

Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Characteristics of U.S. Farms

Market Report	Yr Ago	4 Wks Ago	7/20/01
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$67.10	\$72.79	\$72.31
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	95.50	91.71	96.53
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	106.52	105.79	108.67
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	105.28	112.99	111.99
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	*	56.00	49.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	46.61	*	36.00
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	134.00	138.69	125.30
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	86.50	51.00	58.70
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	187.50	165.83	162.58
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	2.87	2.99	3.15
Corn, No. 2, Yellow Omaha, bu	1.49	1.62	1.77
Soybeans, No. 1, Yellow Omaha, bu	4.44	4.33	4.68
Grain Sorghum, No. 2, Yellow Kansas City, cwt	2.67	3.12	3.50
Oats, No. 2, Heavy Sioux City, IA, bu	1.27	1.46	*
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	117.50	102.50	102.50
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	80.00	77.50	75.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	72.50	105.00	105.00
* No market.			

The Economic Research Service (ERS) of USDA recently issued a report about the structure and financial characteristics of U.S. farms. The report used several data sources to compare and contrast U.S. farms. A primary source of data was the 1998 Agricultural Resource Management Study (ARMS). The ARMS collect financial data from a sample of U.S. farms. These surveys are jointly designed and conducted each year by ERS and the National Agricultural Statistics Service (NASS).

Definitions

USDA defines a **farm** "as any place from which \$1,000 or more of agricultural products (crops and livestock) were sold or normally would have been sold during the year under consideration." **Family farms** are defined in the report "as any farm organized as a sole proprietorship, partnership or family corporation." Their definition excludes farms organized as nonfamily corporations or cooperatives, as well as farms with hired managers. ERS has further categorized farms into typology groups. The typology groups give us a more detailed look at American farms. The following typology group definitions are taken directly from the report.

Small Family Farms (sales less than \$250,000)

- ▼ **Limited-Resource Farms.** Small farms with sales less than \$100,000, farm assets less than \$150,000 and total operator household income less than \$20,000. Operators may report any major occupation except hired manager.
- ▼ **Retirement Farms.** Small farms whose operators



report they are retired.

- ▼ **Residential/Lifestyle Farms.** Small farms whose operators report a major occupation other than farming.
- ▼ **Farming-Occupation Farms.** Small farms whose operators report farming as their major occupation.
 - **Low-sales farms.** Sales less than \$100,000.
 - **High-sales farms.** Sales between \$100,000 and \$249,999.

Other Farms

- ▼ **Large Family Farms.** Sales between \$250,000 and \$499,999.
- ▼ **Very Large Family Farms.** Sales of \$500,000 or more.
- ▼ **Nonfamily Farms.** Farms organized as nonfamily corporations or cooperatives, as well as farms operated by hired managers.

Total farm numbers in the U.S. had declined to about 2 million by 1998 from their peak of 6.8 million in 1935. The majority of this decline had occurred by 1974 when there were 2.3 million farms. The ERS report uses the official farm count as estimated by NASS. The 1997 Census shows only about 1.9 million farms, but the report authors argue that Census tends to undercount. Farms are also much larger - 487 acres in 1997 versus 155 acres in 1935.

According to the ERS report, family farms make up 98 percent of all farms (Table 1). Within the group of family farms the large and very large represent about 8 percent of all farms, yet account for 53 percent of the total value of production. Small family farms (annual sales less than \$250,000) account for about 33 percent of the total value of production, yet represent over 90 percent of the total farms.

Financial Performance. Financial performance of the nation's farms in 1998 was generally favorable. More than 60 percent of all farms ended 1998 with a profit. Generally, the larger farms were more profitable. Table 2 shows financial performance classifications and one measure of success. The last column, Economic Cost/Output Ratio = total cash operating expenses + benefits + charge for unpaid operators' labor and management divided by gross farm income. A ratio greater than one means that gross farm income

did **not** cover expenses. Small family farms have overcome unfavorable profit situations by subsidizing their operations with income from off-farm sources. Most farms, even in the small family farm category were in the favorable classification, while only 5 percent of all farms were considered "vulnerable." A "favorable" classification includes farms that had positive net farm income and debt/asset ratios less than 40 percent. "Vulnerable" farms are those with negative net farm income and debt/asset ratios greater than 40 percent. "Marginal income" farms had negative net farm income but debt/asset ratio no more than 40 percent, while "marginal solvency" farms had positive net farm income and debt/asset ratio greater than 40 percent.

This report contains many other interesting facts and figures, e.g. farm program payments, enterprise specialization and much more.

Reference:

Hoppe, Robert A., editor. 2001. "Structural and Financial Characteristics of U.S. Farms: 2001 Family Farm Report." Res. Econ. Div., Economic Research Service, USDA. AIB No. 768. It can be accessed at the following website: <http://www.ers.usda.gov/publications/aib768/aib768g.pdf>

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Table 1. Percentages of Farms, Value of Production, Owned Land and Total Assets by Farm Type for the United States, 1998 (Source: Hoppe, editor 2001, Figures 3 and 4)

Farm Type	% of Farms	% Value of Production	% of Owned Land	% of Total Assets
Small Family:				
Limited Resource	7.3	0.8	1.2	1.1
Retirement	14.1	1.8	10.2	11.8
Residential/Lifestyle	40.4	6.0	15.7	22.4
Farming Occupation				
Low-Sales	20.4	7.8	24.4	21.8
High-Sales	8.3	16.9	16.8	12.2
Large Family	4.5	16.6	11.2	10.8
Very Large Family	3.0	36.5	10.0	13.2
Nonfamily	2.0	13.5	10.5	7.1

Table 2. Financial Performance Classification and Measure by Farm Typology Group, 1998
(Source: Hoppe, editor 2001, Tables 17 and 19)

Farm Type	Favorable	Marginal Income	Marginal Solvency	Vulnerable	Economic Cost/Output Ratio
Small Family:					
Limited Resource	55.2	34.3	d	d	2.11
Retirement	68.5	30.3	d	d	1.27
Residential/Lifestyle	52.9	38.0	3.2	6.0	1.38
Farming Occupation					
Low-Sales	59.3	35.1	2.1	3.5	1.46
High-Sales	66.4	19.3	9.6	4.7	1.07
Large Family	66.7	17.3	11.0	5.0	0.98
Very Large Family	59.5	13.2	22.0	5.4	0.86
All Family Farms	58.6	32.7	3.9	4.7	1.06

d = Data suppressed due to insufficient observations.