

Small Farms: Characteristics and Production

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Farm Structure: The Big Picture

- Total farm numbers: quite stable
 - Over 25 years
 - NASS (Census): 2.0 - 2.2 million farms
 - Slow decline in total farmland
- But big changes within the aggregate
 - More large farms
 - Fewer small commercial farms
 - More very small farms

We Will Use ARMS Data

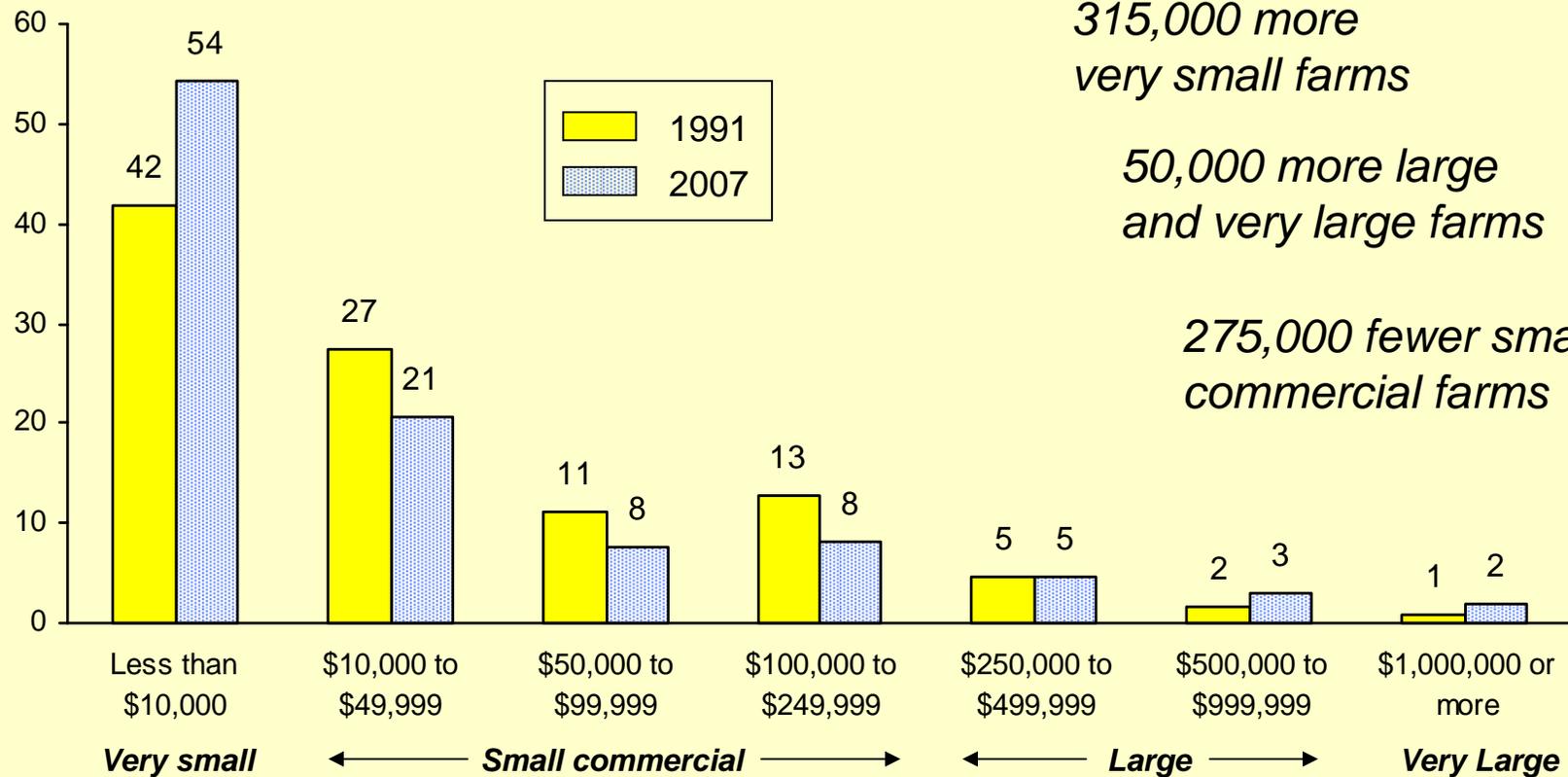
- Agricultural Resource Management Survey
 - A large annual survey, run by NASS & ERS
 - Representative and comprehensive
- Links farm structure, farm and household finances, and farm management decisions
- Timing: 1991 and 2007

Some Measurement...

- “Sales”= gross cash farm income
 - Cash receipts from commodity sales, fees from production contracts, government payments, and other farm-related income
 - Cash revenue to the farm business
- Comparisons are in 2007 dollars
 - Adjusted for inflation
 - Using Producer Price Index for Farm Products

Distribution of Farms by Sales Class, 1991 and 2007: A Shrinking Middle?

