Family Farms Report 2010

Max Irsik DVM, MAB
Beef Cattle Extension Veterinarian
University of Florida College of Veterinary Medicine
irsikm@ufl.edu
352-294-4349

The number of farms within the U.S. peaked at 6.8 million in 1935 and has fallen sharply until the 1970s. The falling farm numbers during this period reflect increased productivity and increased non -farm employment. Growing farm productivity during this period led to excess capacity farm consolidation and farm operators leaving the farm to work in the non farm economy. Because of these demographic changes agricultural production is often criticized for a perceived evolution away from family farming operations toward “factor farming” or large commercial or corporate non family business structures. One then has to ask if this criticism of U.S. Agricultural production really accurate?

In order to provide reliable information regarding this perception of U.S. Agricultural production a report recently released by the USDA regarding the Structure and Finances of U.S. farms provides valuable information. The information contained within the report is used to educate legislators regarding the actual structure of the farming economy. A summary of the reports major findings will be provided with interested readers directed toward a copy of the full report at: http://www.ers.usda.gov/Publications/EIB66/.

Small family farms which are described as having annual sales of less than $250,000 make up 88 percent of U.S. farms in 2007. These small scale farms held about 62 percent of all farm assets including 63 percent of the land owned by farms. As owners of the majority of farm assets which includes land, small farms are significant agricultural producers and play a large role in natural resource and environmental policy. Small farms accounted for 76 percent of the land enrolled in USDA land retirement programs, primarily in the Conservation Reserve Program also known as CRP. While smaller family farms only produced 16 percent of agricultural production, these smaller farms made significant contributions to the production of: hay, tobacco, cash grains, soybeans and beef cattle.

While the majority of agricultural land is held by small farms the larger family farms and non family farms produce the largest share of agricultural products. Large scale family farms are defined as farms with annual sales of $250,000 or more. These larger scale family farms made up 12 percent of the total number of U.S. farms in 2007 but accounted for 84 percent of the value of U.S. production.

Approximately forty seven thousand U.S. farms have annual sales of $1 million or more. These million dollar farms make up 2 percent of U.S. farms but account for 53 percent of the value of production. A large majority of million dollar farms (86 percent) are family farms. Farms with sales over $5 million dollars per year account for 35 to 45 percent of beef (largely feedlots) milk, and high- value crops. Sixty four percent of these farms are family farms.

Large scale farms are generally more viable than small family farms. The average profit margin and rate of return on assets and equity for large farms and very large farms were all positive in 2007. (Very large farms are defined with annual sales of 4500,000 or more.) While larger farms had positive economic outcomes, small farms generally had negative profit margins and negative returns on assets and equity. It was pointed out however that certain farms within each scale category had high operating margins of at least 20 percent.

With a large number of the smaller farms experience negative economic returns the question asked is : Why do so many exist? The answer is, small farm households typically receive substantial off-farm income and do not rely primarily of their farms for their livelihood. The median household income for only two types of farms (retirement farms or low sales farms) described as having annual gross sales of less than $100,000 was below the U.S. median income for 2007.

Agricultural producers are also criticized for receiving government payments. According to this report, most farms (61 percent) received no government payments at all and were not directly affected by farm payment programs. Median and large scale farms or those with sales between $100,000 and $500,000 did receive commodity related government payments which are payments that target production by focusing on land in production. Program payments such as CRP which target environmentally sensitive land rather than production primarily went to retirement and low scale farms.

The Family Farm Report 2010 edition provides valuable information with regards to the diverse types of family farms in the U.S. The diversity of farms within the U.S. is partially attributable to the official "farm" definition which includes farms that are very small in terms of sales. A farm is currently defined as any place from which $1,000 or more of agricultural products, crops or livestock, are sold within a year.

Also included in this report is a definition for a "family farm" : which is any farm where the majority of the business is owned by the operator and individuals related to the operator by blood or marriage including relatives who do not reside in the operators household. Non family farms include any farm where the operator and relatives do not own a majority of the business.

Criticism from outside of agriculture may focus on a "family farm" defined by "excessive gross sales or income". If gross farm sales or income are greater than somefinancial target set by the critic, these family farms are then criticized as being corporate or a non family farm. This criticism is not based upon economic reality, a family farm is a business, and like many other businesses success is often due to economic scale and sales.

Three features of the U.S. farm structure stand out. First small family farms make up 88 percent of all U.S, farms. Second, large scale family farms which make up 9 percent of all farms account for 66 percent of production. Third, farming is still an industry of family businesses. Ninety eight percent of farms are family farms and they account for 82 percent of production.

References

1. Hoppe, Robert A., David E. Banker. Structure and Finances of U.S. Farms: Family Farm Report, 2010 Edition, EIB-66 U.S. Dept. of Agr., Econ. Res, Serv. July 2010