Farm Households Are Often Dual-Career

Robert A. **Hoppe**

As with nonfarm households, many farm households are pursuing more than one career. Decisions about how to allocate labor, management skills, and other resources between farm and nonfarm employment affect the level and sources of income for farm households. Considering both farm and off-farm income, farm operator household income averaged $64,300 in 1999, about 17 percent higher than the $54,800 average for all U.S. households. For all family farms, only 10 percent of farm operator household income came from farming in 1999, but that share varied by farm and operator characteristics.

To examine variations in the level and sources of farm household income, as well as variations in off-farm jobholding, this article uses a farm typology—or classification system—developed by the Economic Research Service. ERS developed the farm typology to account for differences in farm and household characteristics, sorting farms into more homogeneous categories based largely on sales of the farm and occupation of the operator (see "Farm Typology Group Definitions"). In the case of limited-resource farms, household income and farm assets—as well as sales—are also low.

Most of the information presented here is from the 1999 Agricultural Resource Management Study (ARMS), conducted by ERS and the National Agricultural Statistics Service (NASS), both USDA agencies. ARMS is an annual survey that collects information from farmers across the United States. It is the only source of farm business and farm household data complete enough to produce the typology. Operator household income from ARMS is defined to be consistent with the Current Population Survey (CPS) definition of money income for all U.S. households (see "Defining Household Income").

Levels and Sources of Income Vary

Households in three of the typology groups—very large family farms, large family farms, and residential/lifestyle farms—received an average household income above the average for all U.S. households (table 1). For very large farms, average household income was nearly four times the U.S. average. Households with retirement, low-sales, and limited-resource farms had income less than the U.S. average, with limited-resource farms receiving just one-fifth of the U.S. household average.

Farm income was a substantial source of total income only for households operating high-sales small farms (50 percent of their total household income), large family farms (60 percent), and very large family farms (82 percent). At least three-fifths of the households in each of these groups received half or more of their income from farming. Nevertheless, these typology groups received substantial off-farm income, an average of $26,600 for households operating high-sales small farms and roughly $35,000 for households with large and very large family farms.

For the remaining groups (limited-resource, retirement, residential/lifestyle, and low-sales), virtually all income came from off-farm, and most households in these groups lost money farming. More than 40 percent of the farms in each of these groups specialized in cattle (table 2). Beef cattle, particularly cow-calf enterprises, can have relatively low and flexible labor requirements, consistent with an off-farm job or retirement.

Sources of off-farm income also varied among the typology groups (table 1). Only 27 percent of the off-farm income of households with retirement farms came from earned sources (off-farm self-employment or a wage or salary job). As one would expect, most of the off-farm income of these households came from unearned sources, such as Social Security and investments. A relatively large share of off-farm income also came from unearned sources for limited-resource and low-sales farms, reflecting the retired status of 41 percent of limited-resource farmers and the elderly status of 39 percent

Robert A. Hoppe (202-694-5572, rhoppe@ers.usda.gov) is an agricultural economist in the Agricultural Structure Branch, Resource Economics Division, Economic Research Service.

Farm Typology Group Definitions

Small Family Farms
(sales less than $250,000)

Limited-resource farms. Small farms with sales less than $100,000, farm assets less than $150,000, and total operator household income less than $20,000. Operators may report any major occupation, except hired manager.

Retirement farms. Small farms whose operators report they are retired.*

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 farms. Sales less than $100,000.

High-sales farms. Sales between $100,000 and $249,999.

Other Farms

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

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

Nonfamily farms. Farms organized as nonfamily corporations or cooperatives, as well as farms operated by hired managers. Household income and wealth are not estimated for nonfamily farms.

*Excludes limited-resource farms whose operators report this occupation.

of low-sales farmers (table 3). For the other groups, most off-farm income came from earnings, with the highest percentage (91 percent) in the residential/lifestyle group.

