



United States Department of Agriculture

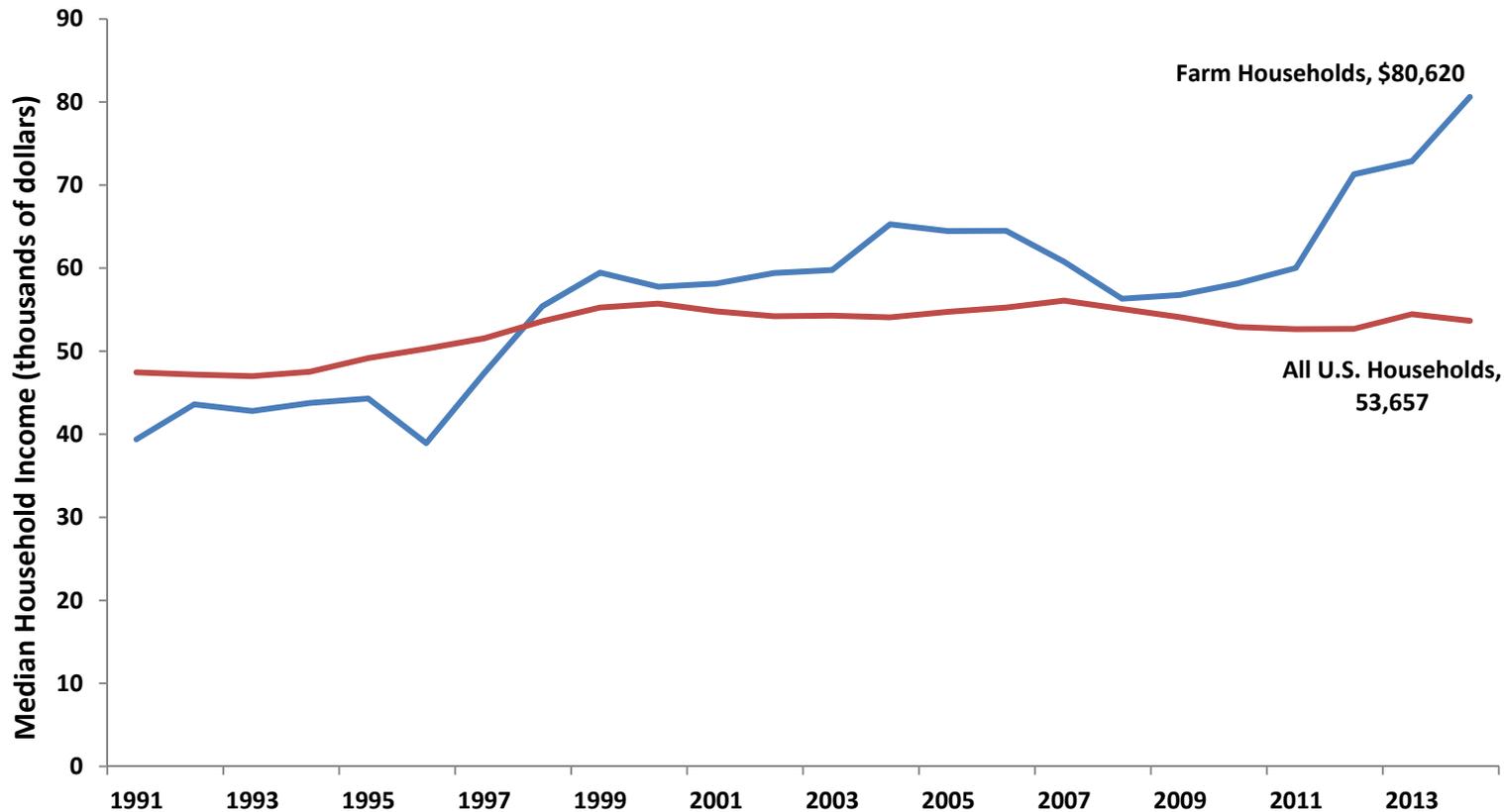
Trends in Farm Household Income and Assets

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Economic Research Service
February 25th, 2016

Economic Research Service
www.ers.usda.gov



Farm Household Income Has Increased Over Time



Note: nominal dollars have been deflated using the GDP Implicit Price Deflator Series (GDPDEF)

Average annual growth rate since 1991

- Farm Households: 2.3%
- U.S. Households: 0.1%

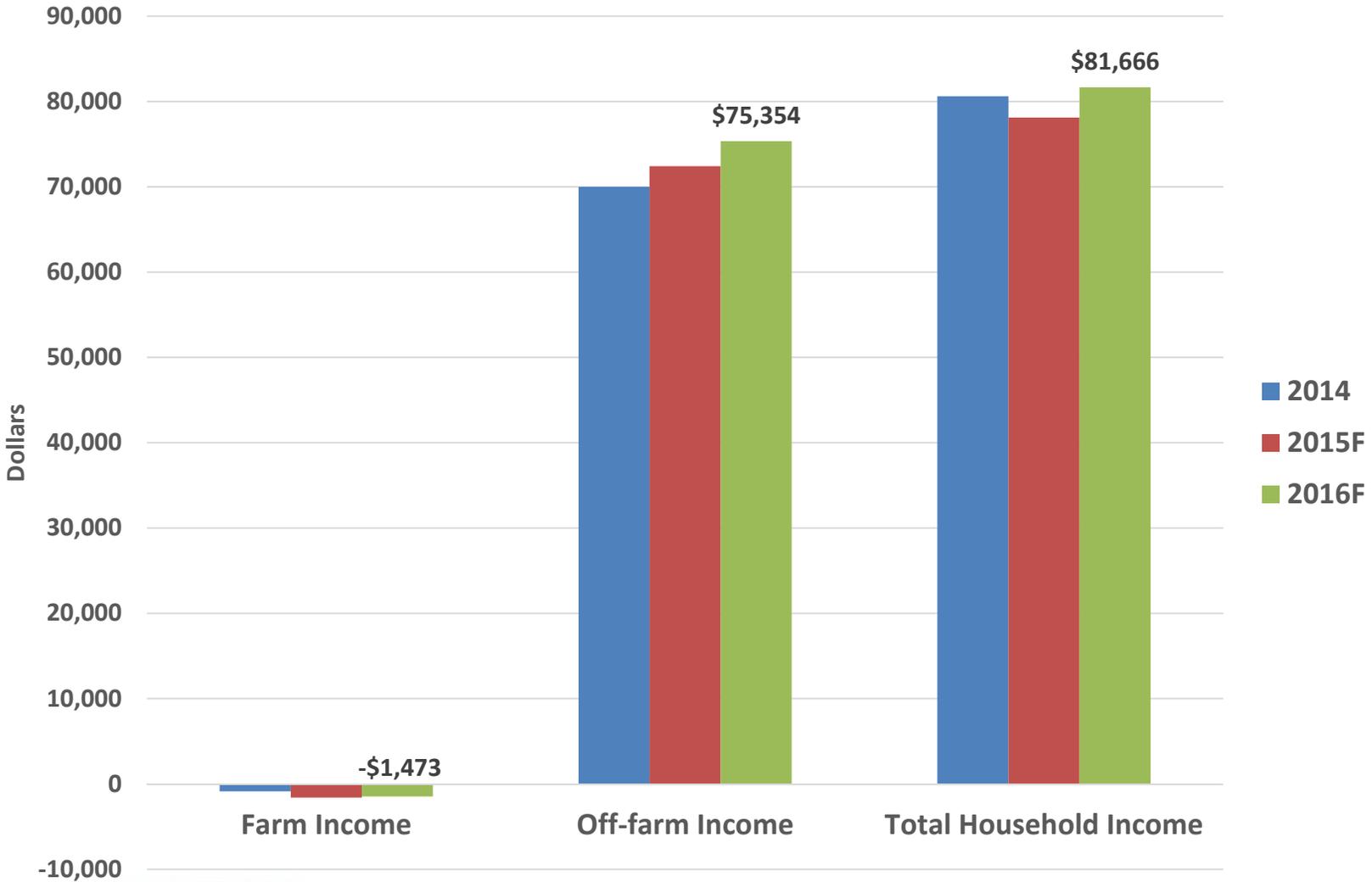
Sources: Agricultural Resource Management Survey (1996-2014); Farm Costs and Returns Survey (1991-1995); U.S. Census Bureau (1991-2013)



