Conclusions and Implications

- **Farming is still overwhelmingly comprised of family businesses.** Ninety-nine percent of farms are family farms, and they account for 90 percent of farm production.
- **Small farms make up 89 percent of the farm count and operate nearly 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-three 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. Nineteen percent of farms are "beginning farms"—operated by farmers with no more than 10 years of experience—but only 14 percent of their principal operators are less than 35 years old. With growing productivity in farming, the competitive market for agricultural commodities is likely to mean that fewer, but larger, farms will prevail 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 payments go to midsize and large farms; and land-retirement payments largely go to retirement, off-farm occupation, and low-sales farms. Most farms, however, do not receive Government payments and are not directly affected by them.
- **Federal crop insurance has grown in importance.** Indemnities from Federal crop insurance do not always exceed Government payments, but their importance to farmers has increased. The distribution of indemnities is roughly proportional to cropland, so midsize and large farms received 70 percent of indemnities in 2014.

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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 homogenous groupings to 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.

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 *(281,622 farms; 13.6% of U.S. farms)*.
- **Off-farm occupation farms**. Small farms whose operators report a major occupation other than farming *(942,978 farms; 45.4% of U.S. farms)*.
- **Farming-occupation farms**. Small farms whose operators report farming as their major occupation.
  - **Low-sales**. GCFI less than $150,000 *(522,080 farms; 25.1% of U.S. farms)*.
  - **Medium-sales**. GCFI between $150,000 and $349,999 (*109,638 farms; 5.3% of U.S. farms*).

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

- Family farms with GCFI between $350,000 and $999,999 (*125,760 farms; 6.1% of U.S. farms*).

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

- **Large family farms**. Farms with GCFI between $1,000,000 and $4,999,999 (*64,004 farms; 3.1% of U.S. farms*).
- **Very large family farms**. Farms with GCFI of $5,000,000 or more (*6,926 farms; 0.3% of U.S. farms*).

Nonfamily farms

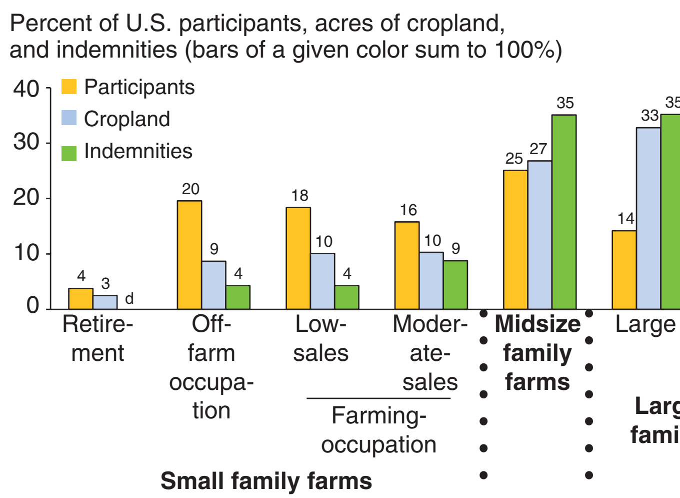
- Any farm where the operator and persons related to the operator do not own a majority of the business (*23,266 farms; 1.1% of U.S. farms*).

Government Payments and Federal Crop Insurance (continued)

Indemnities from Federal crop insurance are roughly proportional to acres of cropland.

- Midsize and large farms together received 70 percent of indemnities and accounted for 60 percent of cropland in 2014. Very large farms receive a smaller share of indemnities, reflecting their small share of U.S. farms and cropland.
- About two-thirds of midsize farms and three-fourths of large farms participated in Federal crop insurance, compared with only one-sixth of all U.S. farms.
- Grain farms—the most common specialization among midsize and large family farms—accounted for 63 percent of all participants in Federal crop insurance and 60 percent of cropland.
- The amount of land insured more than tripled from 102 million acres in 1989 to 365 million acres in 2014, and indemnities exceeded Government payments for the first time from 2011 to 2013. Indemnities fell below Government payments in 2014, however, due to more favorable weather.