Other Farm Business Contributions to Household Well-Being

The income concept used above does not completely measure the financial well-being of a household. It excludes nonmoney income contributed by the farm: the imputed rental value of the farm dwelling and the value of farm products consumed on the farm (food and firewood). Average nonmoney income for 1999 was fairly low for each typology group, ranging from $2,300 to $5,800 (table 1). However, for low-income farm households, such as those operating limited-resource farms, any income—cash or nonmoney—can be critical. Note that farm households are not the only recipients of nonmoney income. For example, the Bureau of the Census estimated that the imputed annuity value of the equity of owner-occupied housing in 1999 averaged $3,000 per home-owning U.S. household.

Depreciation is deducted from farm business income as an expense, but it may not actually be used during the current year for reinvestment. Thus, at least part of depreciation may be available to the household, after allowing for sharing of farm income with other households involved with the farm. As one would expect, depreciation was largest for high-sales small farms, large family farms, and very large family farms.

Finally, the earnings from farming do not reflect the substantial net worth of many farm operator households, based largely on farm assets, regardless of typology group (fig. 1). Although real estate accounts for most farm assets (fig. 2), it makes up a smaller share of farm assets for groups with sales of

Table 1

Operator household income, by farm typology group, 1999

Households operating high-sales small farms, large family farms, and very large family farms rely the most on farming

Item	Small family farms					Large family farms	Very large family farms	All family farms
				Farming-occupation				
	Limited-resource	Retirement	Residential/ lifestyle	Low-sales	High-sales			
	Number							
Total households	126,920	297,566	931,561	480,441	175,370	77,314	58,403	2,147,576
	Dollars per household							
Total household income	9,534	40,643	83,788	39,764	53,322	85,685	201,206	64,347
Farm earnings	-3,580	*-1,348	-4,007	d	26,700	51,087	165,634	6,359
Off-farm income	13,114	41,991	87,796	39,892	26,621	34,598	35,572	57,988
Earned[1]	5,857	11,254	79,943	22,385	19,193	24,020	23,360	44,658
Unearned[1]	7,257	30,737	7,852	17,507	7,428	10,578	12,211	13,330
	Percent							
Operator household income compared with U.S. average[2]	17.4	74.1	152.8	72.5	97.2	156.2	366.9	117.3
Share from off-farm sources[3]	137.5	103.3	104.8	100.3	49.9	40.4	17.7	90.1
Off-farm income from earned sources	44.7	26.8	91.1	56.1	72.1	69.4	65.7	77.0
Households with:								
Positive household income and:								
Loss from farming	54.0	62.7	69.3	43.0	10.6	6.3	3.9	52.7
0-24 % from farming	24.7	24.0	25.5	20.8	7.7	6.1	4.7	21.5
25-49 % from farming	d	7.1	3.1	11.7	12.6	11.2	8.5	7.0
50 % or more from farming	*8.4	3.3	0.9	15.3	58.3	63.4	70.3	13.7
Negative household income	7.2	d	*1.2	9.1	10.8	12.9	12.6	5.1
	Dollars per household							
Nonmoney income	2,337	5,767	5,611	5,142	4,952	5,395	5,158	5,261
	Dollars per farm							
Depreciation	1,785	1,470	2,212	5,635	17,891	30,546	71,228	7,027

d = Data suppressed due to insufficient observations or standard error greater than 75 percent of the estimate.

* = Standard error is between 25 and 50 percent of the estimate.

[1]Earned 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, private pensions, regular contributions of persons not living in the household, net rental income from nonfarm properties, and royalties for mineral leases.

[2]Average farm household income divided by U.S. average household income ($54,842).

[3]Income from off-farm sources can be more than 100 percent of total household income if earnings of the operator household from farming activities are negative.

Source: USDA, Economic Research Service, 1999 Agricultural Resource Management Study.

Table 2
Characteristics of farms and their operators, by farm typology group, 1999
Farm characteristics vary across the typology