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Median Farm Household Income Projected to Decline then Rebound in 2016



Sources: Agricultural Resource Management Survey 2014, ERS Forecasts



Take-Away Points from the Farm Sector Forecast

- U.S. net cash farm income expected to decrease slightly in 2016
- Net cash income projections:
 - Up slightly for most crop farms
 - Down or flat for most livestock farms
- Additional stress on certain leveraged farms
- 2014 Farm Bill changed farm government payments

Farm households rely on farm income to varying degrees

Farm Income = Net Cash Farm Income – Depreciation



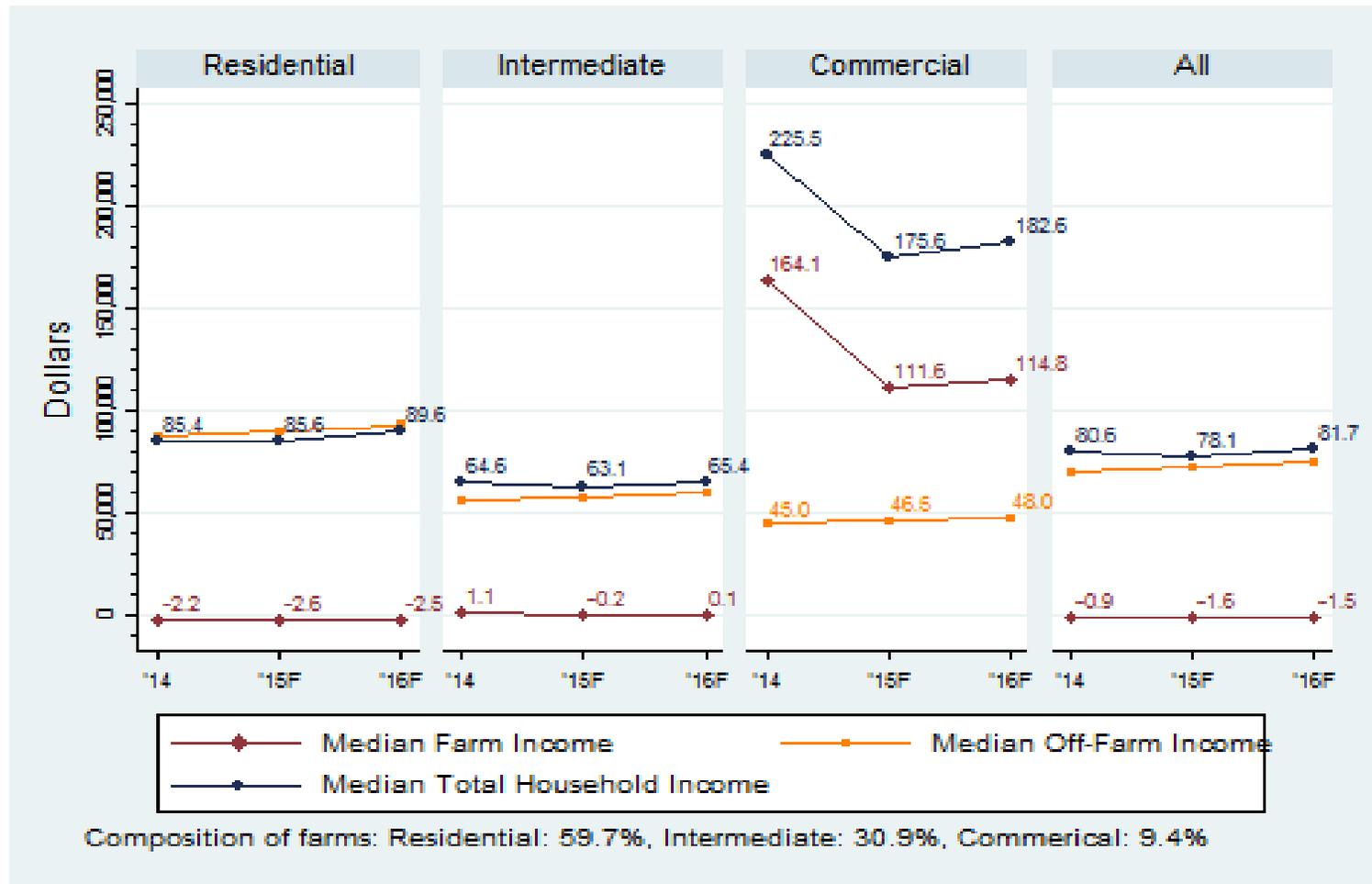
Households exhibit varying degrees of dependence on net farm income

Three main types of farms:

- Farming Not Primary Occupation
 - Referred to as “Residence Farms”
 - 1.22 million households
 - Typical household loses money on farm
- Farm Businesses
 - 851,000 households: 75% Intermediate, 25% Commercial
 - Intermediate households (<\$350,000 in gross cash income)
 - Derive <10% of income from farm business on average
 - Commercial households (>\$350,000 in gross cash income)
 - Receive three-fourths of income from farming