Federal crop insurance participants, cropland, and indemnities by farm type, 2014



Farm type	Participating (percent)
Retirement	4.3
Off-farm occupation	6.7
Low-sales	11.5
Moderate-sales	47.0
Midsize	64.9
Large	72.1
Very large	47.5
Nonfamily	29.5
All farms	15.7

d = data on retirement and nonfamily farms' share of indemnities were suppressed due to insufficient observations.
Indemnities are payments from insurance to compensate for losses. **Participants** are farms paying premiums. Cropland excludes land enrolled in land-retirement programs.

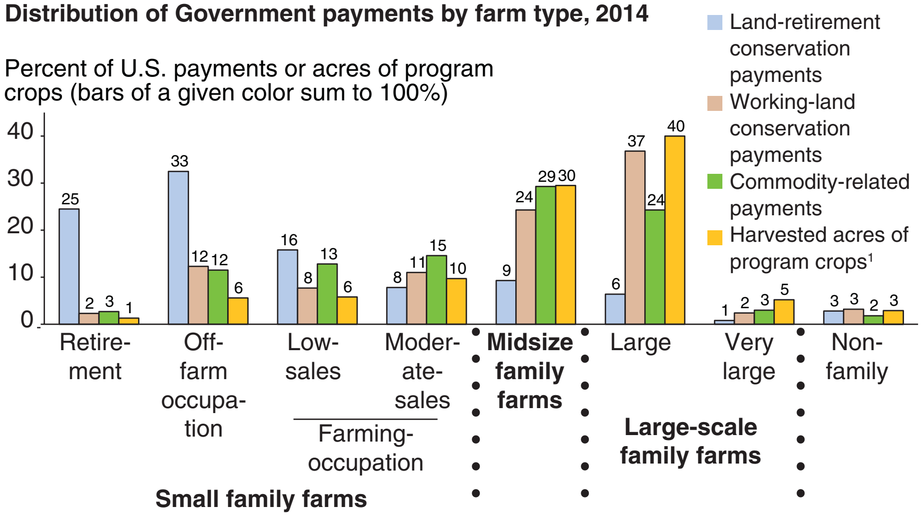
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey.

Government Payments and Federal Crop Insurance

Recipients of Government payments differ by program.

- Commodity program payments reflect acreage in crops historically eligible for support; 68 percent went to moderate-sales, midsize, and large family farms in 2014, roughly proportional to their 80-percent share of acres in program crops.
- Sixty-one percent of working-land conservation payments went to midsize and large family farms.
- Land-retirement programs target environmentally sensitive land; retirement, off-farm occupation, and low-sales farms received 74 percent of these payments.
- Three-quarters of all farms received no farm-related Government payments in 2014.

Distribution of Government payments by farm type, 2014



Conservation programs:
- **Land-retirement programs**—Conservation 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, cotton transition payments, loan deficiency payments, marketing loan gains, net value of commodity certificates, and agricultural disaster payments.

[1]**Program crops** include corn, peanuts, rice, sorghum, soybeans, barley, oats, wheat, canola, other oilseeds, and dry edible beans/peas/lentils.

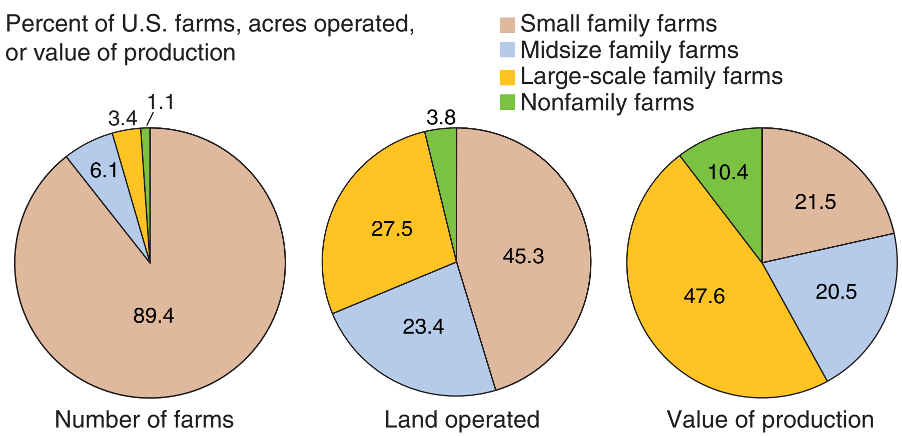
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey.