Percent of farms

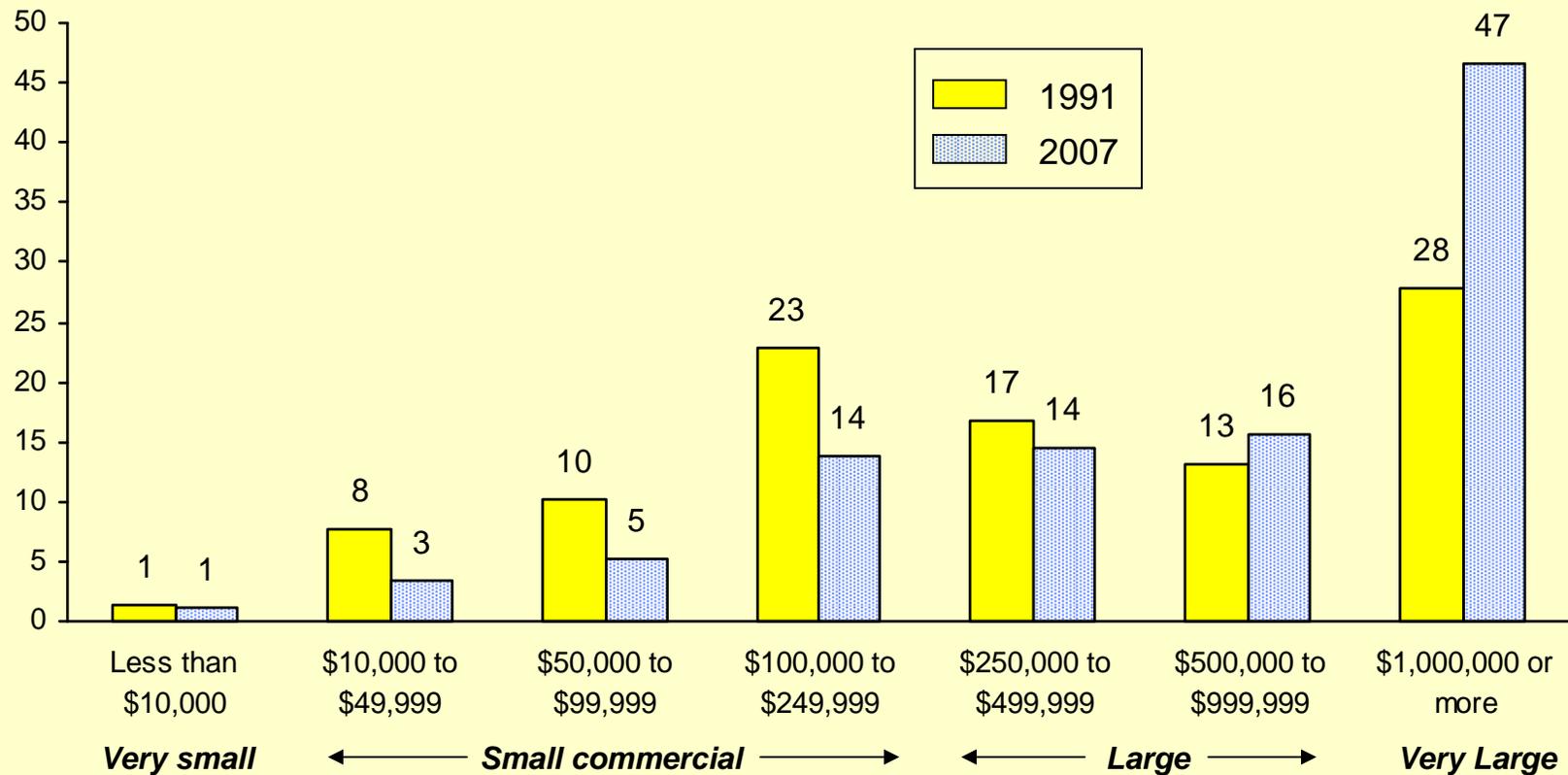


Source: USDA, Economic Research Service and National Agricultural Statistics Service, 1991 Farm Costs and Returns Survey and 2007 Agricultural Resource Management Survey, Phase III.