Commercial Farms Generate the Majority of Farm Income



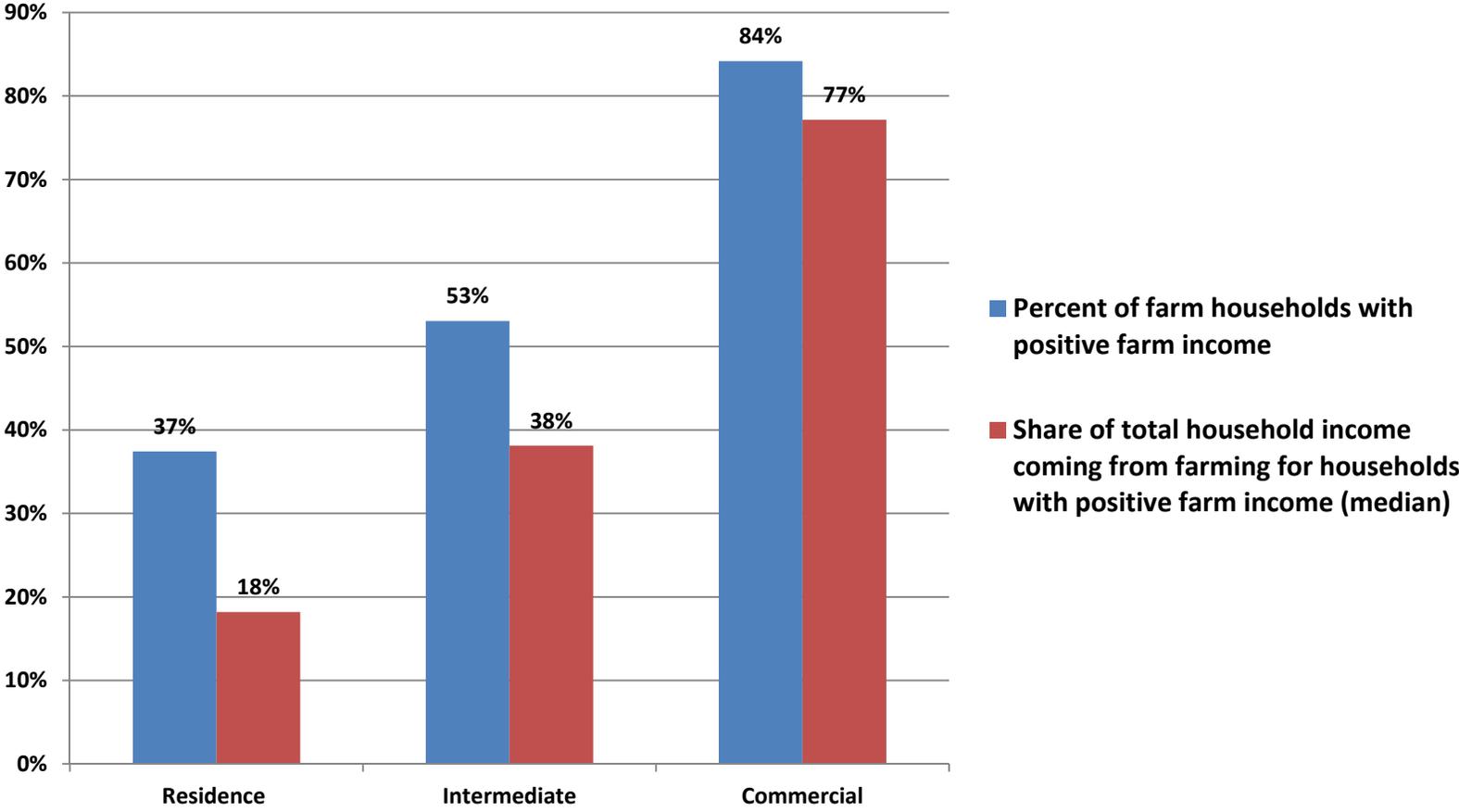
Source: Agricultural Resource Management Survey, 2014, ERS Forecasts



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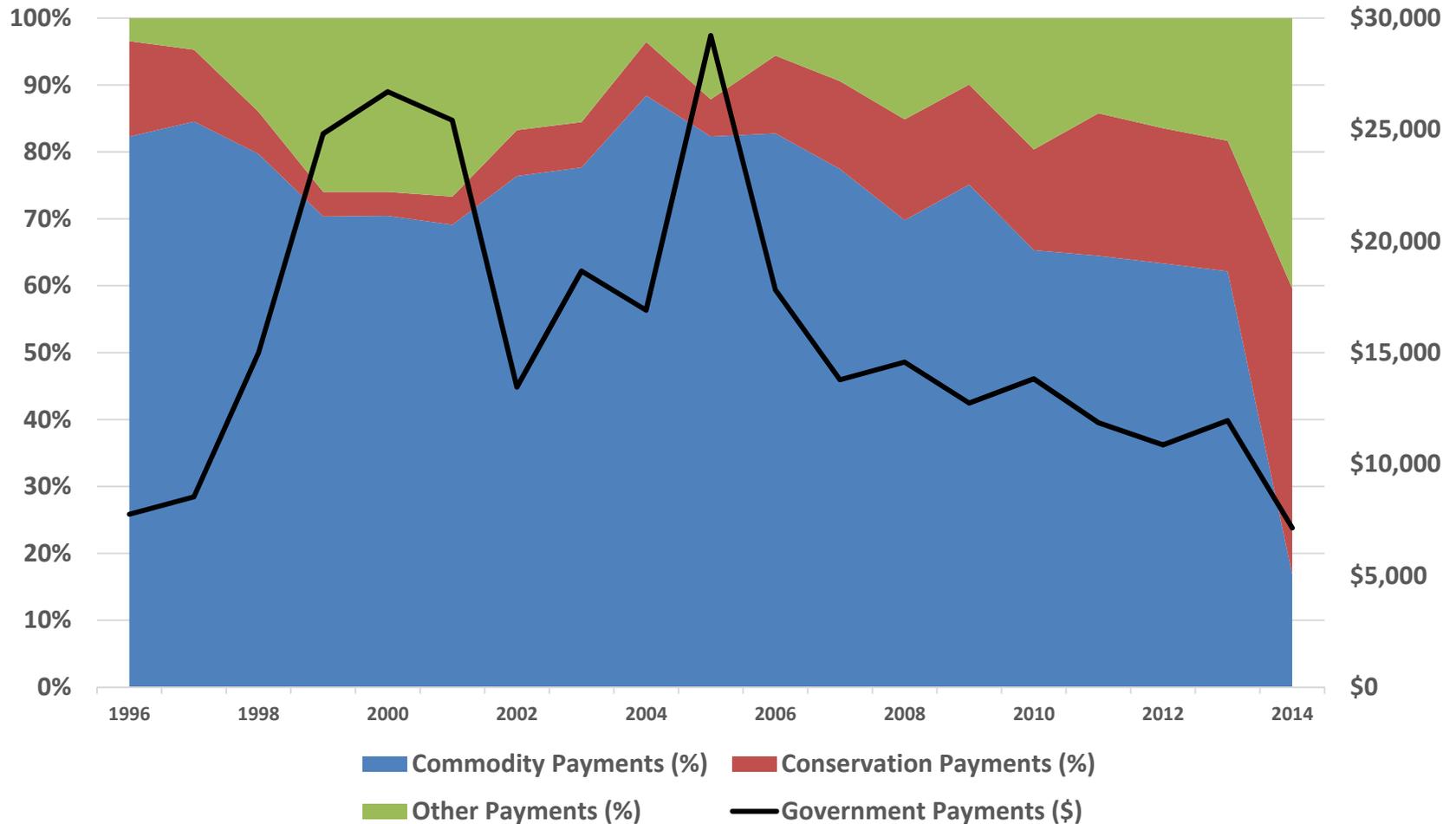
Residence and Intermediate Farms Derive More HH Income from Off-farm Sources



