Trends in Farm Household Income and Assets

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Economic Research Service
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Farm Household Income Has Increased Over Time

Average annual growth rate since 1991
- Farm Households: 2.3%
- U.S. Households: 0.1%

Note: nominal dollars have been deflated using the Consumer Price Index Research Series (CPI-U-RS)

Slight Rise Projected in Median Farm Household Income

Sources: Agricultural Resource Management Survey 2013, ERS Forecasts
Take-Away Points from the Sector Forecast

• U.S. net cash farm income expected to decrease in 2014 and 2015
• Crop receipts will fall for all major categories
• Total livestock receipts forecast to be down 5%
  – Cattle and calf receipts projected to increase
• Moderating asset values and rising debt levels expected to leave equity values effectively unchanged in 2015
Households exhibit varying degrees of dependence on net farm income

Two main types of farms:

• Farming Not Primary Occupation (Residence Farms)
  – 1.16 million households
  – Typical household loses money on farm

• Farm Business (Intermediate and Commercial Farms)
  – 885,000 households: 79% Intermediate, 21% Commercial
  – Intermediate households derive <10% of income from farm business on average
  – Commercial households (>350,000 in gross cash income)
    • Three-fourths of income from farming
Commercial Farms Generate the Majority of Farm Household Income

Composition of farms: Residential: 56.7%, Intermediate: 34.1%, Commercial: 9.2%

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

- **Percent of farm households with positive farm income**
  - Residence: 36%
  - Intermediate: 47%
  - Commercial: 87%

- **Share of total household income coming from farming for households with positive farm income (median)**
  - Residence: 7%
  - Intermediate: 28%
  - Commercial: 84%

Source: Agricultural Resource Management Survey, 2013
For Crop Farms, Wages Comprise 39% of Off-farm Income

Source: Agricultural Resource Management Survey, 2013
Dairy Farms Receive Least Income from Off-farm Sources

Source: Agricultural Resource Management Survey, 2013
Median Household Assets have Grown Faster for Crop Farmers

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

Source: United States Department of Agriculture, Economic Research Service (ERS) and National Agricultural Statistical Survey (NASS)
Median Asset Holdings Highest for Cash Grain Farmers

Source: Agricultural Resource Management Survey, 2013
Beef and General Livestock Producers have Lowest Real Estate Holdings

Source: Agricultural Resource Management Survey, 2013
Crop Household Debt-to-Asset Ratios Are Typically Low

Median percent of income from farming

<table>
<thead>
<tr>
<th>Category</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash grains</td>
<td>$96,188</td>
</tr>
<tr>
<td>Rice, Tobacco, Cotton, Peants</td>
<td>$106,462</td>
</tr>
<tr>
<td>Other field crops</td>
<td>$7,823</td>
</tr>
<tr>
<td>High value crops</td>
<td>$36,934</td>
</tr>
<tr>
<td>Residence Farms</td>
<td>$5,653</td>
</tr>
</tbody>
</table>

Distribution of Crop Household Debt-to-Asset Ratios

Source: Agricultural Resource Management Survey, 2013
Livestock Producers have Relatively Higher Debt-to-Asset Ratios

Median percent of income from farming

<table>
<thead>
<tr>
<th>Type</th>
<th>Median Debt</th>
<th>Percent Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef cattle</td>
<td>$13,394</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
<tr>
<td>Hogs</td>
<td>$137,772</td>
<td>4% 15% 23% 12% 8%</td>
</tr>
<tr>
<td>Poultry</td>
<td>$51,578</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
<tr>
<td>Dairy</td>
<td>$66,788</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
<tr>
<td>General livestock</td>
<td>$19,290</td>
<td>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</td>
</tr>
</tbody>
</table>

Distribution of Livestock Household Debt-to-Asset Ratios

Source: Agricultural Resource Management Survey, 2013
Conclusions

• Many farm households are diversified in farm and non-farm income
  – Exceptions are dairies, hogs, and certain cash crops

• Farm household assets have grown over last 10 years
  – 51 to 68 percent of assets are in farm and non-farm real estate holdings

• Overall, debt-to-asset ratio levels remain low
  – Hogs, poultry and dairy producers are more leveraged

Source: Agricultural Resource Management Survey, 2013
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• Household Data Pages