Trends in Farm Household Income and Assets

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Farm Household Income Has Increased Over Time

**Average annual growth rate since 1991**
- Farm Households: 2.7%
- U.S. Households: 0.7%


Note: nominal dollars have been deflated to 2017 dollars using the GDP Implicit Price Deflator Series (GDPDEF)
Take-Away Points from the Farm Sector Forecast

• U.S. net farm income expected to decrease 8.7% in 2017
• But, net cash income is up 1.8% over last year
  – Steady to higher for most crop farms (due to inventory sales)
  – Cash receipts down or flat for most livestock farms
• Additional stress on certain leveraged farms
• Government payments expected to fall 4 percent

Farm households rely on farm income to varying degrees

Farm Household Income = Farm Income + Off-farm Income
Median Income of farm households expected to increase in 2017

Sources: Agricultural Resource Management Survey 2014-15, ERS Forecasts
Households exhibit varying degrees of dependence on net farm income

Types of family farm households in ERS typology:

• **Residence farm households**
  – Farming is not primary occupation
  – 1.22 million households
  – Typical household loses money on farm

• **Farm businesses households**
  – Primary occupation farming or $350,000 in gross cash income
  – 817,000 households: 77% Intermediate, 23% Commercial
  – **Intermediate farm households** ($<350,000 in gross cash income)
    • Derive <10% of income from farm business on average
  – **Commercial farm households** ($>350,000 in gross cash income)
    • Receive three-fourths of income from farming on average
Farm Income Contributes the Majority of Commercial Farm Household Income

Source: Agricultural Resource Management Survey, 2014-15
ERS Forecasts
Residence and Intermediate Farms Derive More Household Income from Off-farm Sources


Percent of farm households with positive farm income
Share of total household income coming from farming for households with positive farm income (median)

Residence: 38% (blue) 8% (red)
Intermediate: 52% (blue) 31% (red)
Commercial: 83% (blue) 84% (red)
Most residence farm households earn little on-farm income

Farm Business Households Have Varied Income Sources

Commercial Farm Households Earn Higher Incomes but Also Experience Substantial Volatility

Source: Agricultural Resource Management Survey, 2000-2014
Households Experience Large Year-to-Year Variation

Change in Total Household Income for Households Earning Between $75,000 and $125,000 in Year 1

Source: Agricultural Resource Management Survey 1996-2013
Main findings:
• Farm household volatility much higher than non-farm households
• Off-farm income negatively covaries with farm income and mitigates farm income shocks.
• Government payments, especially countercyclical and crop insurance payments can help mitigate farm income shocks.
Farm Operations Provide Value to Households

- Over 2 million households own farms in the U.S., despite production consolidation in many farm sectors
- Households may hold large and small farms for different reasons
  - Large farms are usually profitable
    - Although, 18% of commercial farms lost money in 2015
  - Residence farms typically lose money but have other benefits
    - Keep for hobby/lifestyle
    - Retain to pass on to next generation
    - Tax benefits
    - Land appreciation
Tax law changes allow greater amounts of capital to be expensed

Interest, Property Taxes, and Depreciation Expenses as a Share of Farm Receipts by Farm Type for Farms Reporting a Loss, 2015

Source: ERS analysis of Agricultural Resource Management Survey
In most years from 1990-2015, real estate values rose relative to the previous year.

Source: USDA-ERS using data from NASS.
Mean Household Assets Have Grown for All Farms


Residence Farm Households

Commercial Farm Households

Conclusions

• **From the forecast:** Farm household income looks stable on average over 2016 and 2017. Many farm households have diversified income sources, and farm household assets have grown.

• **From our recent report on volatility:** Farm household income is volatile, more so than for non-farm households. But, off-farm income and government payments reduce overall volatility.

• **Additionally:** Data indicate benefits from keeping a farming operation that aren’t included in net cash farm income. Similar to non-farm businesses, there are benefits from tax losses, equipment expensing, and land value appreciation.
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• Household Data Pages