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America’s Diverse Family Farms

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America's Diverse Family Farms

Broad descriptions of farms based on U.S. averages can mask variation among different sizes and types of farms. This report uses a farm classification, or typology, developed by USDA's Economic Research Service (ERS), that categorizes farms into more homogeneous groupings to better understand conditions within the Nation's diverse farm sector. The classification is based largely on annual revenue of the farm, major occupation of the operator, and family/nonfamily ownership of the farm. This is the first edition of this brochure to use the revised version of the typology.

Farm Typology

The farm typology, or classification, developed by ERS primarily 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. 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. Farm size is measured by gross cash farm income (GCFI), a measure of the farm's revenue that includes sales of crops and livestock, government payments, and other farm-related income, including fees from production contracts.

Small Family Farms (GCFI less than $350,000)

- **Retirement farms.** Small farms whose operators report they are retired, although they continue to farm on a small scale.
- **Off-farm occupation 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**. GCFI less than $150,000.
    - **Moderate-sales.** GCFI between $150,000 and $349,999.

Midsize Family Farms (GCFI between $350,000 and $999,999)

- Family farms with GCFI between $350,000 and $999,999.

Large-Scale Family Farms (GCFI of $1,000,000 or more)

- **Large family farms.** Family farms with GCFI between $1,000,000 and $4,999,999.
- **Very large family farms.** Family farms with GCFI of $5,000,000 or more.

Nonfamily farms

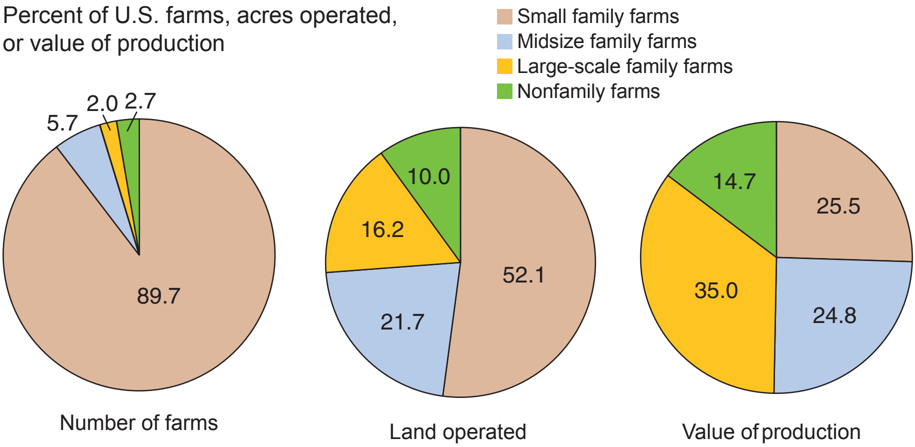
- Any farm where the operator and persons related to the operator do not own a majority of the business.

Farms, Production, and Farmland

Most farms are small, and small farms operate half of farmland, but small farms account for only 26 percent of production.

- Ninety percent of farms are small, and these farms account for 52 percent of the land operated by farms.
- Midsize and large-scale family farms account for most production, 60 percent.
- Family farms of different types together account for 97 percent of farms and 85 percent of production.
- Nonfamily farms account for the remaining farms (3 percent) and production (15 percent).