Distribution of Production by Sales Class, 1991 and 2007: A Major Shift

Percent of value of production

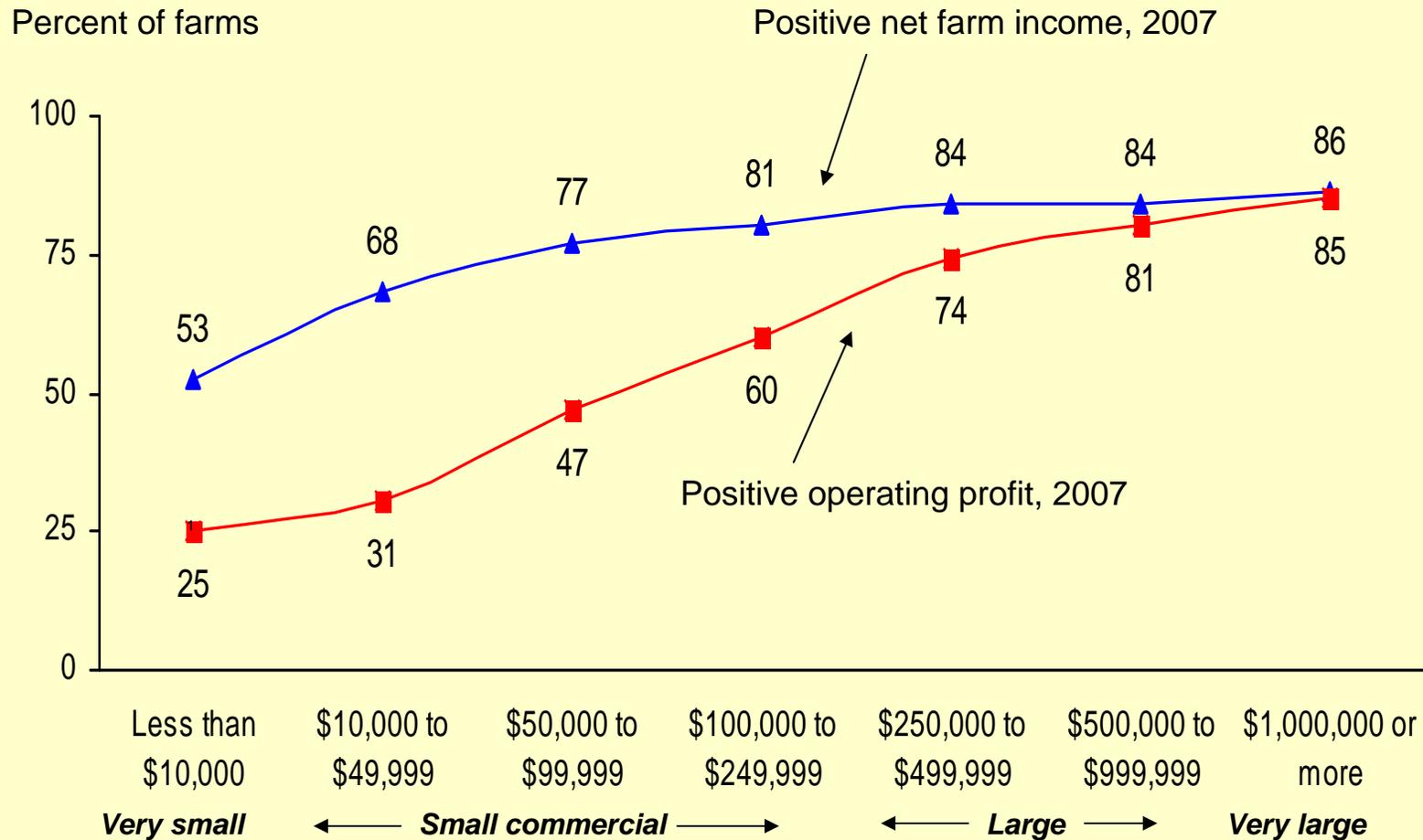


Source: USDA, Economic Research Service and National Agricultural Statistics Service, 1991 Farm Costs and Returns Survey and 2007 Agricultural Resource Management Survey, Phase III.



Two Measures of Farm Financial Performance

Net Farm Income and Operating Profits show different patterns



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III.