Farms, Production, and Farmland

Most farms are small, and small farms operate nearly half of U.S. farmland, but small farms account for only 22 percent of production.

- Eighty-nine percent of farms are small, and these farms account for 45 percent of the land operated by farms.
- Midsize and large-scale family farms account for most production, 68 percent.
- Family farms of different types together account for 99 percent of farms and 90 percent of production.
- Nonfamily farms account for the remaining farms (1 percent) and production (10 percent).

Distribution of farms, value of production, and land operated by farm type, 2014



Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey.

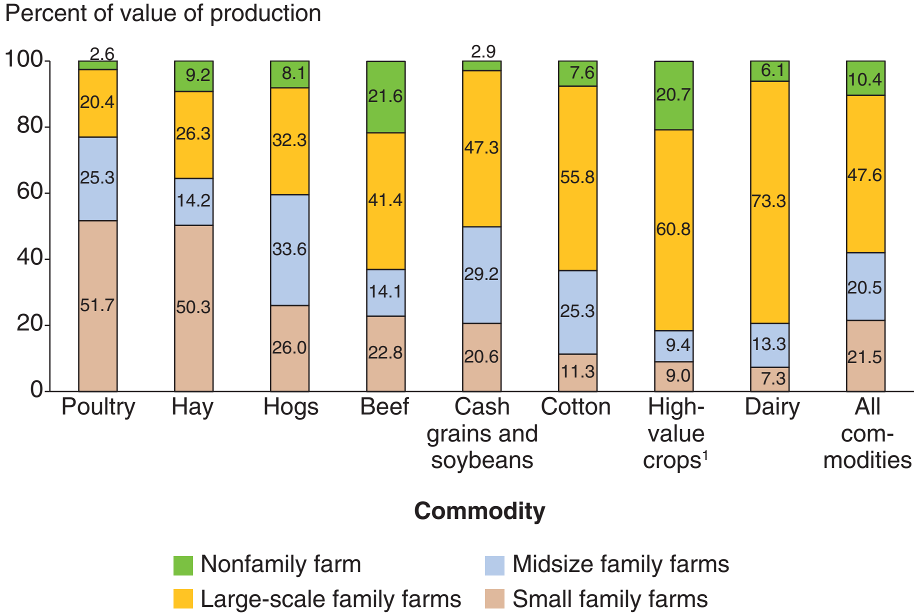
Differences among farm types are illustrated in this brochure using 2014 data from the Agricultural Resource Management Survey, an annual survey conducted by USDA's National Agricultural Statistics Service and Economic Research Service.

Farms, Production, and Farmland (continued)

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

- Large-scale family farms account for nearly three-fourths of dairy production.
- Midsize and large-scale family farms dominate cotton (81 percent of production), cash grains/soybeans (77 percent), and hogs (66 percent).
- Large-scale and nonfamily farms dominate high-value crops like fruits and vegetables (82 percent of production) and beef (63 percent).
- Small farms produce half of poultry (mostly under production contracts) and hay.

Value of production for selected commodities by farm type, 2014



[1]**High-value crops** include vegetables, fruits/tree nuts, and nursery/greenhouse products.

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey.

Farm Operator Household Income and Wealth (continued)

- Self-employment or wage/salary jobs are the main source of off-farm income for farm households. Farm households often use off-farm income to cover farm expenses and fund their farm operations.
- Operators of small farms—especially retirement, off-farm occupation, and low-sales farms—often report losses from farming. Some operators reporting farming losses may write farm losses off against other income for income tax reporting purposes.