Distribution of farms, land operated, and value of production, 2011



Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

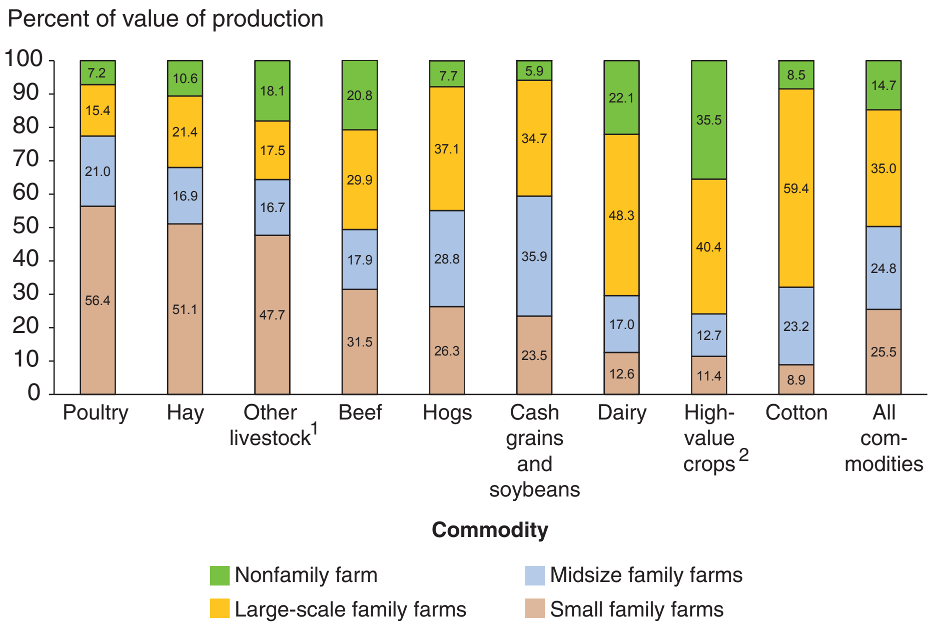
Differences among farm types are illustrated in this brochure using 2011 data from the Agricultural Resource Management Survey, an annual survey conducted by USDA's National Agricultural Statistics Service and Economic Research Service.

For more information about the diversity of U.S. farms, see ERS's *Structure and Finances of U.S. Farms: Family Farm Report, 2014 Edition*.

Different types of farms account for the production of specific commodities.

- Midsize and large-scale family farms dominate the production of cotton (83 percent of production), cash grain (71 percent), and hogs (66 percent).
- Large-scale and nonfamily farms dominate the production of high-value crops (76 percent of production) and dairy (70 percent).
- Small farms produce roughly half of poultry (mostly under production contracts), hay, and other livestock.

Distribution of the value of production for selected commodities, 2011



[1] "Other livestock" covers less common livestock species, such as bees, aquaculture, mink, rabbits, other fur-bearing animals, bison, deer, elk, llamas, etc. It also includes grazing livestock other than cattle—horses, sheep, and goats—which are common specializations among small farms.

[2] Vegetables, fruits/tree nuts, and nursery/greenhouse.

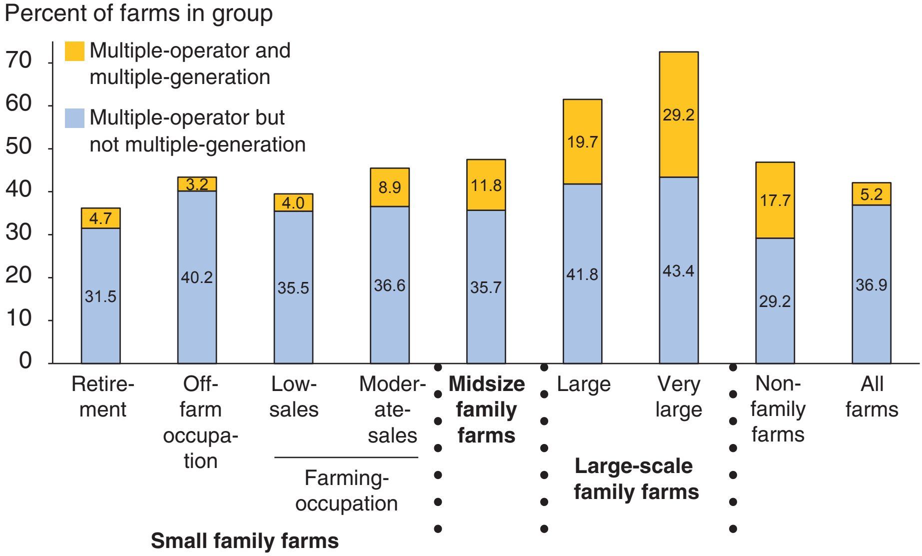
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

Farms and Farm Operators

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

- 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 as well as succession.

