Calculated by ERS using data from the 1994 Farm Costs and Returns Survey.