

Sources and Levels of Operator Household Income

How can so many small farms exist, given their poor financial performance relative to large-scale family farms? Households operating small farms typically receive substantial off-farm income. Average off-farm income ranges from \$14,500 for limited-resource households to \$90,400 for households operating residential/lifestyle farms (table 7).¹² Most off-farm income is from earned sources, either a wage or salary job or self-employment. For households operating limited-resource or retirement farms, however, more than half of off-farm income comes from unearned sources—such as Social Security, pensions, dividends, interest, and rent—reflecting the advanced age of operators on those farms.

Off-Farm Work

Participation in off-farm work varies by farm type. At one extreme, neither the operator nor spouse worked off-farm on 70 percent of limited-resource and retirement farms (table 8). At the other extreme, both the operator and a spouse worked off-farm on 61 percent of residential/lifestyle farms. In the remaining types, the operator, a spouse, or both worked off-farm in 47 to 57 percent of farm households.

Operators and spouses on residential/lifestyle farms are much more likely to work off-farm at least 2,000 hours per year—equivalent to a full-time job—than are their counterparts on other farms. Once sales exceed the \$100,000 level (medium-sales small farms and large-scale farms) spouses account for most of the involvement in off-farm work. Since the operators on these farms spend an average of 2,800 hours or more per year working on their farms, their ability to work off-farm is limited. Yet, even households operating large and very large farms average about \$30,000 in off-farm earned income (table 7).

Dual-Career Households

In other words, many farm households are dual-career, holding off-farm jobs as well as farming (Hoppe, 2001, pp. 45 and 49). This is most obvious on residential/lifestyle farms, but is also true to a lesser extent on large and very large farms. About 44 percent of all farm households were dual-career in 2003, with a spouse working off the farm and the principal operator engaged in farming (with or without off-farm work). According to the 2003 Current Population Survey, about 43 percent of all U.S. households had two or more workers in 2003, so farm households are about as likely to be dual-career as U.S. households in general.

In some ways, dual-career farm households are more like nonfarm households than they are like “traditional” farm households (Hoppe, 2001, p. 50). According to the traditional view of farming, people living in farm households use their labor primarily to farm and to maintain the household. The household receives most of its income from farming and may directly consume a portion of farm production. Off-farm work may occur, but only

¹²See “Appendix 2: Measuring Operator Household Income and Net Worth,” for information on how operator household income is defined.

Table 7

Income and wealth of principal operator households, by farm type, 2003

| Item | Small family farms | | | | | Large-scale farms | | All family farms |
|--|--------------------|------------|-----------------------|--------------------|--------------|-------------------|------------|------------------|
| | Limited-resource | Retirement | Residential/lifestyle | Farming-occupation | | Large | Very large | |
| | | | | Low-sales | Medium-sales | | | |
| <i>Number</i> | | | | | | | | |
| Total households | 235,030 | 308,832 | 892,602 | 363,812 | 134,833 | 84,294 | 66,656 | 2,086,059 |
| <i>Dollars per household</i> | | | | | | | | |
| Mean household income | 7,212 | 49,688 | 85,890 | 49,807 | 60,722 | 102,405 | 214,232 | 68,515 |
| Farm earnings ¹ | -7,249 | d | -4,477 | *2,331 | 29,528 | 62,327 | 171,958 | 7,649 |
| Off-farm income | 14,461 | 49,327 | 90,367 | 47,476 | 31,195 | 40,078 | 42,274 | 60,865 |
| Earned ² | *5,867 | 16,597 | 79,379 | 31,436 | 20,577 | 30,788 | 28,184 | 46,041 |
| Unearned ² | 8,594 | 32,730 | 10,988 | 16,040 | 10,618 | 9,290 | 14,089 | 14,825 |
| <i>Percent</i> | | | | | | | | |
| Share of income from off-farm sources ³ | 200.5 | 99.3 | 105.2 | 95.3 | 51.4 | 39.1 | 19.7 | 88.8 |
| Households with: | | | | | | | | |
| Negative farm earnings | 69.6 | 63.3 | 74.1 | 47.8 | 23.8 | 21.6 | 19.1 | 60.3 |
| Negative total household income ⁴ | 18.6 | 2.7 | *0.8 | 5.6 | 13.3 | 12.9 | 14.1 | 5.6 |
| <i>Dollars per household</i> | | | | | | | | |
| Household net worth | 446,337 | 638,224 | 550,537 | 629,039 | 972,626 | 1,248,315 | 1,881,987 | 663,491 |
| Farm net worth | 368,907 | 399,277 | 342,092 | 498,094 | 847,508 | 1,076,420 | 1,645,788 | 484,784 |
| Nonfarm net worth | 77,430 | 238,946 | 208,445 | 130,945 | 125,117 | 171,895 | 236,199 | 178,707 |
| <i>Percent</i> | | | | | | | | |
| Share of net worth from the farm | 82.7 | 62.6 | 62.1 | 79.2 | 87.1 | 86.2 | 87.4 | 73.1 |