Multiple-operator and multiple-generation farms by farm type, 2011



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. The remaining farms are **single-operator farms** with only one operator (not shown).

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

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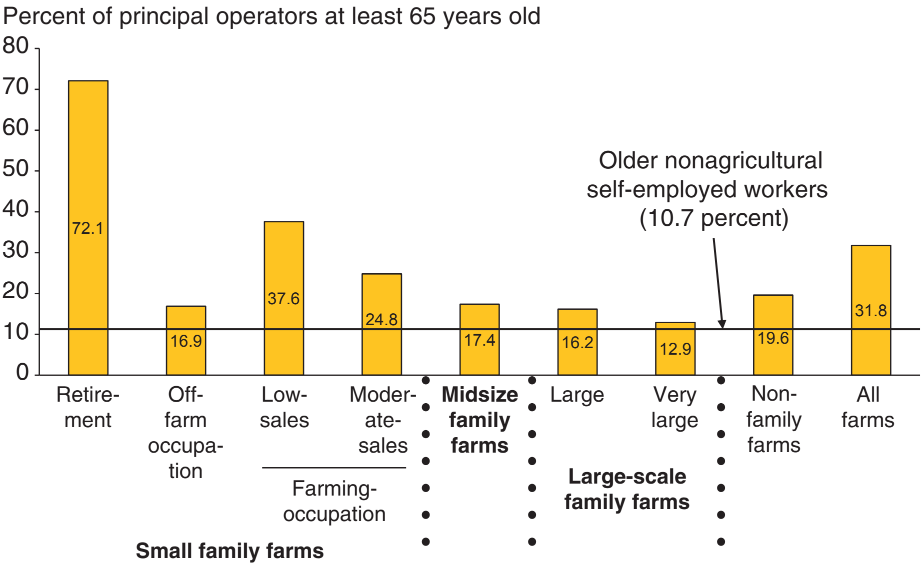
The most striking characteristic of principal farm operators—the operator most responsible for running the farm—is their advanced age.

- About 32 percent of principal farm operators are at least 65 years old, compared with only 11 percent of self-employed workers in nonagricultural businesses.
- Retirement farms had the highest percentage of older operators (72 percent)—as might be expected—followed by low-sales farms (38 percent).
- The advanced age of farm operators is understandable, given that the farm is the home for most farmers and farmers can gradually phase out of farming.

Older principal operators by farm type, 2011



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.

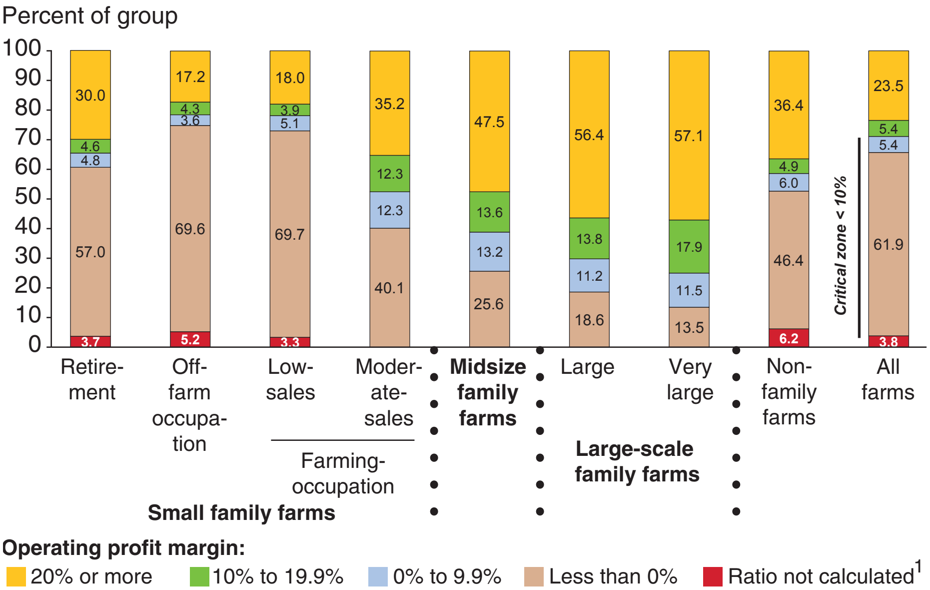
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey for age of principal operators; U.S. Department of Labor, Bureau of Labor Statistics for older nonagricultural self-employed workers.