	Small family farms								
				Farming-occupation					
Item	Limited-resource	Retire-ment	Residential/ lifestyle	Low-sales	High-sales	Large family farms	Very large family farms	Non-family farms	All U.S. farms
					Number				
Farms	126,920	297,566	931,561	480,441	175,370	77,314	58,403	39,374	2,186,950
					Acres				
Land operated per farm	128	145	155	435	1,033	1,444	2,093	1,089	398
					Percent of farms				
Sales less than $10,000	78.7	80.8	74.3	36.6	0.0	0.0	0.0	33.1	55.9
					Dollars per farm				
Mean gross cash farm income	7,838	9,456	12,969	34,252	160,621	321,084	989,377	523,292	74,865
					Percent of farms				
Farms by specialization:									
Cash grain	7.6	6.0	9.3	20.8	37.8	36.9	17.8	20.0	14.9
Other field crops	22.2	30.4	22.0	16.5	11.3	13.1	12.3	22.6	20.5
High-value crops[1]	*8.8	6.5	5.8	7.6	7.1	7.1	12.3	24.4	7.1
Beef	41.1	45.1	41.4	40.5	12.2	9.2	9.9	16.0	36.9
Hogs	d	d	d	d	2.3	5.7	9.1	d	1.4
Dairy	d	d	d	5.3	22.4	16.7	14.3	*2.1	4.2
Other livestock	17.1	11.6	20.2	8.5	6.8	11.3	24.4	12.9	14.9
Farms by major farming region:									
Northeast	d	5.6	7.3	6.7	9.6	6.7	6.3	d	6.9
Lake States	d	7.2	8.5	11.4	16.9	12.4	8.5	d	9.7
Corn Belt	*13.9	20.3	19.2	17.9	25.8	27.9	19.5	21.2	19.7
Northern Plains	d	*3.9	6.2	11.8	16.6	15.1	10.0	*10.2	8.4
Appalachia	20.9	17.1	16.3	11.6	5.9	6.9	9.6	d	14.2
Southeast	d	9.7	7.8	7.2	4.2	5.7	9.7	3.2	7.7
Delta	d	6.9	5.5	4.5	3.9	6.6	9.4	**4.1	5.6
Southern Plains	19.8	18.0	15.9	13.1	4.7	6.8	6.2	*11.3	14.2
Mountain	d	6.0	5.8	6.0	6.9	5.5	6.4	10.7	6.1
Pacific.	d	d	7.4	9.7	5.4	6.3	14.5	16.8	7.7

d = Data suppressed due to insufficient observations.
*The relative standard error exceeds 25 percent but is no more than 50 percent.
**The relative standard error exceeds 50 percent but is no more than 75 percent.
[1]Vegetables, fruits, tree nuts, and horticultural specialties.
Source: 1999 Agricultural Resource Management Study.

Table 3

Characteristics of farm operators, by farm typology group, 1999

The retirement, limited-resource, and low-sales groups have the oldest operators

Item	Small family farms					Large family farms	Very large family farms	Non-family farms	All U.S. farms
				Farming-occupation					
	Limited-resource	Retire-ment	Residential/ lifestyle	Low-sales	High-sales				
	Years								
Average age of operator	59	69	49	59	49	49	49	52	55
	Percent of operators								
Operators 65 years old or older	47.2	70.5	5.3	39.4	13.0	10.0	9.1	17.8	25.2
Operators by occupation:									
Farming	29.9	na	na	100.0	100.0	92.5	93.5	*18.4	37.8
Hired manager	na	na	na	na	na	na	na	53.5	1.0
Something else	29.0	na	100.0	na	na	6.3	5.7	*22.2	45.1
Retired	41.1	100.0	na	na	na	d	d	d	16.2

d = Data suppressed due to insufficient observations.
na = not applicable.
*The relative standard error exceeds 25 percent but is no more than 50 percent.
Source: 1999 Agricultural Resource Management Study.

$100,000 or more (high-sales small farms, large family farms, and very large family farms). These larger farms are more likely to rent land and hold other assets such as equipment, machinery, and inventories.

Many Farm Households Are Dual-Career

The information on operator household income presented here contradicts one of the persistent myths of farm structure identified by Gale and Harrington (1993): farmers rely almost entirely on their farms for a living. How long this myth has been untrue is not clear. Although farm operator households' dependence on off-farm income is commonly viewed as a recent development, one-fourth to one-third of farm operators worked off-farm in the 1930s and 1940s (fig. 3).