Note: Household income and net worth are calculated only for family farms.

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

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

¹Net farm income in the previous table includes cash and noncash items, is based on accrual accounting, and is calculated for the farm business. Farm earnings—in contrast—is based on cash items only, with the exception of a deduction for depreciation. Farm earnings also exclude the share of net income generated by the farm paid to other households, such as the households of partners. Net farm income and farm earnings are not directly comparable. For more information about the definition of farm earnings, see Appendix 2.

²Earned 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.

³Income 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.

⁴Household income can be negative if the loss from farming is larger than income from off-farm sources. Alternatively, farming and off-farm activities may both result in a loss, or off-farm activities may result in a loss that is larger than farm earnings.

Source: USDA, Economic Research Service, 2003 Agricultural Resource Management Survey, Phase III.

Table 8

Farm and off-farm work performed by principal operators and their spouses, by farm type, 2003

| Item | Small family farms | | | | | Large-scale farms | | All family farms |
|--|--------------------|------------|-----------------------|--------------------|--------------|-------------------|------------|------------------|
| | Limited-resource | Retirement | Residential/lifestyle | Farming-occupation | | Large | Very large | |
| | | | | Low-sales | Medium-sales | | | |
| <i>Number</i> | | | | | | | | |
| Total farms, households, and principal operators | 235,030 | 308,832 | 892,602 | 363,812 | 134,833 | 84,294 | 66,656 | 2,086,059 |
| Total spouses | 102,241 | 205,449 | 667,223 | 258,613 | 100,836 | 67,364 | 51,356 | 1,453,083 |
| <i>Percent of households</i> | | | | | | | | |
| Principal operator is married | 43.5 | 66.5 | 74.8 | 71.1 | 74.8 | 79.9 | 77.0 | 69.7 |
| Off-farm work by principal operator and spouse: | | | | | | | | |
| Only operator ¹ | 23.0 | 6.3 | 39.1 | 13.1 | 7.6 | 8.1 | 7.1 | 23.6 |
| Only spouse | 5.0 | 18.4 | 0.0 | 27.1 | 36.0 | 36.5 | 31.9 | 12.8 |
| Neither ² | 68.1 | 70.7 | 0.0 | 43.5 | 43.8 | 42.6 | 53.3 | 32.0 |
| Both | *3.9 | 4.6 | 60.9 | 16.3 | 12.5 | 12.9 | 7.8 | 31.6 |
| <i>Hours per household</i> | | | | | | | | |
| Mean hours worked, principal operator | 1,703 | 991 | 2,787 | 2,156 | 3,083 | 3,085 | 3,009 | 2,327 |
| Onfarm | 1,395 | 913 | 887 | 1,787 | 2,894 | 2,857 | 2,839 | 1,377 |
| Off-farm | *308 | 79 | 1,900 | 369 | 190 | 228 | 170 | 951 |
| Mean hours worked, spouse ³ | 747 | 673 | 1,800 | 1,642 | 1,912 | 1,742 | 1,541 | 1,535 |
| Onfarm ³ | 425 | 207 | 355 | 619 | 883 | 762 | 768 | 456 |
| Off-farm ³ | *322 | 466 | 1,445 | 1,023 | 1,029 | 979 | 773 | 1,078 |
| <i>Percent of households</i> | | | | | | | | |
| Works on farm at least 2,000 hours: | | | | | | | | |
| Principal operator | 24.3 | 8.3 | 6.6 | 43.4 | 85.4 | 81.7 | 86.0 | 25.9 |
| Spouse ³ | 5.3 | *2.4 | *3.7 | 9.7 | 14.7 | 12.2 | 12.8 | 6.2 |
| Works off-farm at least 2,000 hours: | | | | | | | | |
| Principal operator | *5.7 | *1.6 | 72.2 | 9.0 | 4.1 | 6.1 | 4.9 | 34.0 |
| Spouse ³ | *7.8 | 14.0 | 49.4 | 32.0 | 30.3 | 28.9 | 20.1 | 35.0 |

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

¹Includes households where the operator works off-farm and there is no spouse.