Farm Financial Performance

Small farms are more likely to have an operating profit margin in the critical zone—indicating potential financial problems—but some are profitable.

- Fifty-two to 75 percent of the farms in each small farm type were in the critical zone in 2011, with an operating profit margin of less than 10 percent.
- Other small farms were more profitable: between 17 and 35 percent of each small farm group had an operating profit margin of at least 20 percent.
- Nevertheless, an even greater share of midsize and large-scale farms had operating profit margins of 20 percent or more, and most of these farms operated outside the critical zone.

Farms by operating profit margin and farm type, 2011



Operating profit margin = 100 percent X (net farm income + interest paid – charge for operator and unpaid labor – charge for management) / gross farm income. A farm is in the **critical zone**, indicating potential financial problems, if its operating profit margin is less than 10 percent. The critical zone includes the "less than 0%" and "0% to 9.9%" categories in this graph.

[1]The denominator of the ratio—gross farm income—was 0 or negative.

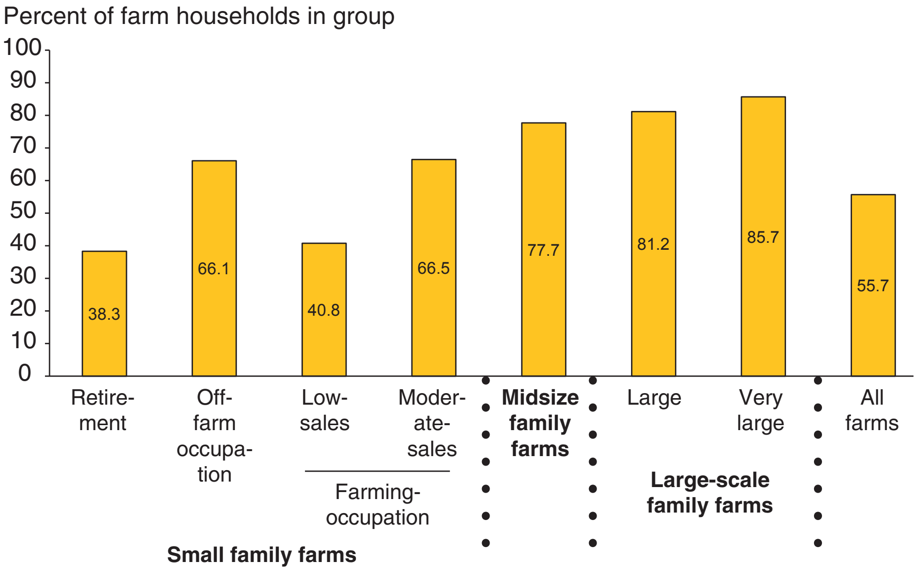
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

Farm Operator Household Income

Slightly more than half of U.S. farm households are high income-high wealth—they report both income and wealth equal to or greater than the corresponding medians for all U.S. households.

- For most farm types, large majorities of households have high income and high wealth compared with all U.S. households.
- The two exceptions are households operating retirement and low-sales farms, where only two-fifths of households are that well off.
- Off-farm income accounts for the bulk of income for households operating retirement, off-farm occupation, or low-sales farms.
- Farmland makes up most of the wealth of farm households, regardless of farm type.

High income-high wealth farm households by farm type, 2011



Household income and wealth are not estimated for nonfamily farms.

