

Introduction

Farming in the United States is very diverse, ranging from very small retirement and residential farms to enterprises with annual sales in the millions of dollars. Farms are operated by individuals on a part-time basis, by multiple generations of a family, and by managers of nonfamily corporations. Some specialize in a single product; others produce a wide variety of products.

The *Family Farm Report, 2007 Edition* presents comprehensive information about the structure and finances of the various types of family farms in the United States. This report covers the following aspects of farm structure:

- The number, size distribution, and tenure of U.S. farms.
- The specialization and diversification of farms.
- Farm operator demographics, including age, education, gender, and race/ethnic origin.
- The sources and levels of operator household income and wealth.
- The share of farms receiving government payments and the distribution of government payments by type of farm.
- The business organization of farms—whether they are organized as proprietorships, partnerships, or corporations.

ERS developed a farm classification (see box, “Farm Types, 2004”) to group farms into more homogeneous categories, based primarily on annual gross sales of the farm and major occupation of the operator. By using these homogeneous groups in this report, a clearer picture emerges of the status of farms in the United States today.

As in recent years, the Agricultural Resource Management Survey (ARMS)—an annual survey—is the main source of data in the *Family Farm Report, 2007 Edition*. The ARMS is jointly designed and conducted by USDA’s Economic Research Service (ERS) and National Agricultural Statistics Service (NASS).¹ The report also draws on various censuses of agriculture, ERS estimates of farm productivity, NASS annual estimates of the number of farms, and Bureau of Labor Statistics (BLS) labor force data. These additional sources of data are particularly useful when following trends over long periods of time.

This report depicts farm structure and financial status as of 2004, the most recent year for which ARMS data were available at the time of writing, and 2004 was atypical year for farming. Net farm income was \$83 billion in 2004 (fig. 1), much higher than in 2003 (\$61 billion), the annual average during the previous 10 years (\$55 billion), and the previous peak in 1996 (\$69 billion). Net farm income is expressed in 2004 dollars here, using the GDP chain-type price index to adjust for price changes.

¹Differences between ARMS-based estimates are stressed in this report only when the estimates are significantly different at the 95-percent confidence level or more.

Farm Types, 2004

This farm classification focuses on the “family farm” or any farm organized as a sole proprietorship, partnership, or family corporation. Family farms exclude farms organized as nonfamily corporations or cooperatives, as well as farms with hired managers

Small family farms (gross sales less than \$250,000)¹

Limited-resource farms. Farms with gross sales less than \$100,000 in 2003 and less than \$105,000 in 2004.² Operators of limited-resource farms must also receive low household income in both 2003 and 2004. Household income is considered low in a given year if it is less than the poverty level for a family of four, or it is less than half the county median household income. Operators may report any major occupation except hired manager.

Retirement farms. Farms whose operators report they are retired.³

Residential/lifestyle farms. Farms whose operators report a major occupation other than farming.³

Farming-occupation farms. Farms whose operators report farming as their major occupation.³

- **Low-sales farms.** Gross sales less than \$100,000.
- **Medium-sales farms.**⁴ Gross sales between \$100,000 and \$249,999.

Large-scale family farms (gross sales of \$250,000 or more)

Large family farms. Gross sales between \$250,000 and \$499,999.

Very large family farms. Gross sales of \$500,000 or more.

Nonfamily farms

Nonfamily farms. Farms organized as nonfamily corporations or cooperatives, as well as farms operated by hired managers. Also includes farms held in estates or trusts.

Note: A farm is defined as any place that produced and sold—or normally would have produced and sold—\$1,000 worth of agricultural products during a given year (USDA, NASS, 2005, p. 3-1).

¹The National Commission on Small Farms selected \$250,000 in gross sales as the cutoff between small and large farms (U.S. Dept. Agr., Nat'l. Comm. on Small Farms, 1998, p. 28).

²The original gross sales cutoff was established at \$100,000 for 2003. The cutoff for subsequent years is adjusted by the index of prices paid by farmers.

³Excludes limited-resource farms whose operators report this occupation.

⁴This type was called “high-sales” farms in earlier publications.

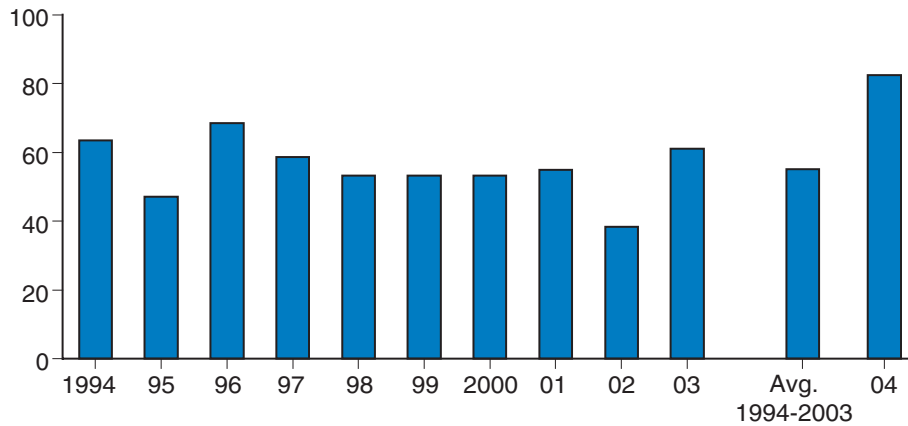
The *Family Farm Report* series features a special topic each year, starting with the previous edition of the report (Hoppe and Banker, 2006). The special feature this year is “The Shift to Larger Farms,” which examines changes in the distribution of farm and gross farm sales (by constant dollar sales classes) between the 1982 and 2002 Censuses of Agriculture.

Figure 1

Real net farm income, 1994 to 2004

In 2004, net farm income was 50 percent higher than the average for the previous 10 years

\$ Billion (2004)¹



¹Deflated with the GDP chain-type price index.

Source: USDA, Economic Research Service, U.S. and State Farm Income Data.