Average (mean) farm operator household income by source and farm type, 2014

Type of farm operated	Total average income	Income from farming: Amount	Income from farming: Negative	From off-farm sources: Total	From off-farm sources: Earned[1]	From off-farm sources: Unearned[1]
	Dollars per household		*Percent of households*	*Dollars per household*		
Small family farms:						
Retirement	81,054	7,743	44.6	73,311	32,648	40,664
Off-farm occupation	129,078	-795	64.0	129,873	100,570	29,303
Farming-occupation						
Low-sales	74,224	958	49.7	73,265	41,311	31,995
Moderate-sales	185,163	52,569	19.2	132,593	105,177	27,416
Midsize family farms	208,543	131,597	16.8	76,946	49,669	27,227
Large-scale family farms:						
Large family farms	472,033	396,668	11.8	75,366	50,540	24,825
Very large family farms	2,224,517	2,030,317	8.9	194,200	101,341	92,859
All family farms	134,164	31,025	50.6	103,140	71,754	31,386

Household income is not estimated for nonfamily farms.
[1]**Earned income** comes from off-farm self-employment or wage/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, etc.

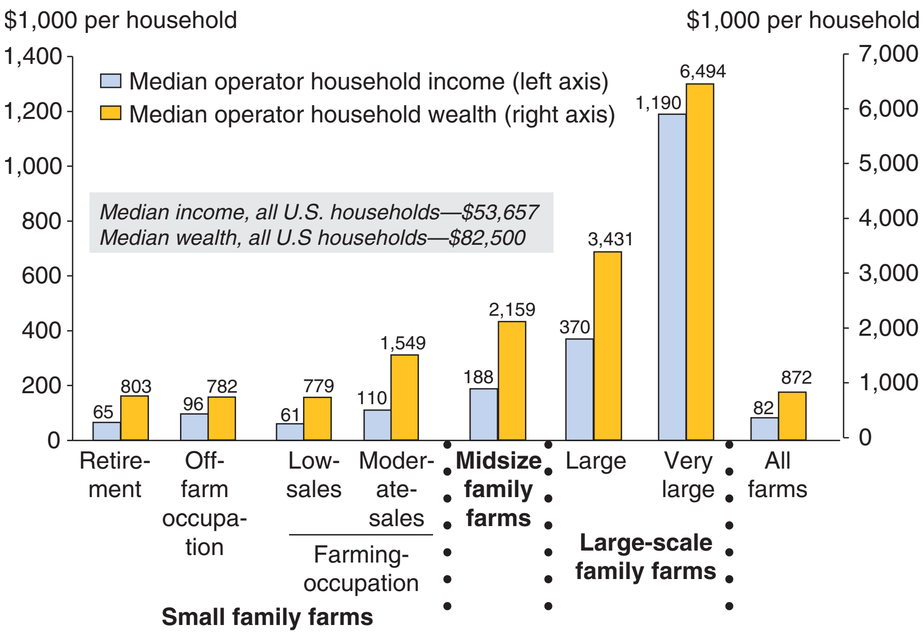
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey.

Farm Operator Household Income and Wealth

Farm households in general are neither low-income nor low-wealth. For each type of farm household, both median income and median wealth are above corresponding medians for all U.S. households.

- Overall, only 31 percent of farm households had income below the median for all U.S. households in 2014. The share of farm households with income below the U.S. median was largest for retirement (41 percent) and low-sales farms (45 percent).
- Virtually all farm households—97 percent—had wealth greater than the median for all U.S. households.

Median operator household income and wealth by farm type, 2014



Household income and wealth are not estimated for nonfamily farms.
Operator household income includes both farm and off-farm income received by household members. **Operator household wealth** is defined as household net worth, the difference between the household's assets and liabilities, considering farm and nonfarm assets and liabilities. **Median income (or wealth)** falls at the midpoint of the distribution of households ranged by income (or wealth); half of households rank above the median and half below it.