Source: Agricultural Resource Management Survey, 2014



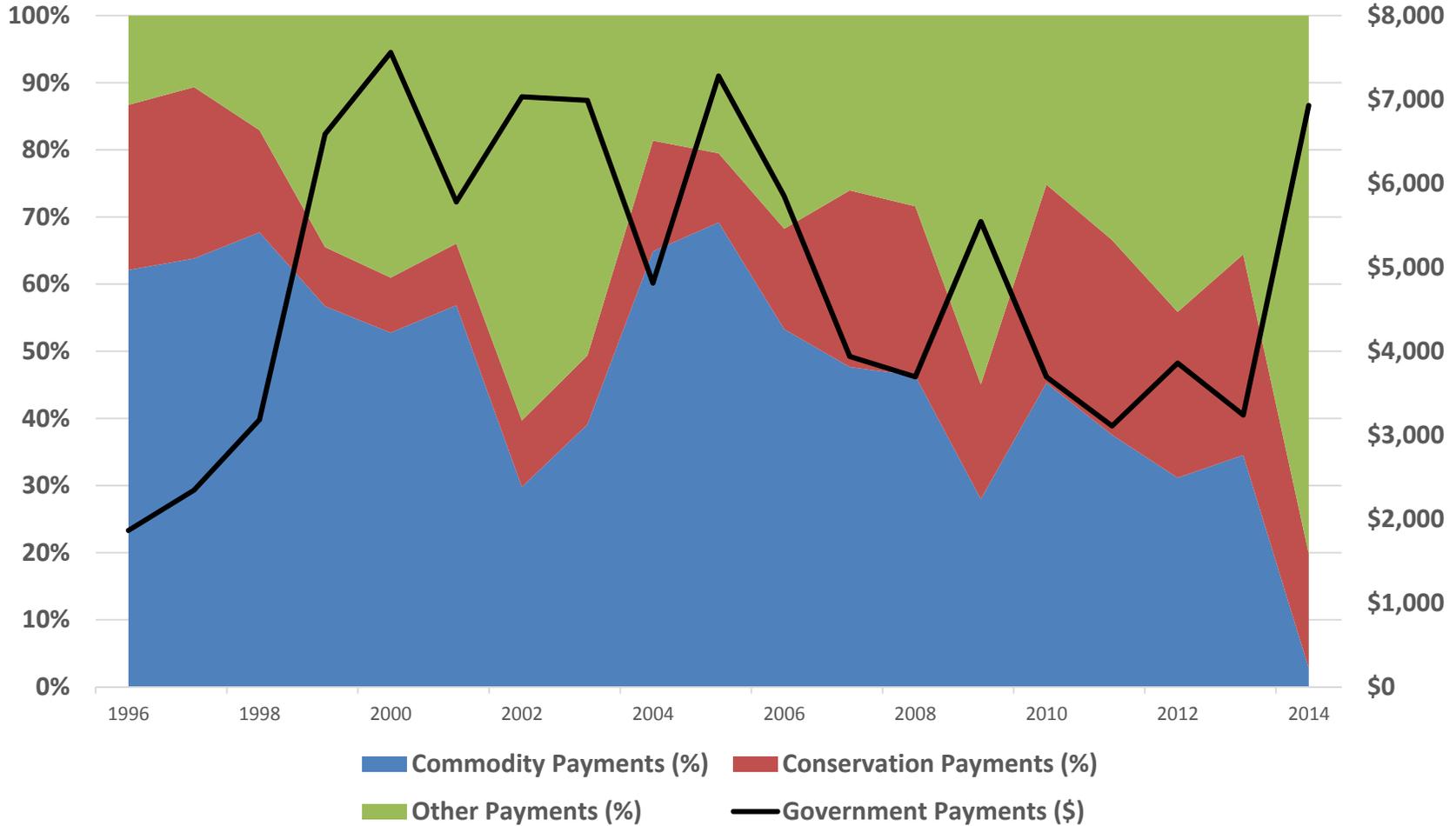
Government Payments (Crop Farms)



Note: Does not include residence farms
 Source: Agricultural Resource Management Survey, 2014



Government Payments (Livestock Farms)



Note: Does not include residence farms
 Source: Agricultural Resource Management Survey, 2014



