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# Structure and Finances of U.S. Farms: Family Farm Report, 2014 Edition

Robert A. Hoppe

## What Is the Issue?

Broad descriptions of farms based on U.S. averages can mask variation among different sizes and types of farms. Small family farms dominate the farm count, but midsize and large-scale family farms account for the bulk of farm production. Information on the different kinds of farms—and the farmers who operate them—is important for understanding the economic well-being of farm households and the implications of farm policy.

To provide information on how U.S. farming is organized, USDA's Economic Research Service (ERS) produces a periodic report documenting the role of family farms in U.S. agricultural production. The *Family Farm Report, 2014 Edition* is the most recent in the series, providing accurate, detailed, and unbiased information on the structure and finances of U.S. farms, including the relationship of farm size and type to agricultural production, financial performance, sources of farm household income, and the extent of off-farm work. The report provides a sense of the financial position of family farms in general and of different types of family farms.

## What Did the Study Find?

**Family farms accounted for 97 percent of U.S. farms in 2011.** Small family farms alone—those reporting annual gross cash farm income (GCFI) less than \$350,000—made up 90 percent of farms (see table for farm types). They also operated 52 percent of the Nation's farmland. In contrast, small farms accounted for a relatively small share of production, 26 percent, although their share of production was much higher for specific commodities. For example, small farms accounted for 56 percent of poultry production, which accounted for the largest share of small farms' production under contract.

**Midsize and large-scale family farms together produce the bulk of agricultural output.** Large-scale and midsize family farms made up only 8 percent of all U.S. farms in 2011, but they accounted for 60 percent of the value of U.S. agricultural production. Another 3 percent of farms were nonfamily farms, producing 15 percent of U.S. farm output; roughly 85 percent of nonfamily farm output was on farms with GCFI of \$1,000,000 or more. Most nonfamily farms (78 percent), however, had GCFI below the \$350,000 cutoff used to identify small farms.

**Small family farms are more likely to have profitability measures that fall in the critical zone, indicating potential financial problems.** About three-fourths of U.S. farms are in the

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

## Classifying farms by operator's primary occupation and farm size

Farm type	Operator's primary occupation <sup>1</sup>	Farm size, measured by annual GCFI <sup>2</sup>
Small family farms <sup>3</sup>	Varies	Less than \$350,000
Retirement farms	Retired from farming	Less than \$350,000
Off-farm occupation farms	Nonfarm	Less than \$350,000
Farm-occupation farms:		
Low-sales	Farming	Less than \$150,000
Moderate-sales	Farming	\$150,000-\$349,999
Midsized family farms <sup>3</sup>	Not a criterion	\$350,000-\$999,999
Large-scale family farms <sup>3</sup>	Not a criterion	\$1,000,000 or more
Large farms	Not a criterion	\$1,000,000-\$4,999,999
Very large farms	Not a criterion	\$5,000,000 or more
Nonfamily farms <sup>3</sup>	Not a criterion	Not a criterion

<sup>1</sup>Occupation at which the operator spends 50 percent or more of his or her work time.

<sup>2</sup>Gross cash farm income (GCFI) is the sum of the farm's crop and livestock sales, Government payments, and other farm-related income.

<sup>3</sup>Family farms include any farm where the majority of the business is owned by the operator and relatives of the operator. Nonfamily farms do not meet that requirement.

critical zone for rate of return on assets (a value less than 1 percent), and two-thirds are in the critical zone for operating profit margin (a value less than 10 percent). The shares in these critical zones are especially high for farms in the retirement, off-farm occupation, and low-sales categories, tapering off rapidly as farm size (measured by GCFI) increases.

**Small-farm households rely on off-farm income.** Given small farms' poor financial performance, why do so many continue to exist? Small-farm households typically receive substantial off-farm income and do not rely primarily on their farms for their livelihood. They often invest in their farm operations with off-farm income. Except for households operating retirement farms, most of their off-farm income is from wage-and-salary jobs or self-employment. Households operating retirement farms typically receive most of their off-farm income from such sources as Social Security, pensions, dividends, interest, and rent.

**Farm operator households, generally speaking, cannot be considered low-income.** Median household income for only two types of farm households—those operating retirement or low-sales farms—was below the median for all U.S. households in 2011. Nevertheless, the net worth of nearly all households operating retirement or low-sales farms, 96 and 97 percent, respectively, was higher than the median for all U.S. households. Large majorities of households operating other types of farms had both income and net worth above the corresponding medians for all U.S. households.

## How Was the Study Conducted?

The 2011 Agricultural Resource Management Survey (ARMS) is the main source of data in the *Family Farm Report, 2014 Edition*. ARMS is an annual survey designed and conducted by ERS and the National Agricultural Statistics Service, another USDA agency. The survey provides detail on farm finances and farm household characteristics that is not available from the census of agriculture. The 2011 ARMS was analyzed rather than the 2012 ARMS, because the 2012 ARMS was reweighted in June 2014 to make it more consistent with the 2012 Census of Agriculture. Using the 2011 ARMS instead results in a more timely release of this report.