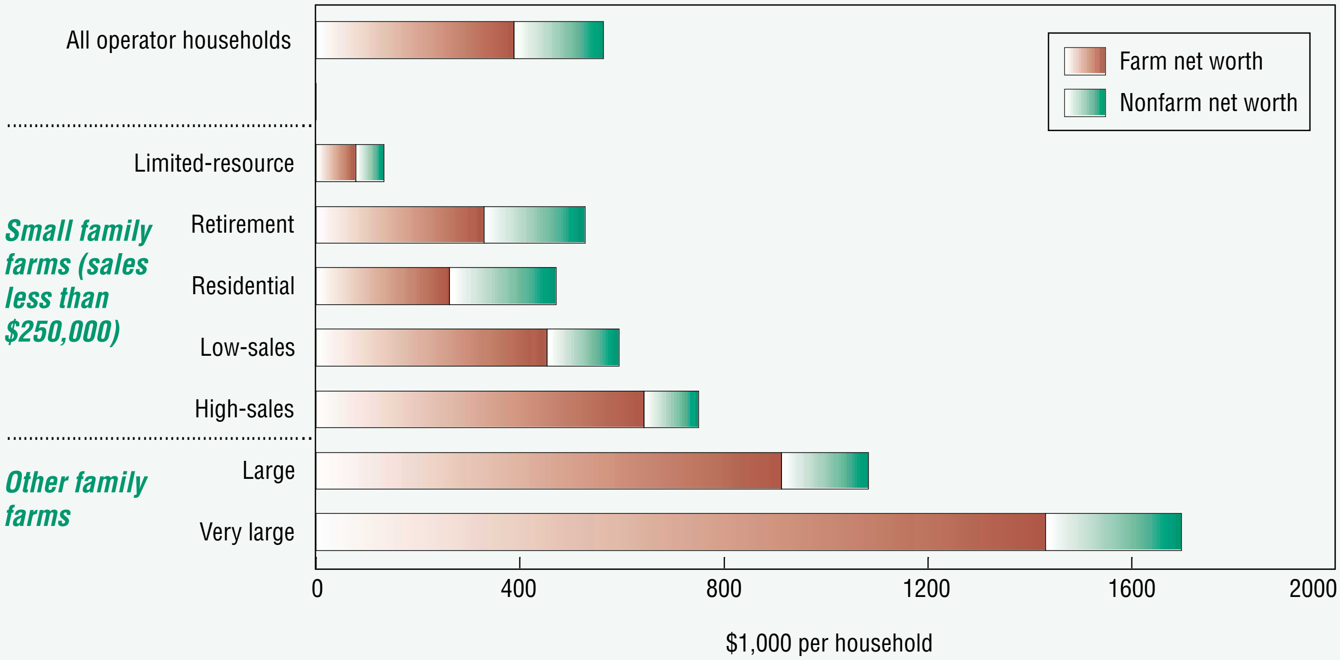
In more recent times, both operators and spouses in each typology group, to some extent, have held off-farm jobs (table 4). In fact, many farm households today are dual-career, or bivocational, like their nonfarm counterparts. This is most obvious in the residential/lifestyle group, where 63 percent of the households reported both the operator and spouse worked off-farm in 1999.

However, even households with very large farms were dual-career. In addition to the operator's farm work on these farms, 32 percent of the households had a spouse—but not an operator—working off-farm, and another 7 percent had both an operator and a spouse working off-farm. In other words, 39 percent of households operating very large farms were dual-career, with a spouse working off the farm and an operator farming (largely without off-farm work). The Current Population Survey estimated that 45 percent of all U.S. households had two or more workers in 1999, so households with very large farms appear to be somewhat less