High income-high wealth farm households have income and wealth equal to or greater than the corresponding medians for all U.S. households. Median income and median wealth for all U.S. households in 2011 were $50,054 and $79,700, respectively.

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

Average (mean) farm operator household income and wealth by source, 2011

Type of farm operated	Average household income: Total	Average household income: From farming	Average household income: From off-farm sources	Average household wealth: Total	Average household wealth: Farm net worth	Average household wealth: Nonfarm net worth
	Dollars per household					
Small family farms:						
Retirement	64,211	-755	64,966	824,939	598,064	226,875
Off-farm occupation	91,748	-5,848	97,596	680,624	435,164	245,460
Farming-occupation:						
Low-sales	47,202	-3,195	50,397	858,388	674,628	183,760
Moderate-sales	84,533	43,901	40,632	1,696,336	1,515,363	180,973
Midsize family farms	156,417	106,834	49,583	2,565,255	2,320,188	245,067
Large-scale family farms:						
Large	412,951	356,687	56,264	4,821,053	4,486,010	335,043
Very large	1,673,792	1,618,896	54,896	9,979,909	9,568,248	411,661
All family farms	87,289	14,623	72,665	1,011,309	787,203	224,106

Note: Household income and wealth are not estimated for nonfamily farms.

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey, Phase III.

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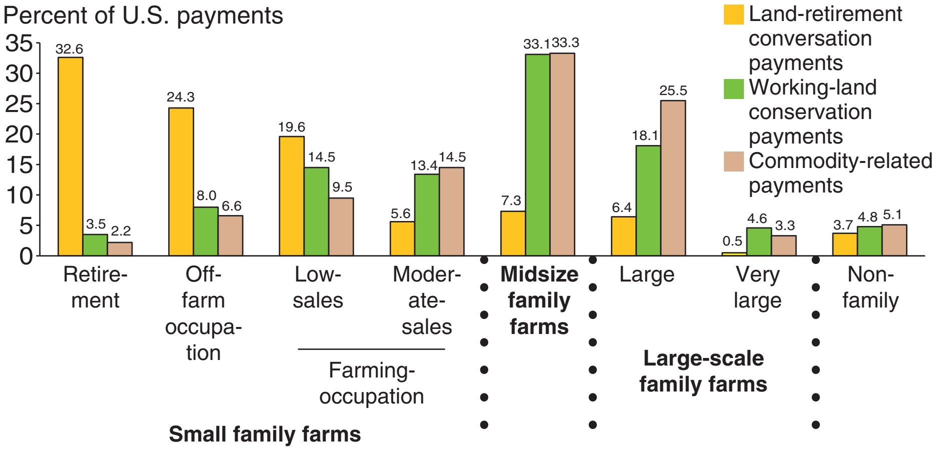
Government Payments and Federal Crop Insurance

Recipients of Government payments differ by program.

- Commodity program payments reflect acreage in crops historically eligible for support; 73 percent went to moderate-sales, midsize, and large family farms in 2011.
- Thirty-three percent of working-land conservation payments went to midsize farms with smaller but substantial shares going to large, low-sales, and moderate-sales farms. These programs target production—although indirectly—by targeting environmental problems on lands in production.
- Land-retirement programs, however, target environmentally sensitive cropland. Retirement, off-farm occupation, and low-sales farms received 77 percent of these payments.
- But, a majority of farms—65 percent—do not receive Government payments.

Distribution of Government payments, 2011



Conservation programs:

- **Land-retirement programs**—Conservation Reserve Program, Wetlands Reserve Program, and Conservation Reserve Enhancement Program.
- **Working-land programs**—Environmental Quality Incentives Program, Conservation Security Program, and Conservation Stewardship Program.

Commodity-related programs: Direct Counter-cyclical Payment and Average Crop Revenue Election programs, loan deficiency payments, marketing loan gains, net value of commodity certificates, milk income loss contract payments, agricultural disaster payments, etc.

