

■ Farm Household Income

Farm operators have been surveyed by the annual Farm Costs and Returns Survey about the finances and production of their farms since 1985. Beginning in 1988 USDA has collected additional information about operator households. In 1995, the most recent year for which the survey data are available, about 98 percent of farms were covered in the household definition. Included are those run by individuals, legal partnerships, and family corporations. Nonfamily corporations, cooperatives, and institutional farms are not included in the household definition.

Like many other U.S. households, farm households receive income from a variety of sources, one of which is farming. The 1995 average household income for farm operator households was \$44,400, which is on par with the average U.S. household. About 89 percent of the average farm operator's household income came from off-farm sources, and many operators spent most of their work efforts in occupations other than farming. Off-farm income includes earned income such as wages and salaries from an off-farm job and net income from an off-farm business. Off-farm income also includes unearned income, such as interest and dividends, and Social Security.

Table 3-3.

Net cash income and net farm income, 1994-95

Items	<i>Current dollars</i>		<i>1992 dollars¹</i>	
	1994	1995	1994	1995
	<i>Million dollars</i>			
Gross farm income	215,840	210,399	205,758	195,538
Gross cash income	197,808	203,883	188,568	189,482
Farm marketings	180,775	185,750	172,331	172,630
Crops	92,646	98,906	88,318	91,920
Livestock and products	88,129	86,844	84,013	80,710
Government payments	7,879	7,252	7,511	6,740
Farm-related income	9,154	10,881	8,726	10,112
Noncash income	9,808	9,892	9,350	9,193
Value of home consumption	481	495	459	460
Gross rental value of dwellings	9,327	9,397	8,891	8,733
Operator and other dwellings	8,893	8,834	8,477	8,210
Hired laborer dwellings	434	563	414	523
Value of inventory adjustment	8,224	(3,376)	7,840	(3,137)
Total production expenses	167,444	175,581	159,622	163,179
Intermediate product expenses	103,365	109,667	98,536	101,921
Farm origin	41,250	42,548	39,323	39,543
Feed purchased	22,628	24,528	21,571	22,796
Livestock and poultry purchased	13,250	12,557	12,631	11,670
Seed purchased	5,373	5,463	5,122	5,077
Manufactured inputs	21,723	23,440	20,708	21,785
Fertilizer and lime	9,181	10,034	8,752	9,326
Pesticides	7,219	7,719	6,881	7,173
Fuel and oil	5,323	5,687	5,075	5,286
Other	40,392	43,679	38,505	40,593
Repair and maintenance	9,185	9,427	8,756	8,761
Other miscellaneous	31,207	34,252	29,749	31,833
Interest	11,807	12,757	11,255	11,856
Real estate	5,853	6,067	5,580	5,639
Nonreal estate	5,954	6,690	5,676	6,217
Contract and hired labor expenses	15,308	16,285	14,593	15,135
Net rent to nonoperator landlords ²	11,525	10,873	10,987	10,105
Capital consumption	18,780	19,107	17,903	17,758
Property taxes	6,659	6,891	6,348	6,404
NET FARM INCOME	48,396	34,819	46,136	32,359
Gross cash income	197,808	203,883	188,568	189,482
Cash expenses	147,357	155,121	140,474	144,164
Cash expenses, excluding net rent	134,446	142,840	128,165	132,751
Intermediate product expenses	102,315	108,761	97,536	101,079
Interest	11,391	12,326	10,859	11,456
Cash labor expenses	14,874	15,723	14,179	14,612
Property taxes	5,866	6,030	5,592	5,604
Net rent to nonoperator landlords ³	12,912	12,280	12,308	11,413
NET CASH INCOME⁴	50,451	48,762	48,095	45,318

¹Gross domestic product implicit price deflators are used to deflate the accounts to real dollars. ²Includes landlord capital consumption. ³Excludes landlord capital consumption. ⁴Excludes noncash items and income and expenses of farm operator dwellings located on farms.

