

Measuring Operator Household Income and Net Worth

The Current Population Survey (CPS), conducted by the Bureau of the Census, is the source of official U.S. household income statistics. Thus, calculating an estimate of farm household income from the Agricultural Resource Management Study (ARMS) that is consistent with CPS methodology allows income comparisons between farm operator households and all U.S. households.

The CPS definition of farm self-employment income is net money income from the operation of a farm by a person on his or her own account, as an owner or renter. CPS self-employment income includes income received as cash, but excludes in-kind or nonmoney receipts. No adjustments are made to the CPS income measure to reflect inventory changes, since inventory change is a nonmoney item. The CPS definition departs from a strict cash concept by deducting depreciation, a noncash business expense, from the income of self-employed people.

Farm self-employment income from the ARMS is the sum of the share of farm business income (net cash farm income less depreciation) accruing to the principal operator's household, wages paid to the operator, and net rental income from renting farmland. Adding other farm-related income of the operator household yields earnings of the operator household from farming activities. (Other farm-related earnings consist of net income from a farm business other than the one being surveyed, wages paid by the farm business to household members other than the operator, and commodities paid to household members for farm work.)

ARMS is also the source of data for estimates of operator households' net worth. The net worth of farm operator households is defined as the difference between their assets and liabilities. It is calculated as the sum of the operator household's farm net worth and nonfarm net worth. If the net worth of the farm is shared with other households (such as the households of shareholders in a family corporation), only the operator household's share is included.

For more information on operator household income and well-being, see "Farm Household Economics and Well-Being," a briefing room on the ERS website (<http://www.ers.usda.gov/Briefing/WellBeing/>). Estimates presented in this report are consistent with those from the briefing room. Both sets of estimates are derived from ARMS for the principal operator households using CPS procedures. Household income estimates cannot be derived from the sector estimates of net farm income presented on another ERS briefing room, "Farm Income and Costs" (<http://www.ers.usda.gov/Briefing/FarmIncome/>). The farm sector estimates are estimated from several data sources and include all participants in farm production, including contractors and share landlords who do not farm. For more information, see Harrington et al. (1998, pp. 45-52).