Figure 1

Average farm operator household net worth, by farm typology group, 1999

The farm accounts for most of farm households' wealth

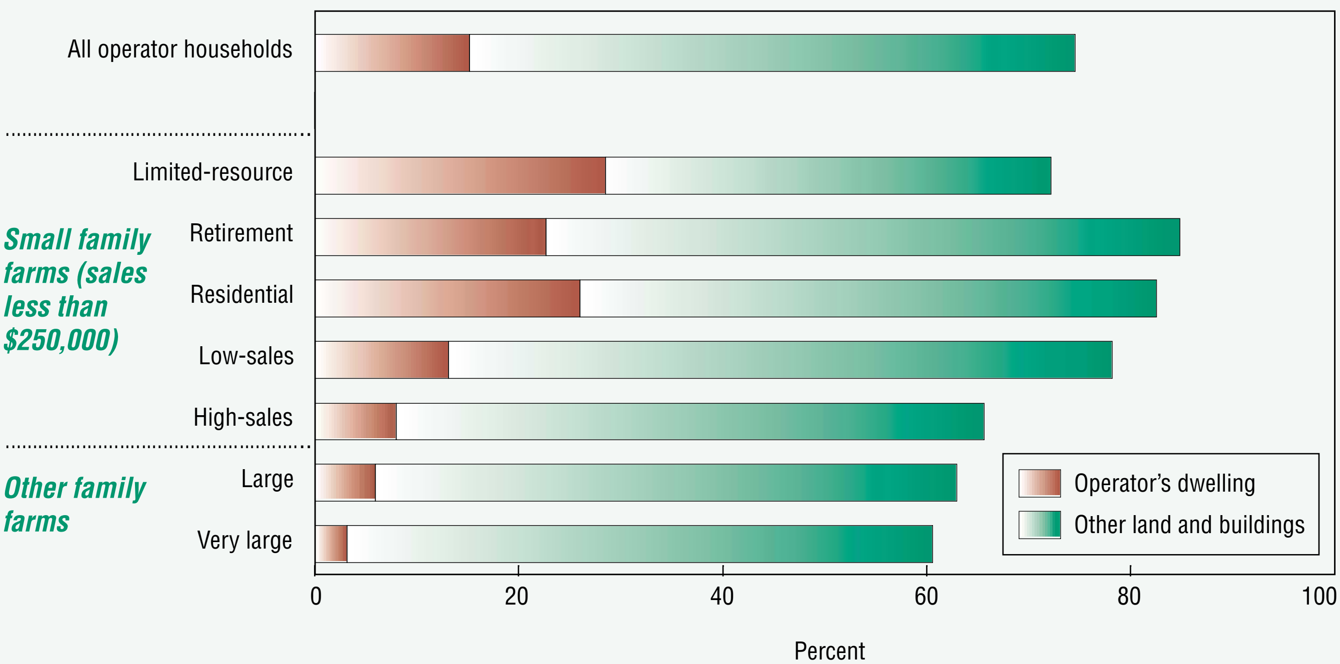


Note: Household net worth data are not collected for nonfamily farms.
Source: USDA, Economic Research Service, 1999 Agricultural Resource Management Study.