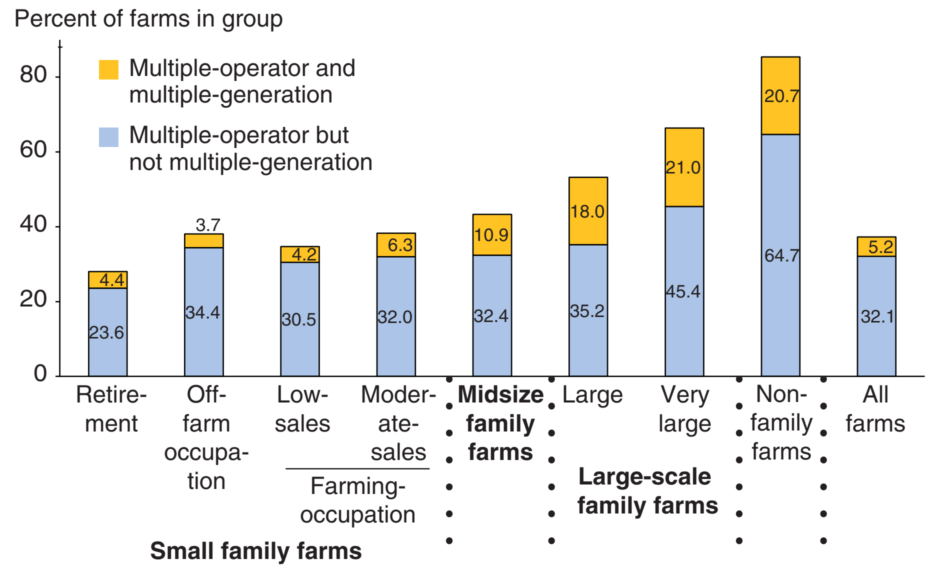
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey for farm households. U.S. Bureau of the Census, Current Population Survey for income of U.S. households. Federal Reserve Board, Survey of Consumer Finances for net worth of U.S. households.

Farms and Farm Operators

More than a third of farms have multiple operators, and larger farms are more likely to have multiple generations of farm operators.

- Multiple-generation enterprises are most common among large-scale family farms and nonfamily farms (18-21 percent).
- Principal and secondary operators on nonfamily multiple-generation farms are likely to be unrelated managers from different generations.

Multiple-operator and multiple-generation farms by farm type, 2014



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, 2014 Agricultural Resource Management Survey.

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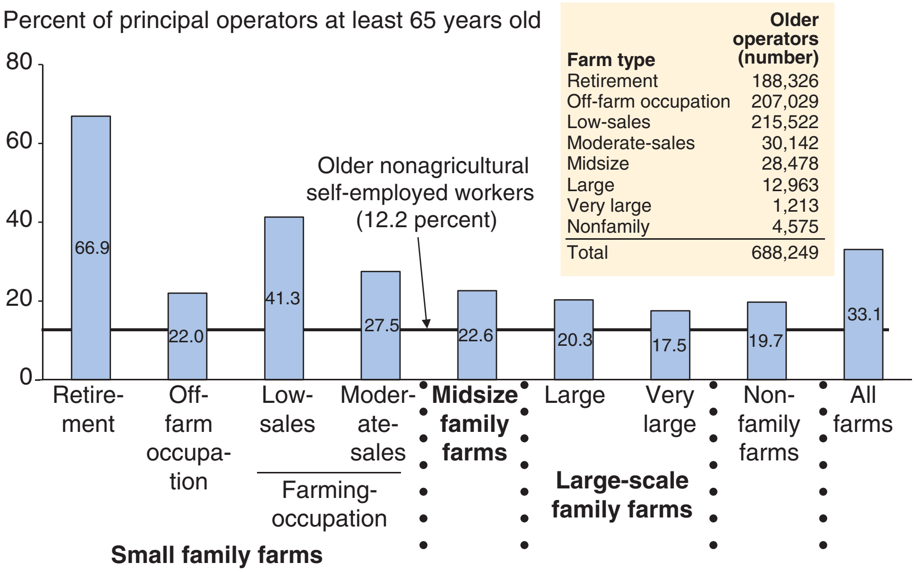
Farms and Farm Operators (continued)

