

ERS *Report Summary*

Economic Research Service

December 2008

U.S. Department of Agriculture



This is a summary
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Million-Dollar Farms in the New Century

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Small farms (those with annual sales less than \$250,000) represent a large majority of U.S. farms (92 percent), but account for a relatively small share of total farm production (23 percent). This report examines the other end of the size spectrum, where a large percentage of farm production occurs, specifically on “million-dollar farms” whose annual sales total \$1 million or more. The 35,100 million-dollar farms reported in 2006—2 percent of all U.S. farms—accounted for 48 percent of the sales of U.S. agricultural products.

What Is the Issue?

Understanding million-dollar farms is especially important because of the large and growing share of U.S. food and fiber they produce. This report examines the growth of production from million-dollar farms since the 1980s. It lays out the current role of million-dollar farms in U.S. commercial agriculture, including their share of farms, their production of specific commodities, and their receipt of Government payments.

What Did the Study Find?

Major shifts occurred in the distribution of gross farm sales between the 1982 and 2002 Censuses of Agriculture, with sales measured in constant 2002 dollars. Farms with sales of \$1 million or more doubled their share of total U.S. farm sales from 23 percent in 1982 to 48 percent in 2002. Some of these million-dollar farms are relatively recent entrants to farming, while others existed as far back as 1978.

The shift in production to million-dollar farms is likely to continue. Average operating profit margins increase with sales, reflecting economies of size in farming. As a result, million-dollar farms—and farms growing to that size—have a competitive advantage relative to smaller farms. The shift in production may eventually slow, however, once million-dollar farms’ shares of the commodities most amenable to large-scale production reach their upper limits.

Million-dollar farms do not have market power. The shift in farm production to million-dollar farms reflects a long-term concentration of farm production on fewer farms that has been underway since the beginning of the 20th century. However, there are still too many million-dollar farms—just over 35,000—for any single farm to dominate agriculture or the production of specific commodities.

Million-dollar farms receive a small share of Government payments. Most Government payments are commodity-related or targeted at current or past production of specific commodi-

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ties, largely feed and food grains, cotton, and oilseeds. Relatively few million-dollar farms—particularly those with sales of \$5 million or more—specialize in crops covered by commodity programs. As a result, million-dollar farms received only 16 percent of U.S. Government payments in 2006, a small share compared with their 48-percent share of gross sales, although disproportionately large compared with their 2-percent share of all farms.

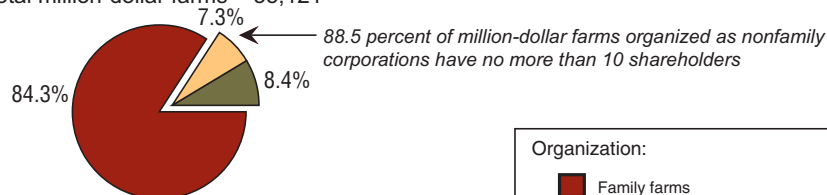
Million-dollar farms have more operators than farms with lower sales.

The number of operators per farm averaged 1.5 for all farms in 2006, but 2.1 for all million-dollar farms and 2.6 for \$5-million farms. Multiple-operator farms accounted for 66 percent of million-dollar farms, substantially more than the 46-percent share for farms in general. Multiple-generation farms—those with at least 20 years' difference between the ages of the oldest and youngest operators—made up a larger share of million-dollar farms (23 percent) than any other sales class.

Organization of million-dollar farms, 2006

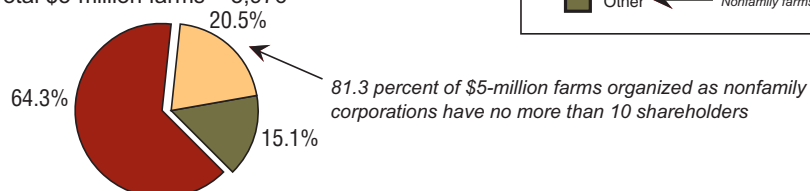
Most million-dollar farms are family farms...

Total million-dollar farms = 35,121



...even those with sales of \$5 million or more

Total \$5-million farms = 3,976



Note: Items may not add to totals due to rounding.

¹Corporations where the operator and their relatives do not have a majority ownership interest.

²Estates, trusts, cooperatives, grazing associations, and any unincorporated farm businesses where the operators and their families do not hold a majority ownership interest.

Source: USDA, Economic Research Service, 2006 Agricultural Resource Management Survey, Phase III. (Number of shareholders from version 1.)

Most million-dollar farms are family operations. Eighty-four percent of the million-dollar farms in 2006 operated as family farms—defined as any farm where the majority of the business is owned by the operator (or the principal operator on multiple-operator farms) and individuals related to the operator. Only 7 percent of million-dollar farms were organized as nonfamily corporations, generally with no more than 10 stockholders. The situation was similar for farms with sales of \$5 million or more, although a smaller share (64 percent) was classified as family operations and a larger share (21 percent) as nonfamily corporations. The operators and spouses on million-dollar farms, however, provided only 10 percent of the farms' labor, compared with 39 percent for farms with sales between \$500,000 and \$999,999.

Million-dollar farms account for most contract production. Thirty-nine percent of U.S. farm production came from farms with production or marketing contracts in 2006, and million-dollar farms accounted for about 62 percent of this contract production. Sixty-three percent of million-dollar farms used contracts, and about half of their production—mostly livestock—was under contract. Note that farms with production contracts only receive a fee from contractors, and only the fee—rather than sales—is included in their gross cash income. Measuring size by gross cash income rather than sales would reduce the number of million-dollar farms among some specializations, such as poultry farms.

Million-dollar farms also served as contractors. Approximately 5,400 farms reported contracting livestock production (including poultry) out to other farms. The share of farms contracting livestock production out was highest for \$5-million farms at 12 percent.

How Was the Study Conducted?

Most of the data in this report are from the 2006 Agricultural Resource Management Survey (ARMS). The ARMS is a detailed, annual survey of farm businesses and associated households conducted jointly by the U.S. Department of Agriculture's Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). The report also uses data from the last five censuses of agriculture to follow the shift in production to million-dollar farms. Finally, the 2002 Census of Agriculture Longitudinal File—which links records for individual farms from the last six censuses—traces the history of today's million-dollar farms.