Figure 2

Share of farm business assets in real estate, 1999

Most farm assets are in real estate

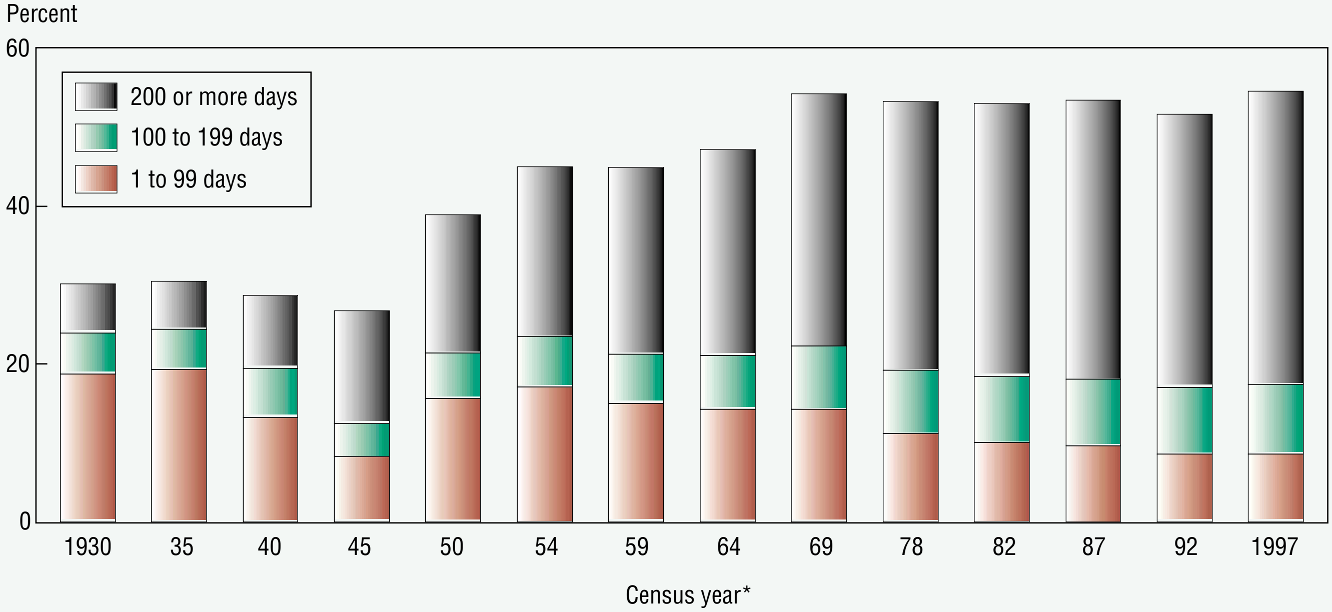


Note: Includes both the assets held by the operator household and assets held by other households.
Source: USDA, Economic Research Service, 1999 Agricultural Resource Management Study.

Figure 3

Farm operators reporting off-farm work, 1930-97

One-third of farm operators have worked off-farm essentially full-time since the 1970s



*Data for 1974 are unavailable.
Source: Census of Agriculture.

Table 4

Off-farm work by typology group, 1999

Household members work off-farm, regardless of typology group

Item	Small family farms: Limited-resource	Small family farms: Retirement	Small family farms: Residential/lifestyle	Small family farms: Farming-occupation: Low-sales	Small family farms: Farming-occupation: High-sales	Large family farms	Very large family farms	All family farms
				Number				
Total households	126,920	297,566	931,561	480,441	175,370	77,314	58,403	2,147,576
				Percent				
Off-farm work by operator and spouse:								
Only operator	30.5	7.5	37.2	13.1	10.0	9.1	8.8	23.3
Only spouse	d	16.0	na	23.3	34.4	32.4	31.6	12.6
Neither	56.3	68.7	na	45.4	41.2	44.7	52.2	29.4
Both	d	*7.9	62.8	18.2	14.3	13.8	7.3	34.7
Report income work from another farm	**0.7	**0.9	2.0	*4.8	3.0	3.5	3.7	2.6
Report income from an off-farm business	*10.6	8.6	34.2	16.0	13.5	15.3	14.8	22.3

d = Data suppressed due to insufficient observations.
na = not applicable.
*The relative standard error exceeds 25 percent but is no more than 50 percent.
**The relative standard error exceeds 50 percent but is no more than 75 percent.
Source: USDA, Economic Research Service, 1999 Agricultural Resource Management Study.

Defining Household Income

The Current Population Survey (CPS), conducted by the Bureau of the Census, is the source of official U.S. household income statistics. Thus, calculating an estimate of farm household income from the Agricultural Resource Management Study (ARMS) that is consistent with CPS methodology allows income comparisons between farm operator households and all U.S. households.

The CPS definition of farm self-employment income is net money income from the operation of a farm by a person on his own account, as an owner or renter. CPS self-employment income includes income received as cash, but excludes in-kind or nonmoney receipts. For farmers, in-kind income includes the imputed rental value of the farmhouse and the value of farm products consumed on the farm (such as food and firewood). The CPS definition departs from a strictly cash concept by deducting depreciation, a noncash business expense, from the income of self-employed people.

Farm self-employment income from the ARMS is the sum of the operator household's share of farm business income (net cash farm income less depreciation), wages paid to the operator, and net rental income from renting farmland. Adding other farm-related earnings of the operator household yields earnings of the operator household from farming activities. (Other farm-related earnings consist of net income from a farm business other than the one being surveyed, wages paid by the farm business to household members other than the operator, and commodities paid to household members for farm work.)

Table 5

Operators' highest ranking goal, by typology group, 1995

A rural lifestyle is most important to many small farm operators

	Small family farms						
				Farming-occupation			
Goal	Limited-resource	Retirement	Residential/lifestyle	Low-sales	High-sales	Large family farms	Very large family farms
Farm provides an adequate without off-farm work							
Farm provides a rural lifestyle	X (tie)	X	X	X (tie)			
Farm is able to survive adverse markets or weather	X (tie)			X (tie)	X	X	X
Increasing acres operated							
Increasing assets and equity							
Passing farm on to the the next generation							

Source: USDA, Economic Research Service, 1995 Farm Costs and Returns Survey, version 1.