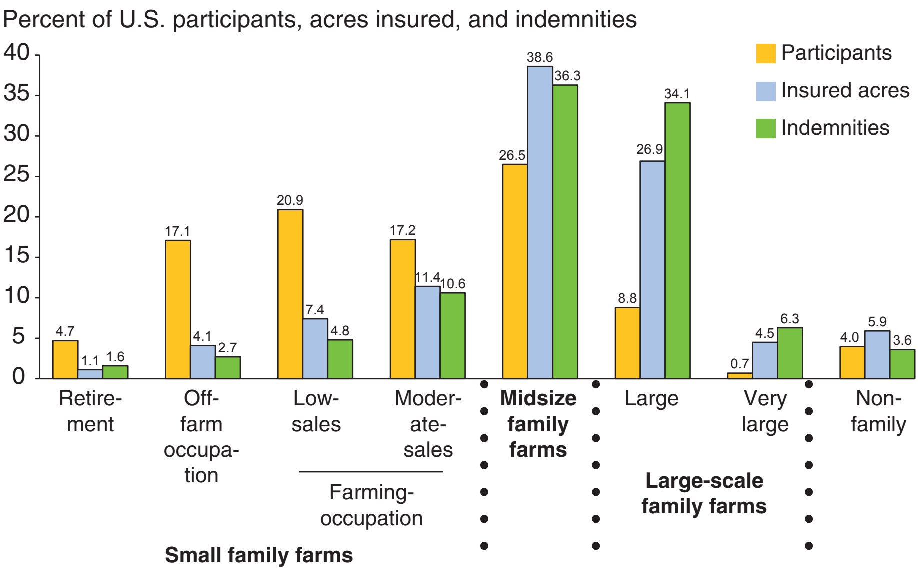
Federal programs listed above were authorized by the Food, Conservation, and Energy Act of 2008, which was in effect when the 2011 ARMS was conducted.

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

Federal crop insurance provides farms a way to insure against losses, and indemnities are roughly proportional to cropland acres insured.

- Midsize and large farms together account for 66 percent of all insured acres and received 70 percent of all indemnities.
- Very large farms and nonfamily farms each receive a small share of indemnities, reflecting their small shares of U.S. farms and cropland, insured or not.
- Grain farms—the most common specialization among moderate-sales, midsize, and large family farms—account for 65 percent of all participants in Federal crop insurance and 68 percent of all insured acres.
- Federal crop insurance has grown in recent decades: the amount of land insured nearly tripled from 102 million acres in 1989 to 296 million acres in 2013, and indemnities exceeded Government payments to farms for the first time in 2011.

Distribution of Federal crop insurance participants, insured acres, and indemnities by farm type, 2011



Indemnities are payments from insurance to compensate for losses.

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2011 Agricultural Resource Management Survey.

Conclusions and Implications

- **Farming is still overwhelmingly comprised of family businesses**. Ninety-seven percent of farms are family farms, and they account for 85 percent of farm production.
- **Small farms make up 90 percent of the farm count and operate half of the farmland.** Most farm production, however, occurs on midsize and large-scale family farms.
- **The nonfarm economy is critically important to operators of small family farms.** Because many small-farm households rely on off-farm sources 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.
- **Thirty-two percent of U.S. farms have a principal operator at least 65 years old.** Some potential replacement operators are already working as secondary operators on multiple-generation farms. A substantial number of people also enter farming, although they are not necessarily young. With growing productivity in farming, the competitive market for agricultural commodities is likely to mean that fewer, but larger, farms will be necessary in the future.
- **Different farm programs affect distinctly different sets of farmers.** Commodity program payments largely flow to moderate-sales, midsize, and large farms; the largest share of working-land conservation payments go to midsize farms; and land-retirement conservation payments largely go to retirement, off-farm occupation, and low-sales farms. Most farms, however, do not receive Government farm-related payments and are not directly affected by them.
- **Federal crop insurance has grown in importance in recent decades.** Indemnities from Federal crop insurance first exceeded Government payments to farmers in 2011. The distribution of indemnities is roughly proportionate to acres insured, so midsize and large farms receive 70 percent of indemnities.

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