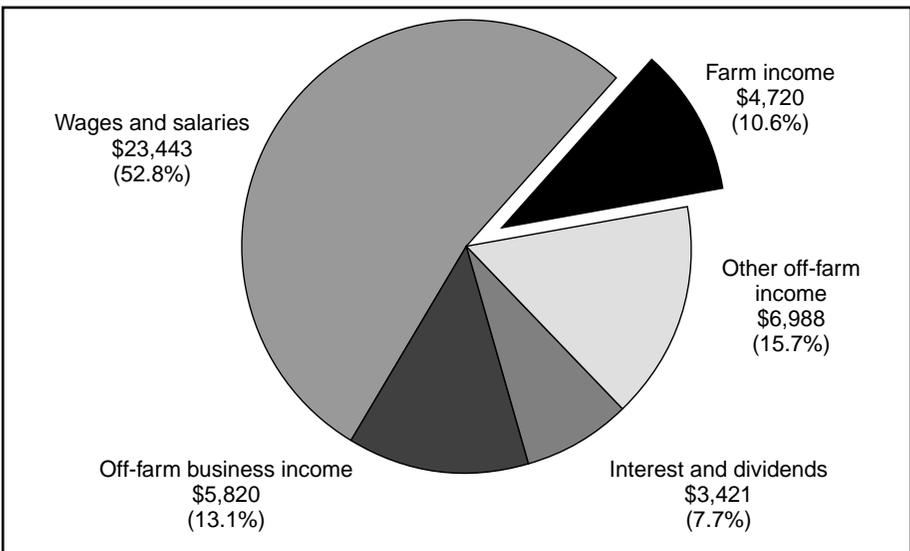
Source: USDA, Economic Research Service, Rural Economy Division.

For the majority of farm operator households, off-farm income is critical. Most U.S. farms are small (less than \$50,000 in gross sales) and are run by households that depend mainly on off-farm income. About 49 percent of operators with small farms reported a nonfarm major occupation in 1995, and another 21 percent were retired. Most operators of larger farms reported farming as their major occupation, and their households were more likely to depend on farm income. In 1995, about a quarter of farm households operated commercial-size farms with sales of more than \$50,000. These households provided most of U.S. farm production. However, even in households with the largest farms (sales of at least \$500,000), off-farm income averaged \$31,300 per household.

Average household income and dependence on off-farm income also varies among types of farm households. For example, 8 percent reported negative household income for 1995. On average, these households lost \$40,700 from farming during the year. About 27 percent had household income of \$50,000 or more, with farm income averaging \$32,300. Among occupational categories, households of operators who reported occupations other than farming or retired had the highest average household income, largely from off-farm sources. Data on operators' age show that households associated with the oldest and youngest operators had the lowest average household income. Data on operators' educational level show significant increases in average income with each higher educational level.

Figure 3-3.

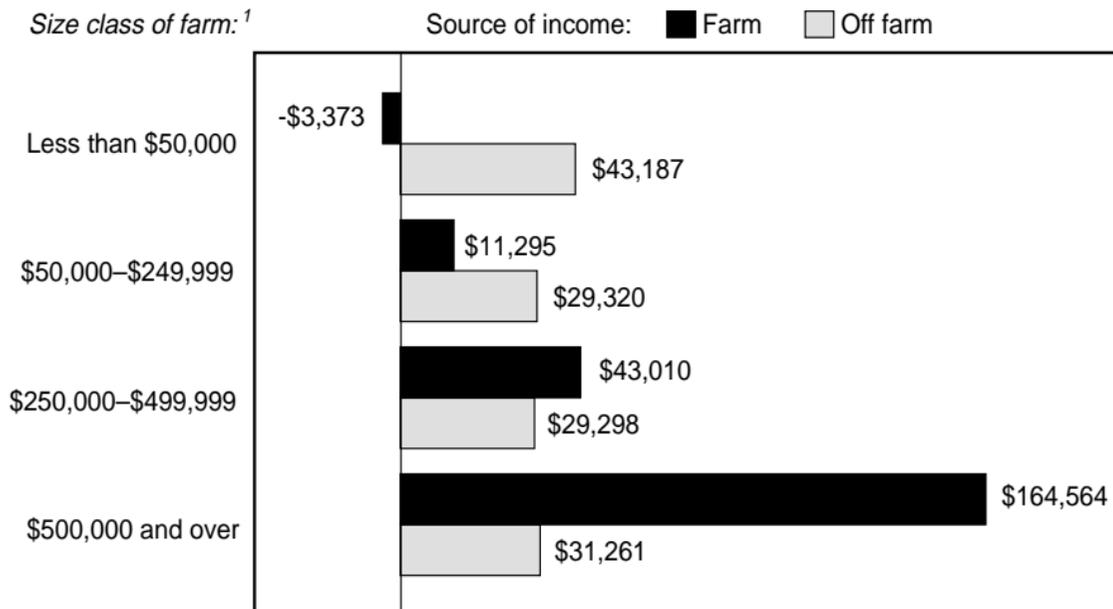
Sources of income for average farm operator household, 1995



Source: USDA, Economic Research Service, Rural Economy Division, 1995 Farm Costs and Returns Survey.

Figure 3-4.

Average farm and off-farm income for farm operator households,
by size of farm, 1995



¹Based on gross value of farm sales, which includes farm businesses', share landlords', and production contractors' shares of agricultural production.

Source: USDA, Economic Research Service, Rural Economy Division, 1995 Farm Costs and Returns Survey