Dairy Farms Households Receive Least Income from Off-farm Sources



Source: Agricultural Resource Management Survey, 2014



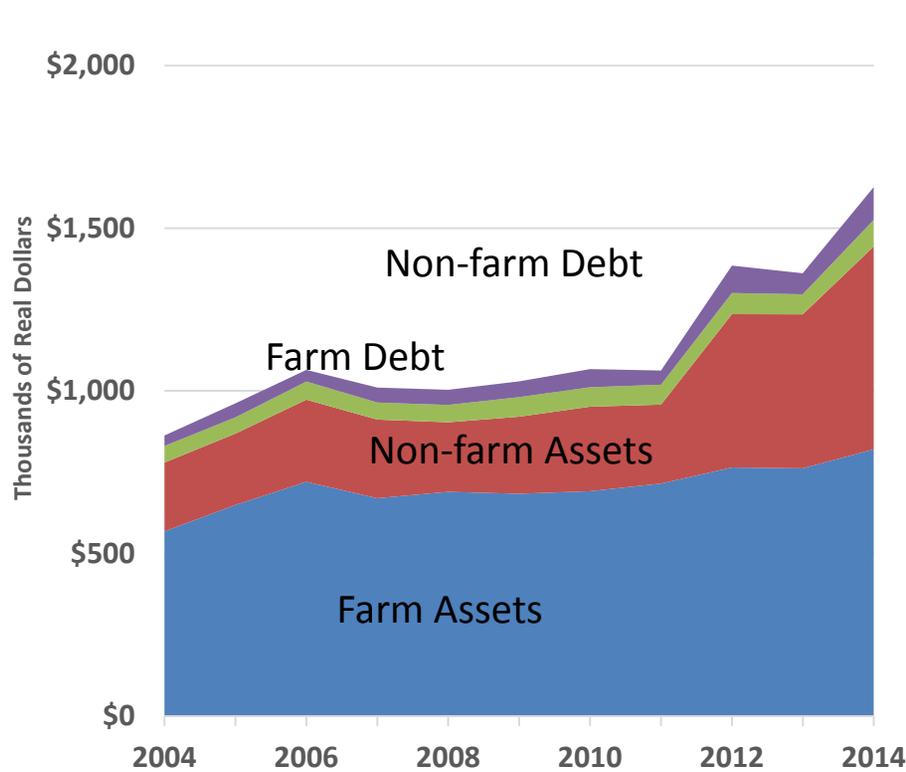
Fruit and Tree Nut Operators Work Least Hours On Farm



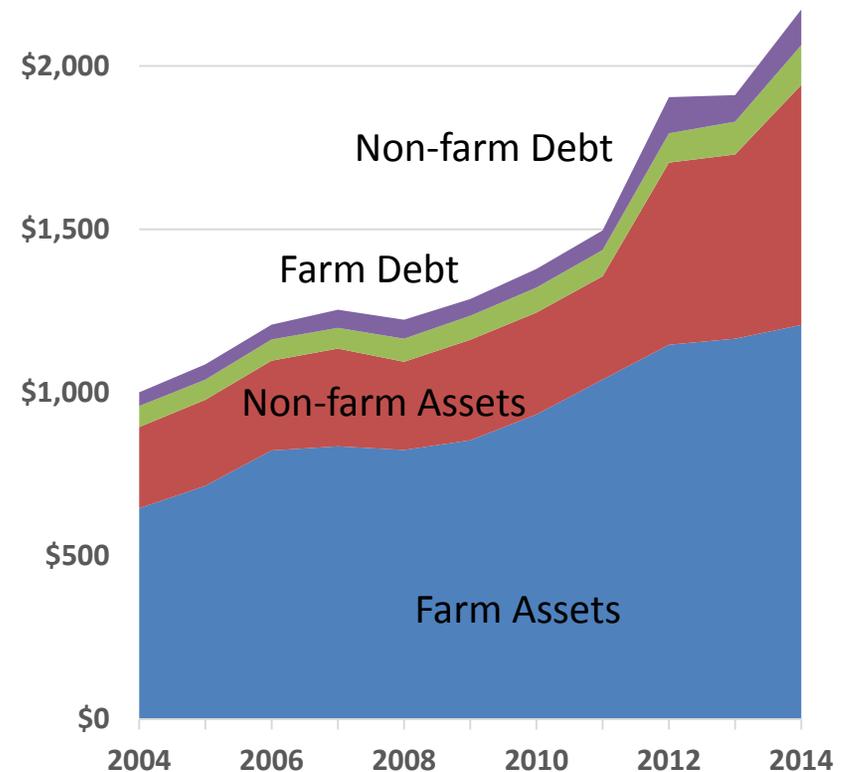
Source: Agricultural Resource Management Survey, 2013