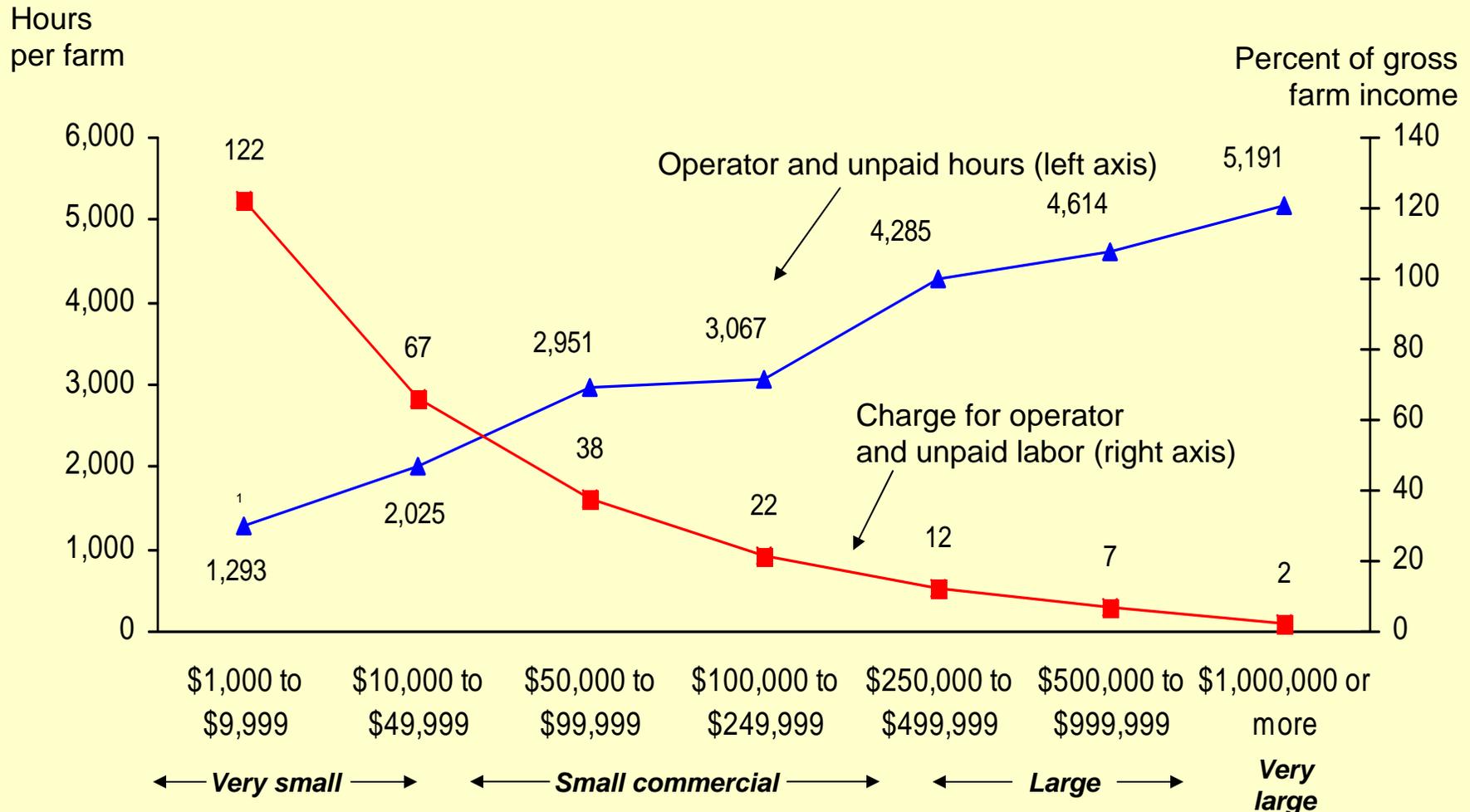


What's the Difference?

- The major factors:
 - Net Farm Income subtracts cash expenses and depreciation from gross farm income
 - Operating profit subtracts a charge for operators' labor and management from Net Farm Income

Unpaid Labor and Farm Sales, 2007

Unpaid hours are a major implicit expense for small farms



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III.

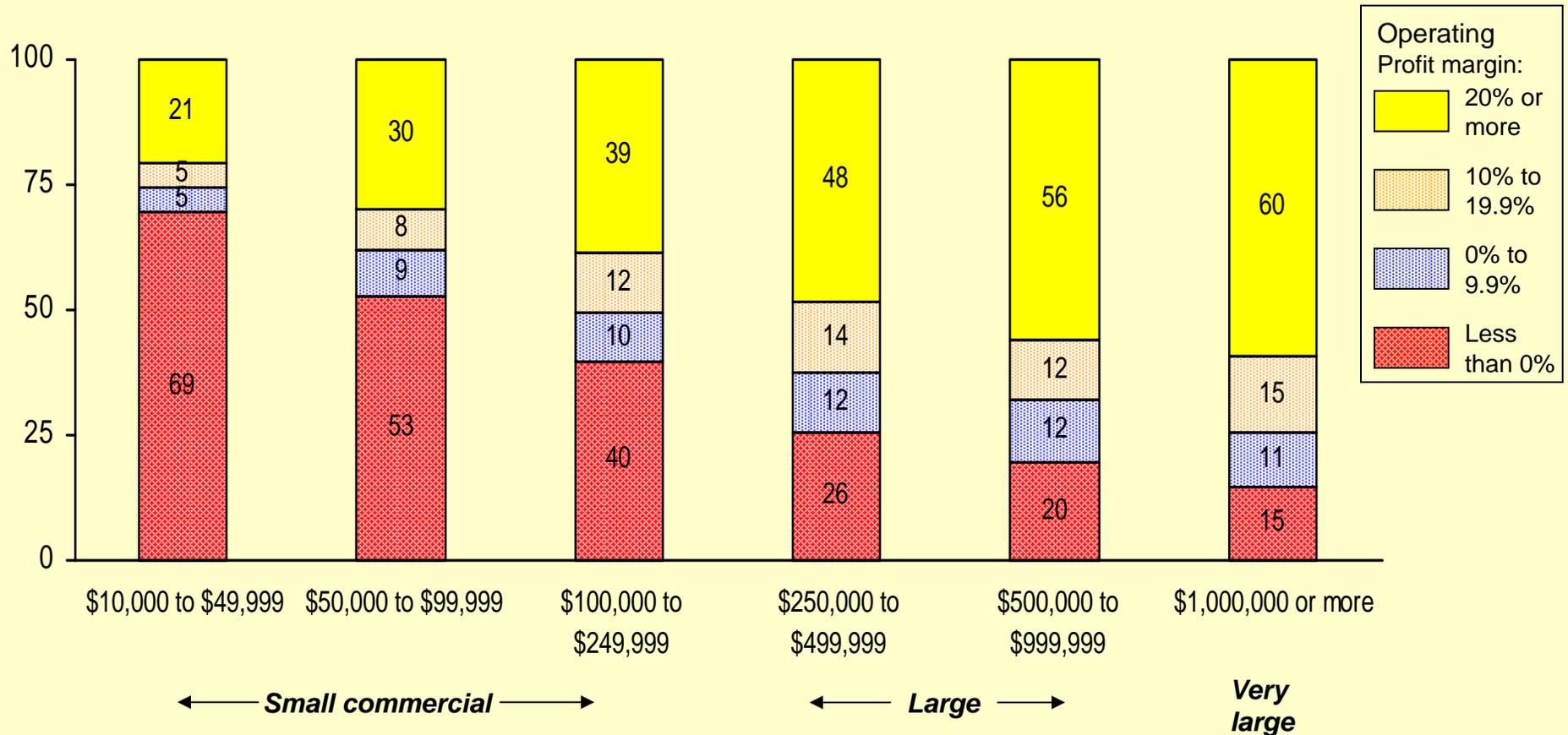


ERS Calculates an Implicit Charge for Unpaid Labor

- We use the average wage for hired labor in a state
- For many operators, true opportunity cost is likely higher