²Includes households where the operator does not work off-farm and there is no spouse.

³Calculated only for households where a spouse is present.

Source: USDA, Economic Research Service, 2003 Agricultural Resource Management Survey, Phase III.

to support the farm. In contrast, dual-career farm households routinely allocate labor, management, and other resources between farming and nonfarm activities, just as nonfarm households allocate their resources among different economic activities.

Level of Operator Household Income

Mean (or average) farm-operator household income in 2003 was \$68,500, or 16 percent greater than the mean for all U.S. households (fig. 8). Mean income may not be the best choice for comparison because a few very-high-income households can raise the mean well above the income earned by most households. Using medians rather than means yields similar results, however. Median farm-operator household income in 2003 was \$47,620, or 10 percent greater than the median for all U.S. households. Only two types of households, those operating limited-resource or retirement farms, received median household income below the U.S. median.

Net Worth

The income that farm-operator households derive from farming does not reflect the large net worth of many farm-operator households (table 7). For example, for farmers operating farms with sales of at least \$100,000, average household net worth ranges from \$972,600 for medium-sales small farms to \$1.9 million for very large family farms.

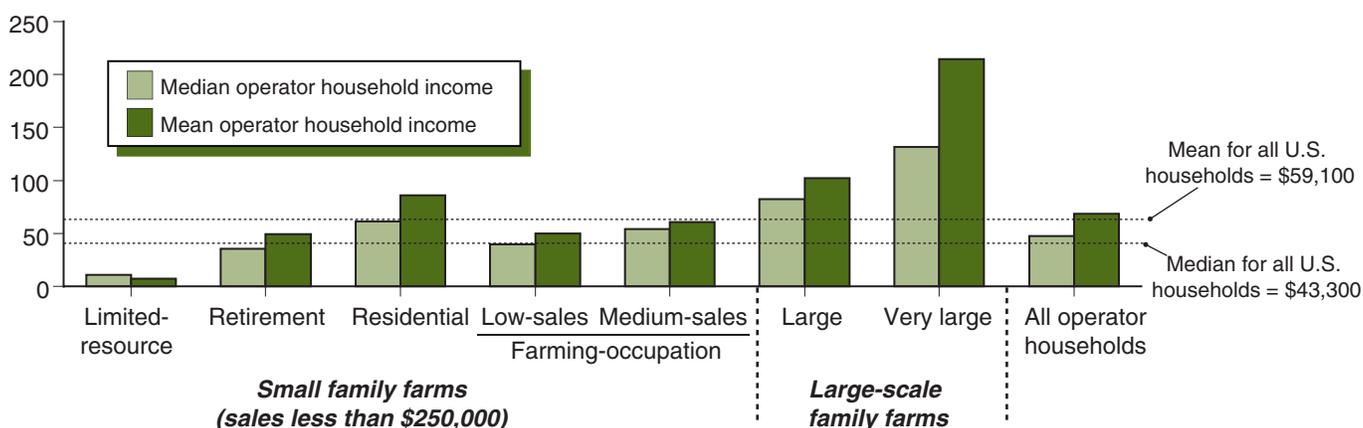
Unlike income, most of which comes from off-farm sources, net worth from the farm makes up most of the wealth of farm households, regardless of farm type. The farm accounts for 63 percent to 87 percent of operator household net worth, reflecting the land-intensive nature of farming.

Figure 8

Median and mean income of principal operator households, 2003

Farm households tend to have higher income than U.S. households in general

\$1,000 per household



Note: Median income falls at the midpoint of the distribution of income for households in a group. Half of the households have income above the median, while the other half has income that below that level.

Source: USDA, Economic Research Service, 2003 Agricultural Resource Management Survey, Phase III, for farm households. U.S. Bureaus of the Census, 2004 Current Population Survey for all U.S. households.