Mean Household Assets have Grown Faster for Crop Farmers



Livestock Farms

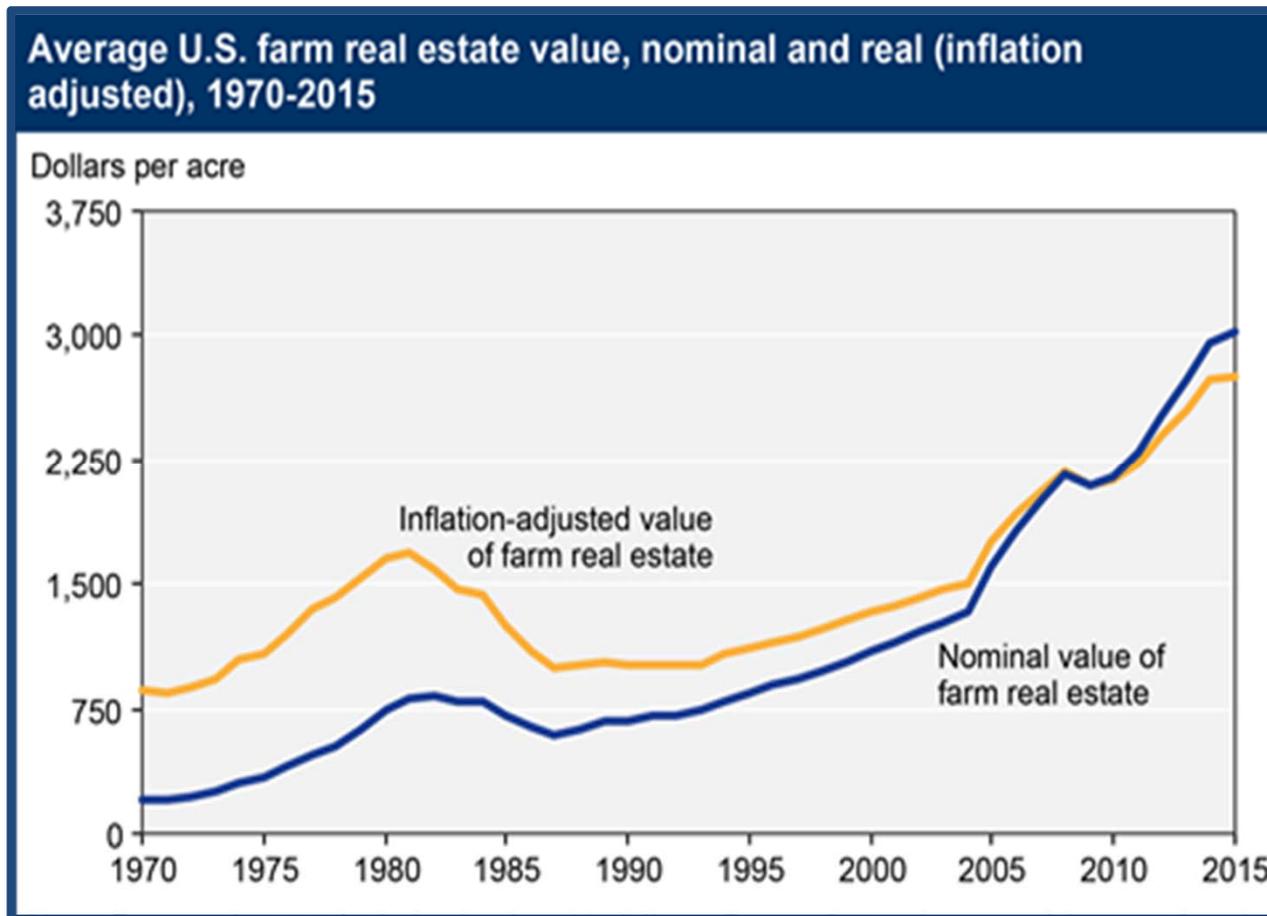


Crop Farms

Source: Agricultural Resource Management Survey, 2004-14



Average U.S. Farm Real Estate Values have risen sharply since 1970



1970-2004
1.7% average
annual growth
Rate

2004-2015
5.7% average
annual growth
rate

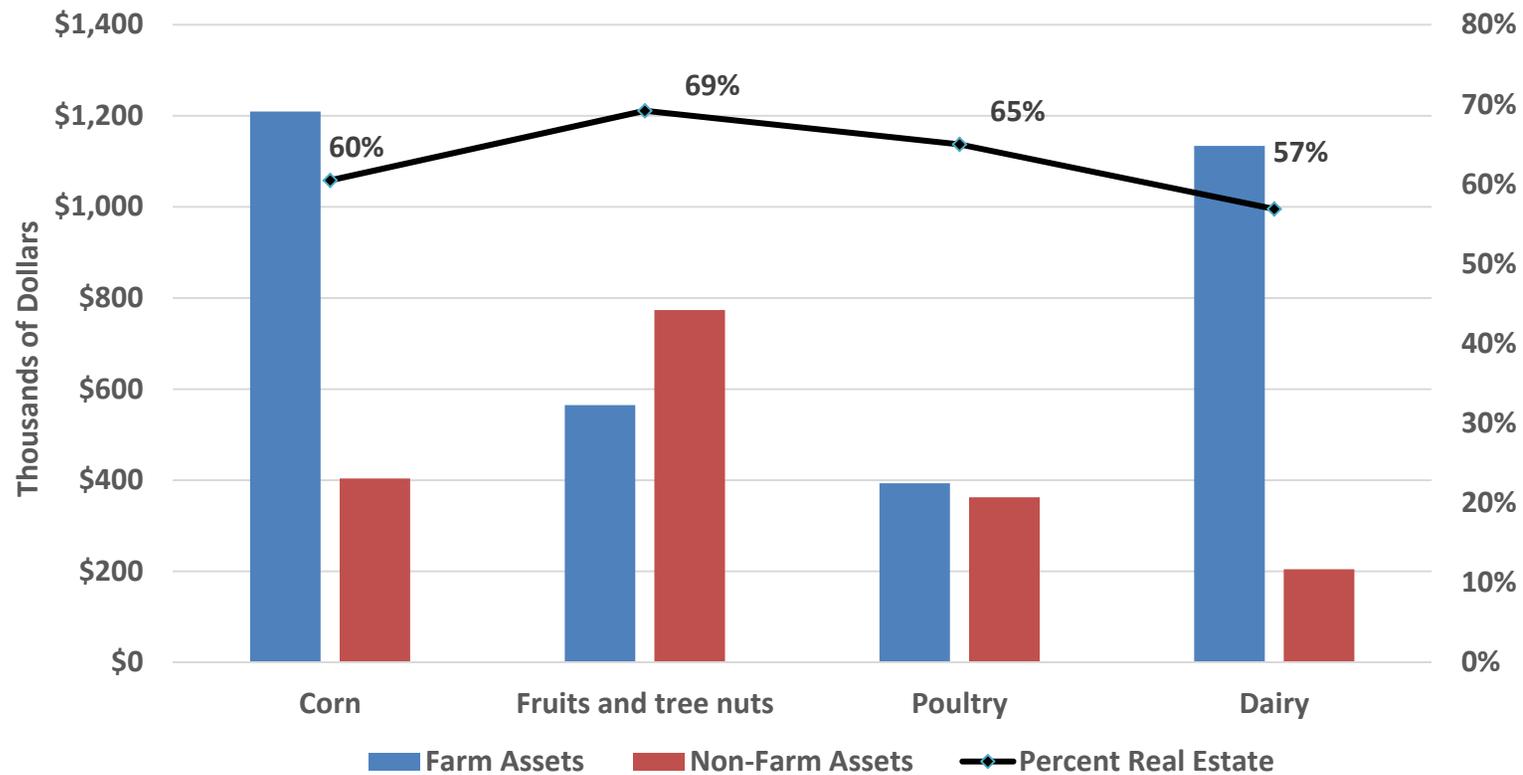
Source: United States Department of Agriculture, Economic Research Service (ERS) and National Agricultural Statistical Survey (NASS)



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Median Asset Holdings Highest for Cash Grain Farmers



Source: Agricultural Resource Management Survey, 2014



Farm Household Income Is Volatile

New analysis shows that farm households are considerably more volatile than non-farm households

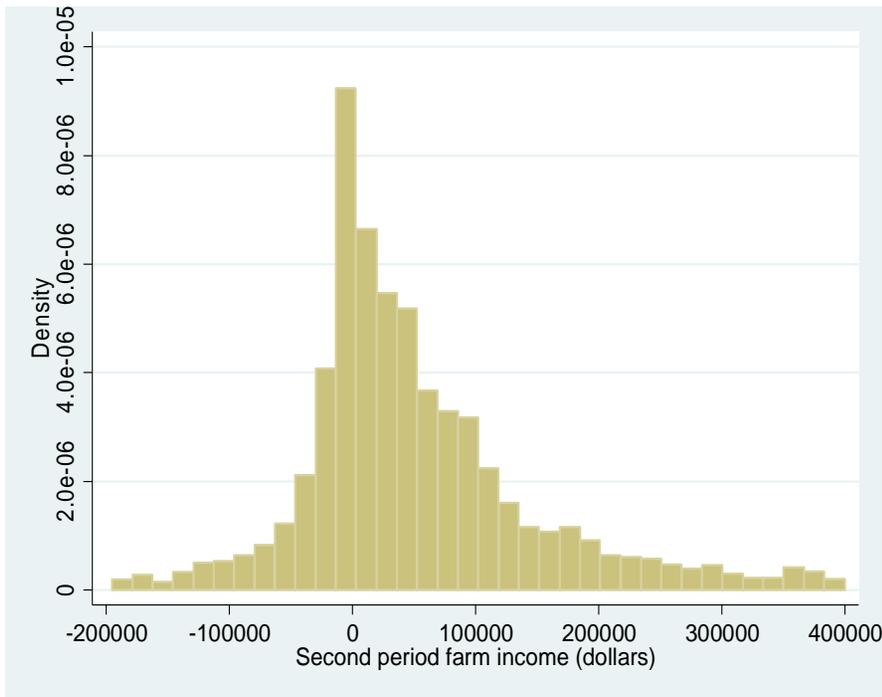
- 66% of farm households had a median income change of 50% or more. Only 9% of all U.S. households
- Crop farms are slightly more volatile than livestock farms
- Larger farms experience more income volatility