Range of operating profit, by sales class, 2007

Percent of farms



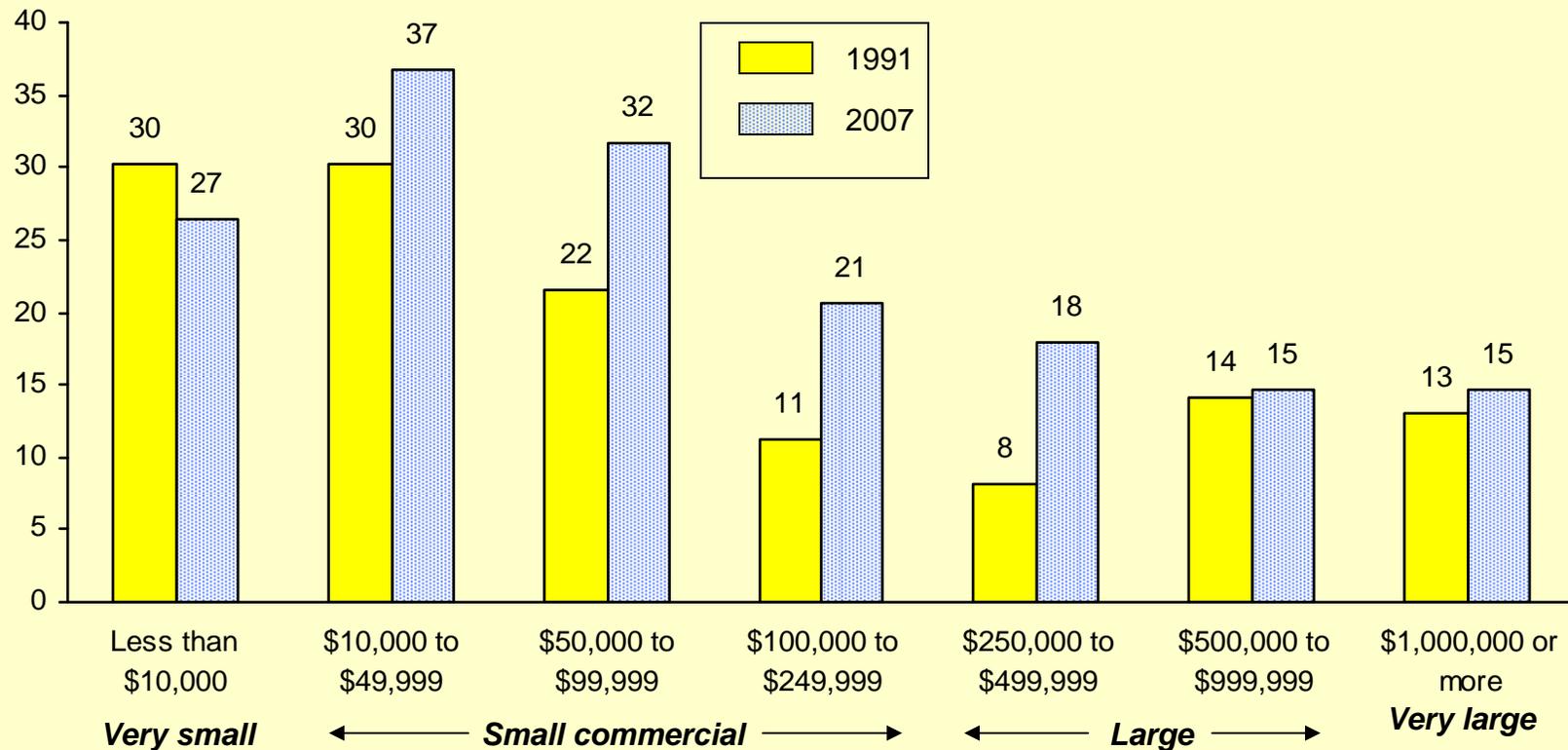
Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III.



Principal operators aged 65 or more, 1991-2007

Older operators a growing presence among small commercial farms

Percent of operators, age 65 or more



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 1991 Farm Costs and Returns Survey and 2007 Agricultural Resource Management Survey, Phase III.