Photo courtesy Digital Stock, Master Collection.

likely to be dual-career than households in general. However, table 4 understates work by farm households, because it only considers work by spouses and operators, not other household members.

In addition to off-farm work that generates wages and salaries, some operators also earn net income from operating a second business, a second farm, or some other pursuit. A farm household's sources and level of income depend on a combination of decisions on allocating labor, management skills, and other resources between farming and other activities.

Farm Income Versus Rural Lifestyle

For many farm households with small farms—particularly those with both the operator and spouse working off-farm—income may not be the main reason for farming. The 1995 Farm Costs and Returns Survey (FCRS) asked farmers to rank various goals, and the highest ranked goal for each group is shown in table 5.

Lifestyle was the most important goal for retirement and residential/lifestyle farmers, and lifestyle and survival were tied for first place for limited-resource and low-sales farmers. These operators' high regard of a farm lifestyle helps explain why they continue to farm despite losses.

On the other hand, surviving adverse markets or weather was the most important goal for operators of high-sales, large, and very large farms. These farmers also ranked adequate income, increasing sales, and increasing assets and equity fairly high. All these goals are related directly to the success of the farm business. Not coincidentally, these groups all depend on their farms for a significant share of their income.

Implications for Farm Households and Rural Areas

Households operating high-sales small farms, large family farms, and very large family farms rely on farming for income. Increased farm earnings could also benefit operators of retirement farms and the older operators of limited-resource and low-sales small farms. These operators may have few employment opportunities and might be helped by efforts to increase income from small farms through extension, marketing programs, and credit targeted at small farms. Nevertheless, farm households—on average—depended on off-farm income for at least part of their income, regardless of typology group. Opportunities to find employment in either the local nonfarm economy or within commuting distance are important to farm households.

Given the higher educational attainment of younger farm operators and their spouses, the trend toward dual-careers and multiple jobs (on and off the farm) is likely to continue. And labor-saving technology could accelerate this trend. For the 932,000 residential/lifestyle farmers, the nonfarm economy is particularly important, since most of them do not generate positive income from farming. For operators of retirement farms, the status of retirement programs and the returns on investments are also critical.

The existence of dual-career farm households, with at least one spouse involved in off-farm work, may generate demand for local services. For example, child care, elder care, house cleaning, house and yard maintenance, and car care may become necessary, and roads must be passable in winter. Satisfying these needs can open up opportunities for local entrepreneurs and place demands on local government for road maintenance.

In some respects, dual-career households are more like nonfarm households than the "traditional" farm household. According to the traditional view of the farm and its operator household, there is a close relationship between agricultural production and household consumption, with most production and consumption occurring on the farm. According to this traditional view, members of the farm household primarily devote their labor to agricultural production and the maintenance of the household. In return, the household obtains most of its income from the sale of farm output, and in many instances, the members of the household directly consume a portion of that output. Off-farm work may occur in the traditional farm household, if it is necessary to support the farm and continue its existence. In contrast, current farm households regularly allocate labor and other resources between farm and off-farm pursuits, just as nonfarm households allocate their resources among different economic pursuits.

Not all the benefits of farming are captured by farm earnings, as measured here on a cash money basis. Though generally not large, nonmoney income could be an important source of income to many low-income farm households. Moreover, the farm also provides an opportunity for wealth accumulation, especially since nonfarm demand for land affects the value of farm real estate, the largest source of asset holdings of all farm typology groups. Wealth based on land, however, is illiquid and cannot be accessed without scaling back the operation. Finally, for farmers operating many small farms, a rural lifestyle may be more important than the level of farm income. RA

For Further Reading . . .

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Cheryl J. Steele, "Why U.S. Agriculture and Rural Areas Have a Stake in Small Farms," *Rural Development Perspectives*, Vol. 12, No. 2, ERS-USDA, Nov. 1997, pp. 26-31.