Introduction

Farming in the United States is diverse, ranging from very small retirement and residential farms to enterprises with annual sales in the millions of dollars. Farms are operated by individuals on a part-time basis, by multiple generations of a family, and by managers of nonfamily corporations. Some specialize in a single product, while others produce a wide variety of products.

This report presents comprehensive information about the structural and financial characteristics of the various types of family farms in the United States. It examines important trends currently affecting family farms, following Boehlje (1992, p. 219), who defines the structure of an industry or sector—including the farm sector—along five dimensions. They are:

(1) The size distribution of firms

(2) The technology and production characteristics of those firms including type of activity and level of specialization

(3) The characterization of the workforce (both managers/entrepreneurs and employees) including age, education, experience, skill level, part time versus full time status, etc.

(4) The resource ownership and financing pattern, including tenancy, leasing and debt/equity sources and relationships

(5) The inter- and intrasector linkages, including contract production and vertical and horizontal integration.

Each section of this report deals with one or more of those five dimensions of the structure of agriculture.[1]

As in previous recent years, the Agricultural Resource Management Survey (ARMS), an annual survey, is the main source of data in the *Family Farm Report.* The ARMS is jointly designed and conducted by the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS), both agencies of the U.S. Department of Agriculture (USDA). The report also uses data from the Farm Costs and Returns Survey (FCRS)—the predecessor to ARMS—and from various censuses of agriculture and ERS farm sector income estimates, particularly when following trends over long periods of time.[2]

Because U.S. farms are diverse, ERS developed a farm classification system to examine farm structure (see box, "Farm Types, 2003"). The farm classification system categorizes farms into homogeneous groups, based primarily on annual sales of the farms and the major occupation of their operators. By using these homogeneous groups, a clearer picture emerges of the status of farms in the United States today.

The 2003 classification includes a new definition of limited-resource farms (U.S. National Archives and Records Admn., 2003, p. 32520) developed to provide a consistent definition applied across all USDA agencies. The new definition is based on low household income persisting for 2 years and low gross sales of agricultural products. The household income data necessary for this definition were collected for the first time in the 2003 ARMS.

[1]Farm structure is generally defined broadly, often with a list of topics covered. For example, the definition used by Penn (1979, p. 5) over 25 years ago lists 10 components that overlap substantially with Boehlje's definition, quoted in the text.

[2]For information on longrun trends in U.S. agriculture, see Dimitri and Effland (2005) and USDA, National Agricultural Statistics Service (2005).

Farm Types, 2003

Small family farms
(sales less than $250,000)[1]

Limited-resource farms. Small farms with sales less than $100,000 in 2003, and low operator household income. Household income is considered low if it is less than the poverty level for a family of four in both 2003 and 2002, or it is less than half the county median household income both years. Operators may report any major occupation except hired manager.[2]

Retirement farms. Small farms whose operators report they are retired.[3]

Residential/lifestyle farms. Small farms whose operators report a major occupation other than farming.[3]

Farming-occupation farms. Small family farms whose operators report farming as their major occupation.

- **Low-sales farms.** Sales less than $100,000.[3]
- **Medium-sales farms.**[4] Sales between $100,000 and $249,999.

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

Large family farms. Sales between $250,000 and $499,999.

Very large family farms. Sales of $500,000 or more.

Nonfamily farms

Nonfamily farms. Farms organized as nonfamily corporations or cooperatives, as well as farms operated by hired managers.

Note: This farm classification focuses on the "family farm," any farm organized as a sole proprietorship, partnership, or family corporation. Family farms exclude farms organized as nonfamily corporations or cooperatives, as well as farms with hired managers. Other definitions of the family farm exist, but they are usually more restrictive (Banker and MacDonald, 2005, pp 2-3, 81-82).

[1]The National Commission on Small Farms selected $250,000 in gross sales as the cutoff between small and large farms (U.S. Dept. Agr., Nat'l. Comm. on Small Farms, 1998, p. 28).

[2]Under the previous definition, limited-resource farms had sales less than $100,000, farm assets less than $150,000, and total operator household income less than $20,000.

[3]Excludes limited-resource farms whose operators report this occupation.

[4]This type was called "high-sales" farms in earlier publications.