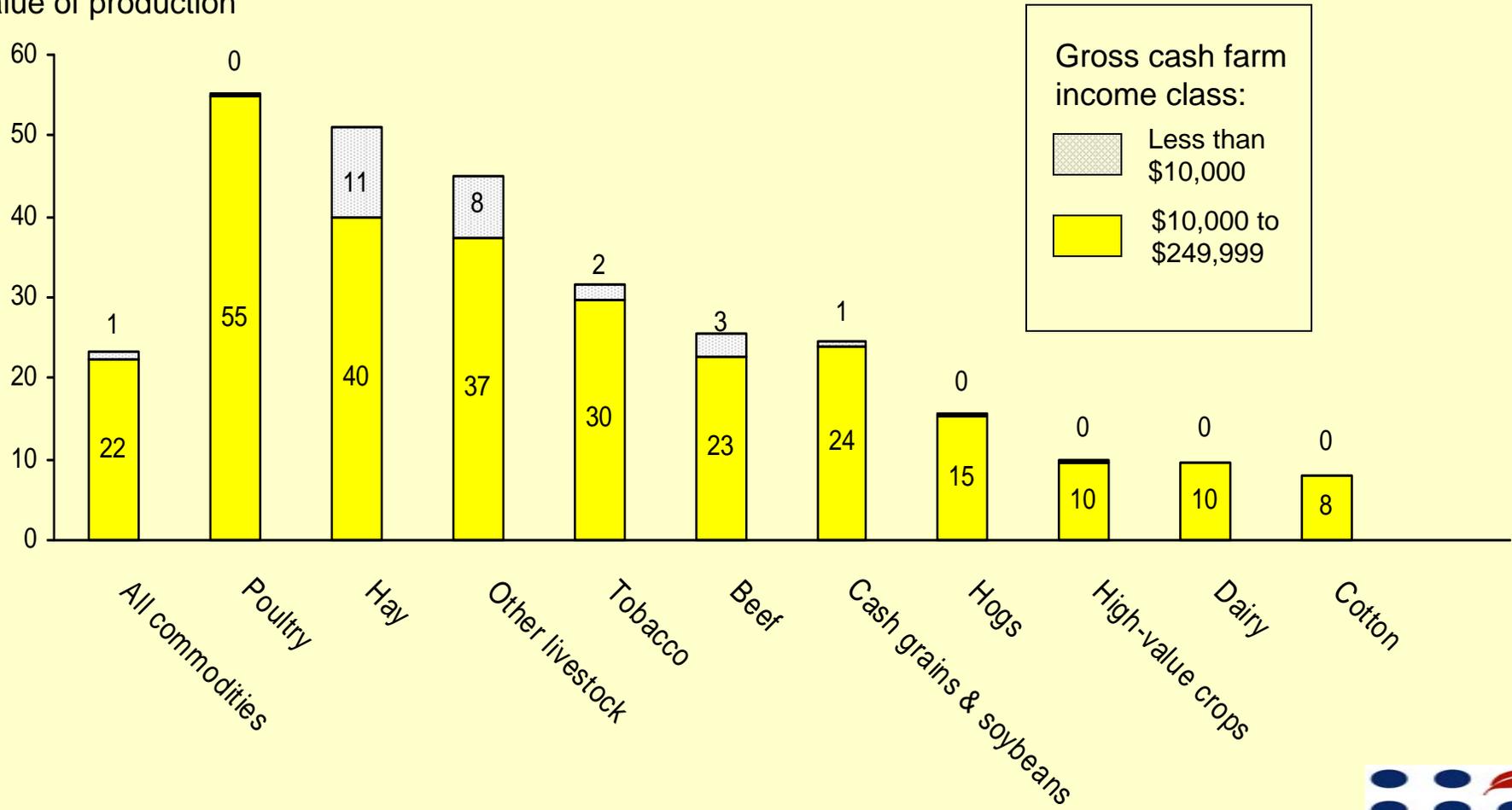


The Message So Far...

- Production shift has been large, and is likely to continue
 - Finances and demographics suggest that small commercial farms remain under pressure
 - The financial patterns have persisted
- But, many small farms are financially viable