But...farm households rely on government payments and off-farm income

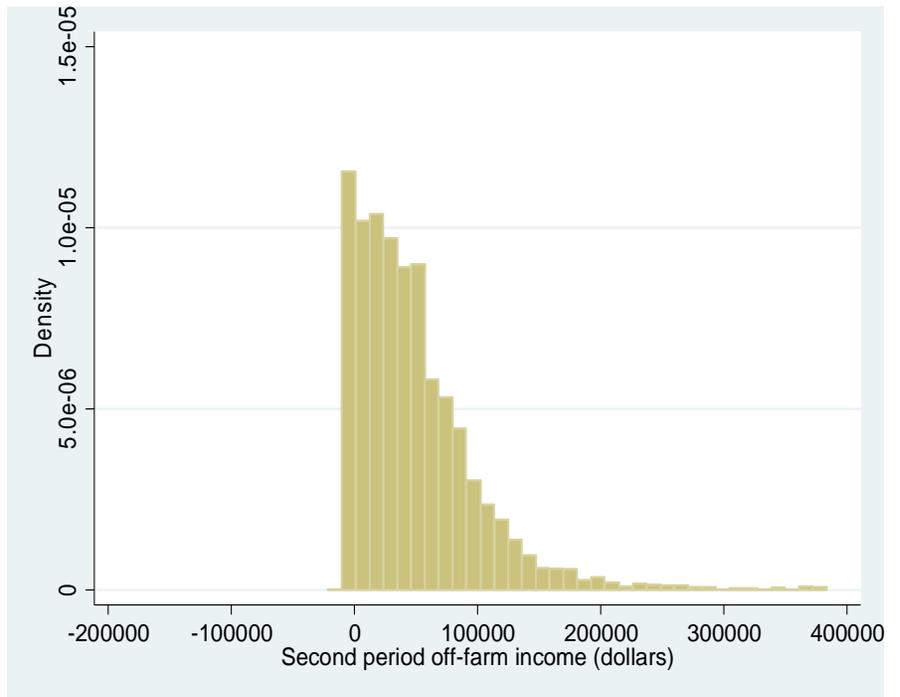


Household Income Varies from Year to Year

Second Period Income for Farms with Total Household Income between \$75,000 and \$125,000 in Year 1



Distribution of Farm Income



Distribution of Off-Farm Income

Source: ERS Analysis of Agricultural Resource Management Surveys (1996-2013)



Income Component Variability

- Farm Household Income is variable
 - Want to see how different components enter into overall variance of household income
- Examine changes in income from:
 - (a) Farm Income
 - (b) Agricultural Payments
 - (c) Off-farm wage income
 - (d) Other off-farm income
- Decompose the total variance into contributions from each source.



Decomposition of the Total Income Variability by Income Components

Income components	Net farm income	Agricultural program payments	Off-farm wage income	Other off-farm income
Net farm income	1.069	-0.124	-0.088	-0.090
Agricultural program payments	-0.124	0.175	-0.012	-0.009
Non-farm wage income	-0.088	-0.012	0.230	-0.025
Other non-farm income	-0.090	-0.009	-0.025	0.223
Component shares, $CS(y_i^j)$	0.767	0.030	0.105	0.098

Source: ERS Analysis of Agricultural Resource Management Surveys (1996-2013)



Conclusions

- Many farm households have diversified income sources; most work off-farm
- Farm household assets have grown
 - 51 to 68 percent of assets are in farm and non-farm real estate holdings
- Farm household income is volatile
 - But, off-farm income and government payments reduced overall volatility
- Price-related government payments may be even more effective at reducing income volatility

