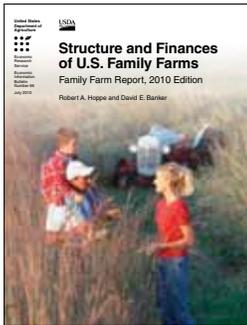


ERS *Report Summary*

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This is a summary of an ERS report.

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ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

Structure and Finances of U.S. Farms Family Farm Report, 2010 Edition

Robert A. Hoppe and David E. Banker

Broad descriptions of farms based on U.S. averages can mask variation among different sizes and types of farms. Small family farms dominate the farm count and hold most farm assets, including farmland. But large-scale family farms and nonfamily farms account for the bulk of farm production. Averages such as sales per farm, therefore, can be misleading. Information on the different kinds of farms—and the farmers who operate them—is important for understanding the economic well-being of farm households and the impact of farm policy.

What Is the Issue?

Agricultural policymakers require information on how U.S. farming is organized. USDA's Economic Research Service (ERS) produces a periodic report with that information. The *Family Farm Report, 2010 Edition*, is the most recent in the series, providing agricultural policymakers with an accurate, detailed, and unbiased source of information on the structure and finances of U.S. farms, including the relationship of farm size and type to agricultural production, financial performance, sources of farm household income, and the extent of operators' off-farm work. The report provides a sense of the financial position of family farms in general and for different types of family farms.

What Are the Major Findings?

Small family farms—annual sales less than \$250,000—made up 88 percent of U.S. farms in 2007. They also held about 64 percent of all farm assets, including 63 percent of the land owned by farms. As custodians of the bulk of farm assets—including land—small farms have a large role in natural resource and environmental policy. Small farms accounted for 76 percent of the land enrolled by farmers in USDA land-retirement programs, largely in the Conservation Reserve Program.

Nevertheless, very large family farms and nonfamily farms produce the largest share of agricultural output. Large-scale family farms (annual sales of \$250,000 or more), plus nonfamily farms, made up only 12 percent of U.S. farms in 2007 but accounted for 84 percent of the value of U.S. production. Although small family farms produced only 16 percent of agricultural output, they made more significant contributions to the production of specific commodities: hay, tobacco, cash grains and soybeans, and beef cattle.

For the most part, large-scale farms are more viable businesses than small family farms. The average operating profit margin and rates of return on assets and equity for large farms (annual sales of \$250,000 to \$499,999) and very large farms (annual sales of \$500,000 or more) were all

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positive in 2007, and most of these farms had a positive operating profit margin. Small farms were less viable as businesses. Average operating profit margin and rates of return on assets and equity were negative for most small-farm types. Nevertheless, some farms within each small-farm type (see table for farm types) had relatively high operating margins of at least 20 percent.

Small-farm households rely on off-farm income. Given small farms' poor financial performance, why do so many continue to exist? Small-farm households typically receive substantial off-farm income and do not rely primarily on their farms for their livelihood. Most of their off-farm income is from wage-and-salary jobs or self-employment. Households operating retirement farms, however, receive most of their off-farm income from such sources as Social Security, pensions, dividends, interest, and rent.

Farm operator households, generally speaking, cannot be considered low-income, but limited-resource farms persist. Median household income for only two types of farm households—those operating retirement farms or low-sales farms (annual sales less than \$100,000)—was below the U.S. median in 2007. Limited-resource farms, however, make up between 3 and 12 percent of all farms, depending on how “limited-resource” is defined. (The definitions are based on different—but low—levels of farm sales, operator household income, and farm assets or operator household net worth.)

Different types of Government payments go to different types of farms. The distribution of commodity-related program payments is roughly proportional to the production of program commodities. Medium-sales (annual sales of \$100,000 to \$249,999) and large-scale farms received 76 percent of commodity-related Government payments in 2007. Likewise, large-scale farms received 60 percent of the payments from working-land programs, which target production indirectly by focusing on land in production. In contrast, land-retirement programs target environmentally sensitive land rather than production. The bulk of land-retirement payments (73 percent) went to retirement, residential/lifestyle, and low-sales small farms. However, most farms (61 percent) received no Government payments at all and were not directly affected by farm program payments.

How Was the Study Conducted?

The 2007 Agricultural Resource Management Survey (ARMS) is the main source of data in the *Family Farm Report, 2010 Edition*. ARMS is an annual survey designed and conducted by ERS and the National Agricultural Statistics Service (NASS), another USDA agency. In addition to ARMS, various censuses of agriculture and ERS farm sector income estimates are used in this report, particularly in the analysis of long-term trends. The report uses the farm classification system developed by ERS to examine farm structure in the United States.

Distribution of farms, total production, and assets by farm type, 2007

Farm type	Farms	Value of production	Farm assets
<i>Percent of U.S. total</i>			
Small family farms: ¹			
Retirement	18.4	1.6	12.9
Residential/lifestyle	45.1	4.2	26.0
Farming-occupation			
Low-sales	19.8	4.0	17.3
Medium-sales	5.1	6.6	7.9
Large-scale family farms: ¹			
Large family farms	4.3	12.2	9.3
Very large family farms	5.0	53.7	20.1
Nonfamily farms ^{1,2}	2.4	17.7	6.6

¹Small farms have sales less than \$250,000; large-scale farms have sales of \$250,000 or more; no sales limit for nonfamily farms.

²Nonfamily farms include any farm where the majority of the business is not owned by the operator and individuals related to the operator.

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2007 Agricultural Resource Management Survey, Phase III.