Small Farms Are Important for Some Commodities

Percent of 2007 commodity value of production

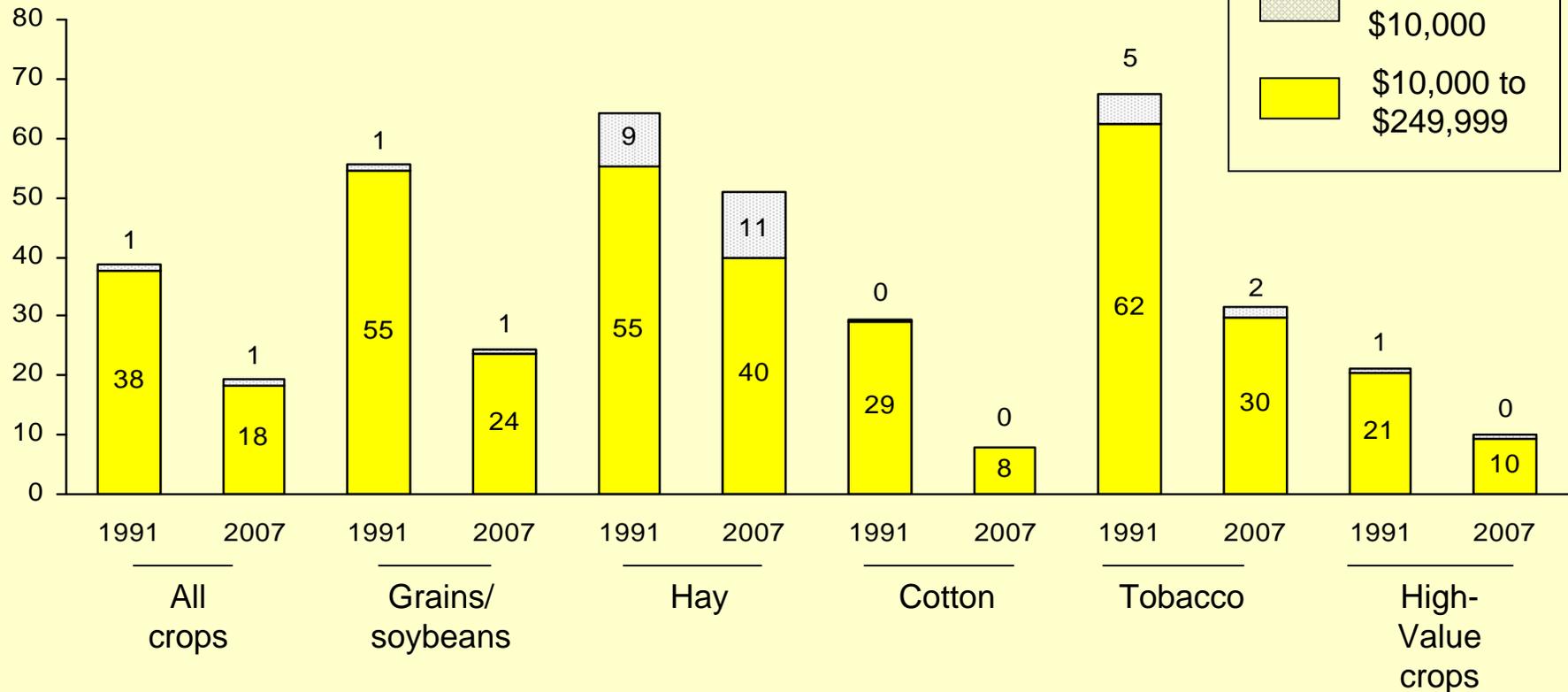


Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III.



Small-Farms and Crop Production, 1991-2007

Percent of 1991 or 2007 commodity value of production



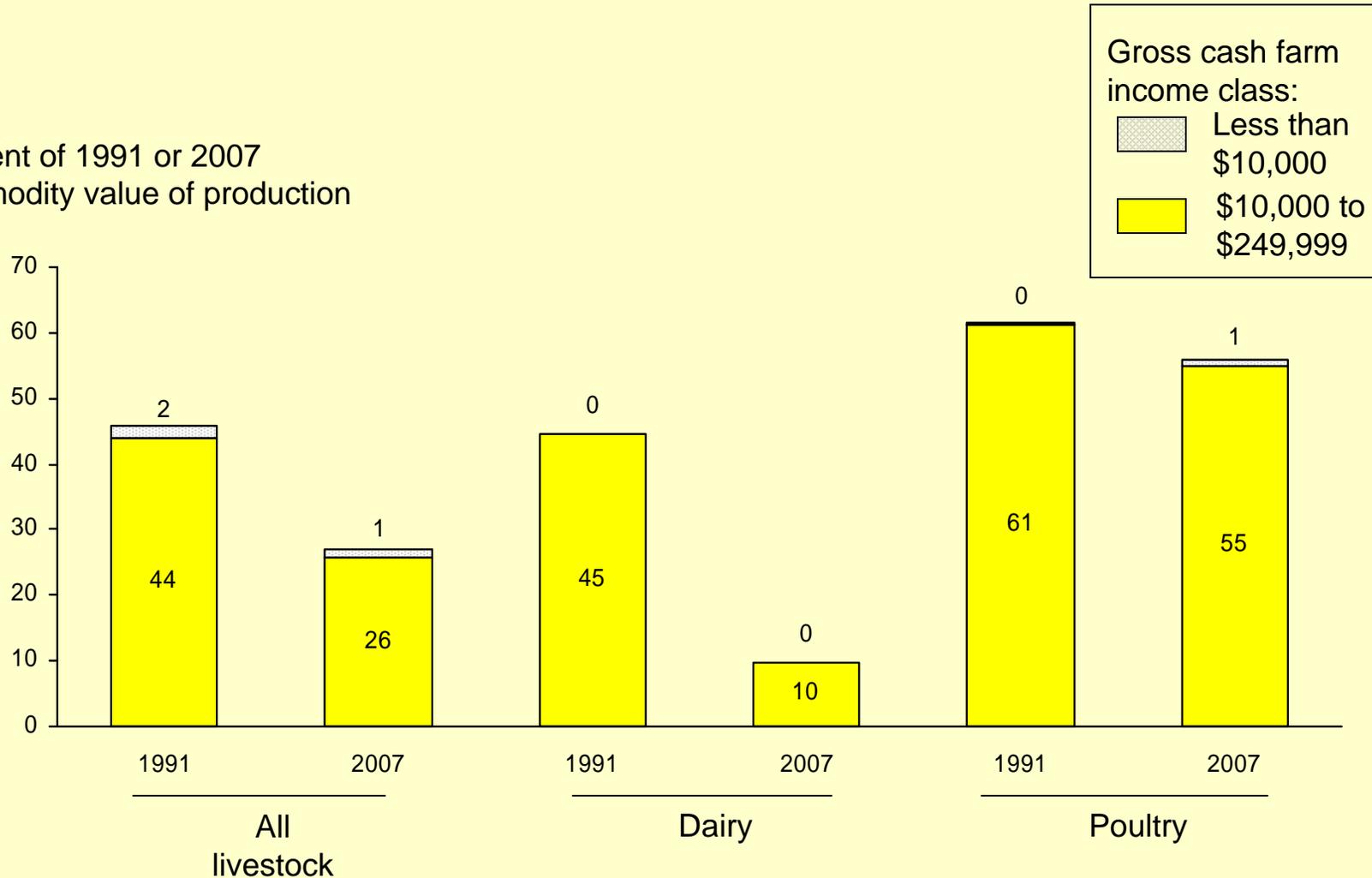
Note: "High value crops" include fruits, vegetables, tree nuts, and greenhouse crops

Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III.