Source: Agricultural Resource Management Survey, 2013

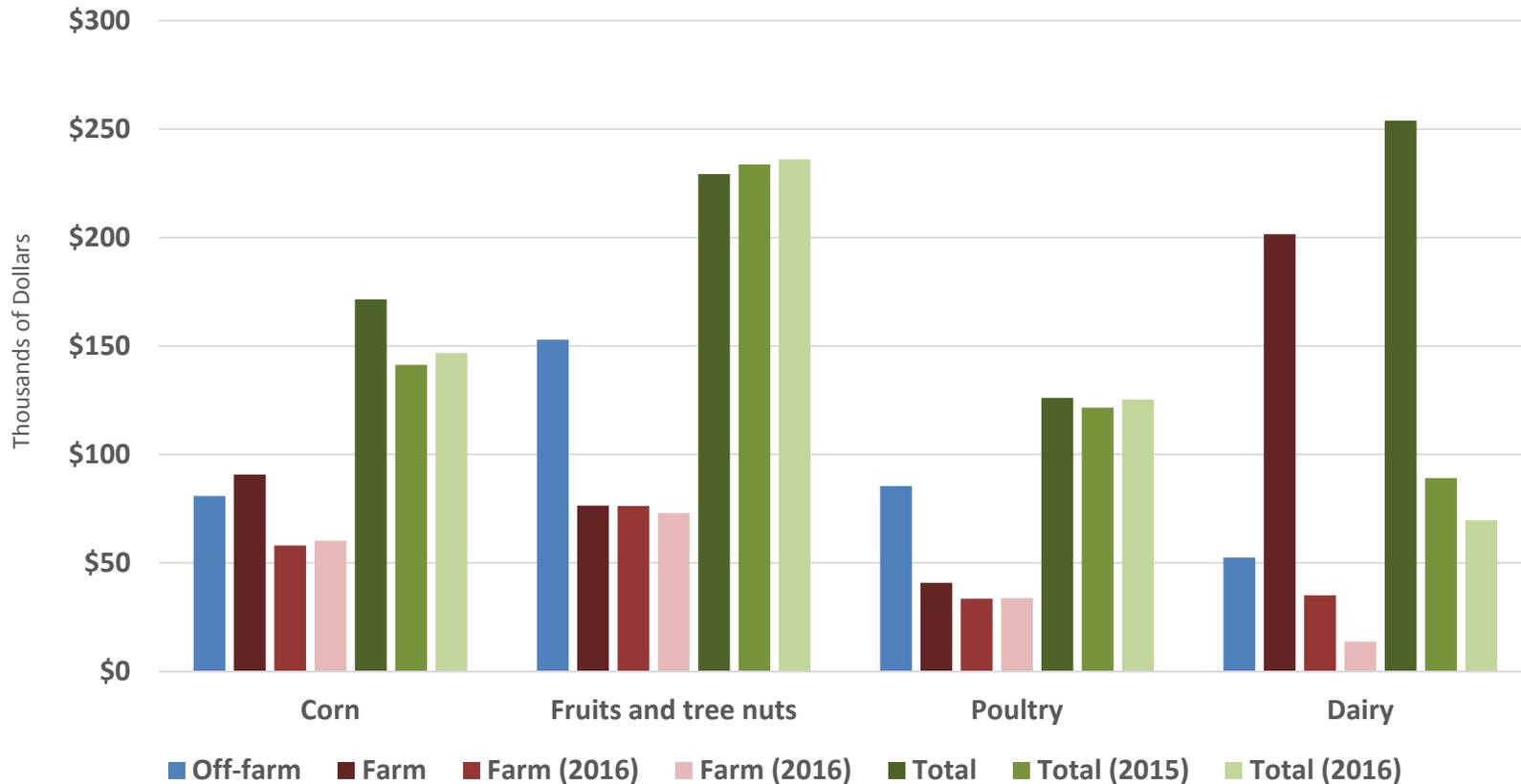


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- Household Data Pages
 - Household Well-being Topic Page:
<http://www.ers.usda.gov/topics/farm-economy/farm-household-well-being.aspx>
 - Farm Household Income and Characteristics Data Product:
<http://www.ers.usda.gov/data-products/farm-household-income-and-characteristics.aspx>
 - Web query tool: <http://www.ers.usda.gov/data-products/arms-farm-financial-and-crop-production-practices.aspx>



Sharp Decline Forecasted in Dairy Farm Household Income

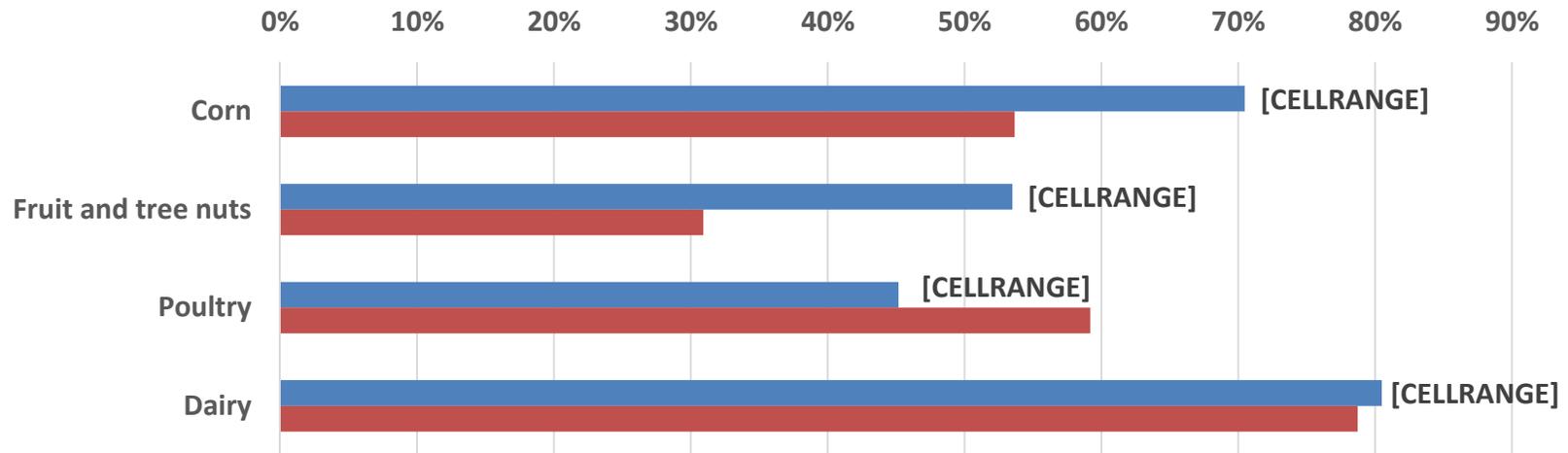


Source: Agricultural Resource Management Survey, 2014, ERS Forecasts

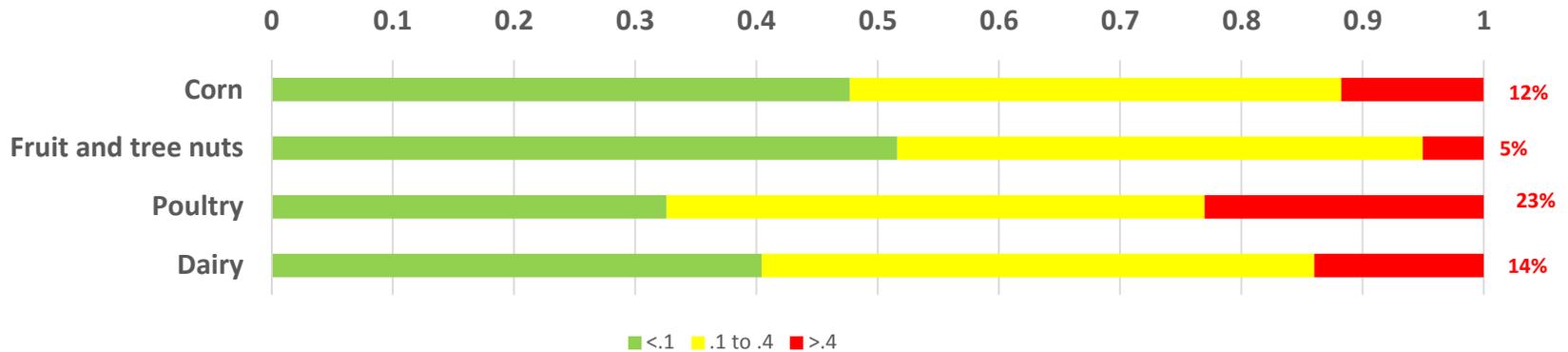


Livestock Farms at Greater Risk of Default

Farms with positive farm income. Percent of income from farming. [median income]



Distribution of Debt-to-Asset Ratios



Source: Agricultural Resource Management Survey, 2014