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

- Thirty-three percent of principal farm operators were at least 65 years old in 2014, compared with only 12 percent of self-employed workers in nonagricultural businesses.
- Retirement farms had the highest percentage of older operators (67 percent)—as might be expected—followed by small family farms with low sales (41 percent) and moderate sales (28 percent).
- In the remaining groups—small family farms with operators reporting an off-farm major occupation, midsize and large-scale family farms, and nonfamily farms—only about one-fifth of operators were 65 years old or older.
- The advanced age of farm operators is understandable, given that the farm is the home for most farmers and farmers can phase out of farming gradually.

Older principal operators by farm type, 2014



Farm type	Older operators (number)
Retirement	188,326
Off-farm occupation	207,029
Low-sales	215,522
Moderate-sales	30,142
Midsize	28,478
Large	12,963
Very large	1,213
Nonfamily	4,575
Total	688,249

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.

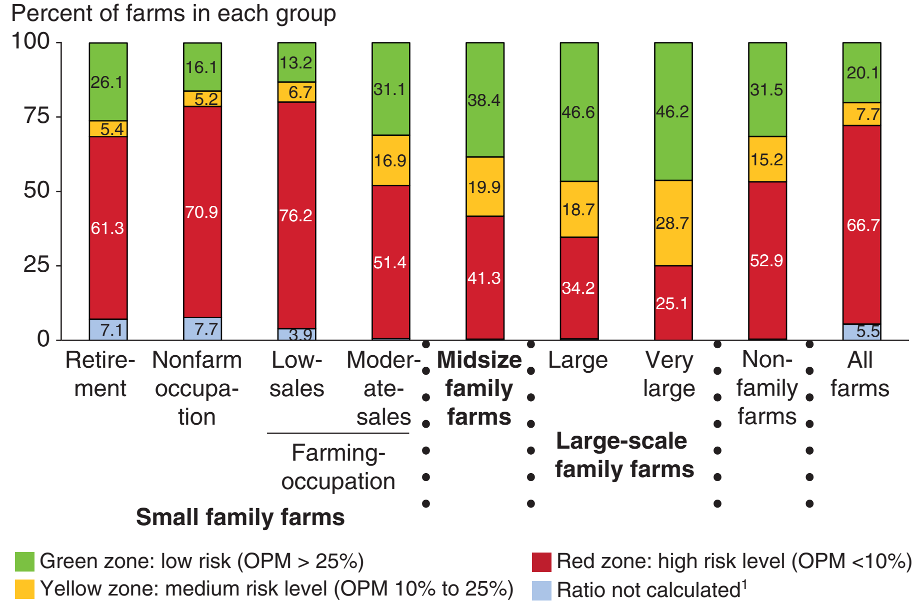
Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey for age of principal operators; U.S. Department of Labor, Bureau of Labor Statistics for older nonagricultural self-employed workers.

Farm Financial Performance

Small farms are more likely to have an operating profit margin (OPM, see the figure for definition) in the red zone—indicating a higher risk of financial problems—but some are more profitable.

- Of the farms in each small farm type, 51 to 76 percent were in the red zone in 2014, with an OPM of less than 10 percent. Most small farms in the red zone had a negative operating margin, the result of losses from farming.
- Other small farms were more profitable: 13 to 31 percent of each small farm group had an OPM in the low-risk green zone, with a margin of more than 25 percent.
- Nevertheless, an even greater share of midsize (38 percent) and large-scale farms (47 and 46 percent) had an OPM greater than 25 percent. In addition, a majority of midsize and large-scale farms operated outside the red zone.

Farms by operating profit margin (OPM) and farm type, 2014



Operating profit margin (OPM) = 100% X (net farm income + interest paid – charge for operator and unpaid labor – charge for management) ÷ gross farm income.

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

Source: USDA, National Agricultural Statistics Service and Economic Research Service, 2014 Agricultural Resource Management Survey.