Small Farms & Livestock Production, 1991-2007

Percent of 1991 or 2007
commodity value of production



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III.



Small Farms Now Have a Concentrated Mix of Commodities

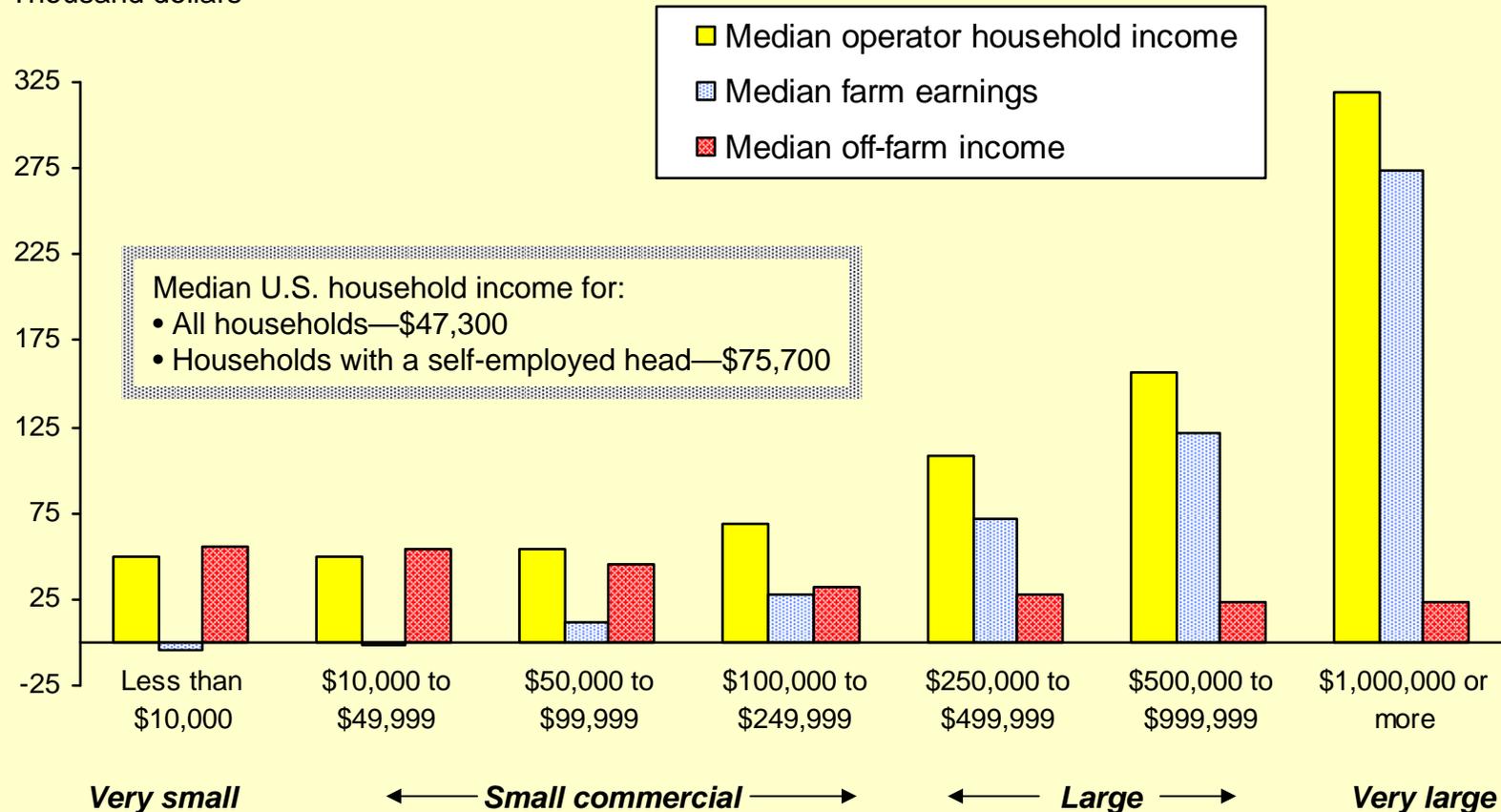
- Poultry, cash grains & soybeans, & beef are 74 percent of small commercial farm production
- Hay and beef are 68 percent of very small farm production
- Why? consider labor requirements and flexibility

ARMS Also Tracks Household Incomes for Principal Operators

- Small farm household incomes look like U.S., on average
 - Large farms are much higher
- Small farm households rely on off-farm income
 - Farm provides most income for large farm households

Household income by source and sales class, 2007

Thousand dollars



Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2007 Agricultural Resource Management Survey, Phase III. for farm households.



Conclusions

- Farm structure
 - Major shift away from small commercial farms
 - Continuing financial and demographic pressures on those farms
 - Consolidation likely to continue
- But some remain financially viable
 - A wide range of financial performance
 - And, time is not an expense for some
- Flexible and focused operator labor matters
 - Off-farm employment, commodity choices, attention to value of time