

# NEBRASKA COOPERATIVES

## A Look at Nebraska's Family Farm Sector

By Gregory McKee

May 2020

Family farm<sup>1</sup> operations utilize agricultural cooperatives. Cooperatives can improve their responsiveness to family farm operation needs by understanding how they adapt and change in ways that preserve farm family income and production viability. This report provides an overview of economic conditions faced by Nebraska family farms in 2018.

### Nebraska farm size categories

---

Farms are classified in this report based on annual farm revenue and family ownership. Data used for this report represent 45,901 Nebraska farms<sup>2</sup>.

#### Small family farms (Gross income less than \$350,000)

- Retirement farms – Farms whose principal operators report having retired, but continue to farm. There are 4678 retirement farms (10% of Nebraska farms).
- Off-farm occupation farms - Farms whose principal operators report a primary occupation other than farming. There are 14,736 off-farm occupation farms (32% of Nebraska farms).
- Farming-occupation farms - Farms whose principal operators report farming as their primary occupation. These are of two types:
  - Low-sales farms – Farms with gross income of less than \$150,000. There are 10,423 low-sales farms (23% of Nebraska farms).
  - Moderate-sales farms – Farms with gross income of \$150,000 to \$349,999. There are 4806 moderate-sales farms (10% of Nebraska farms).

#### Midsize family farms (Gross income between \$350,000 and \$999,999)

- There are 6592 midsize family farms (14% of Nebraska farms).

---

<sup>1</sup> A farm is defined as any place that would produce and sell at least \$1000 of agricultural products.

<sup>2</sup> Data for this report are from the 2018 USDA/National Agricultural Statistics Service Agricultural Resource Management Survey (ARMS), the 2017 USDA/National Agricultural Statistics Service Census of Agriculture, and the US Bureau of the Census. ARMS data are available at the state level.

# NEBRASKA COOPERATIVES

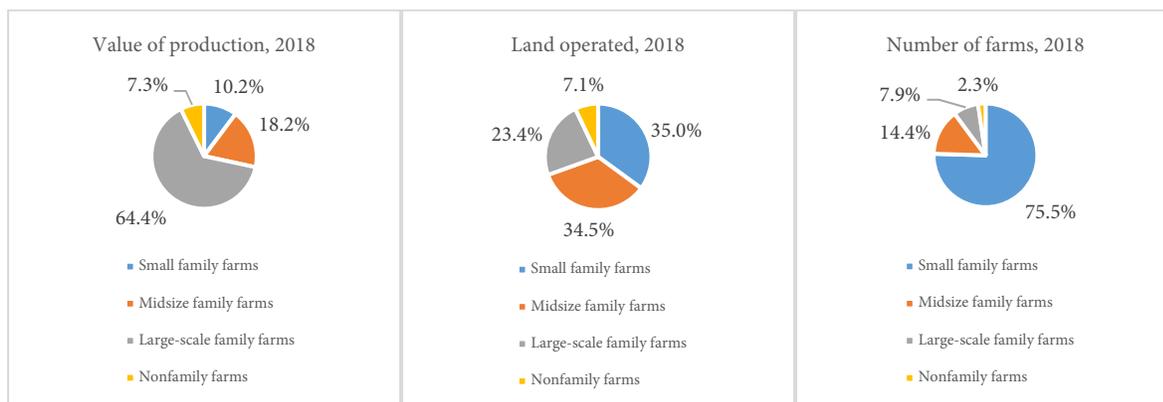
## Large-scale family farms (Gross income of \$1 million or more)

- There are 3359 large family farms (farms with gross income of \$1million to \$4,999,999; 7% of Nebraska farms).
- There are 246 very large family farms (farms with gross income of \$5 million or more; 1% of Nebraska farms).

There are 1060 nonfamily farms (2% of farms), on which principal operators do not own a majority of the operation.

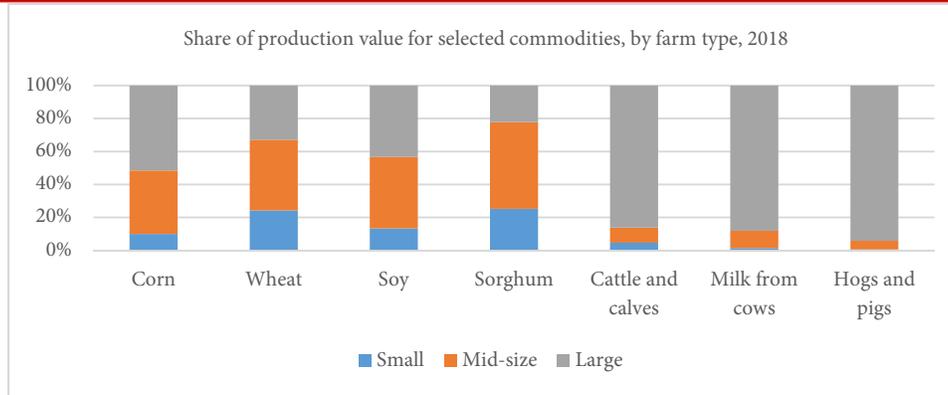
## Nebraska Farm Production and Land

Family farms are 98% of Nebraska farms and account for 93% of production. Most farms are categorized as small (76% of farms). These operate a little more than one-third (35%) of Nebraska farmland. Small farms range from an average 236 acres per farm for off-farm occupation farms to an average 1502 acres per farm for moderate-sales farms. Retirement farms average 295 acres. Small farms accounted for 10% of Nebraska agricultural production value in 2018. Midsize farms are 2325 acres, on average, and accounted for about 5% of Nebraska agricultural production value. Large-scale family farms accounted for the largest share of Nebraska agricultural production value in 2018 (64%) and have average sizes ranging from 2800 acres for large farms to 4200 acres for very large farms.



64% of Nebraska agricultural production value is generated by 8% of farms (large scale family farms). Among major Nebraska farm commodities, large-scale Nebraska farms accounted for a majority of the production value of corn, cattle and calves, dairy milk, and hogs in 2018. The share of production value from small and midsize farms is greatest in row crops.

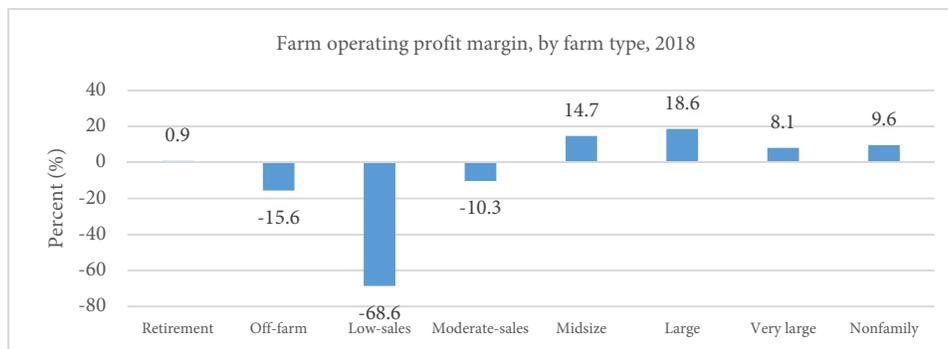
# NEBRASKA COOPERATIVES



## Nebraska Farm Business Financial Performance

Family farm financial performance varies by farm size. Many small family farms experienced negative profit margins in 2018. These farms must rely on income from off-farm sources to remain viable. Average midsize and large-scale family farms have a lower risk of financial difficulties.

Nebraska farm business net cash income increased from \$72,480 in 2017 to \$81,353 in 2018.



## Nebraska Farm Household Income and Wealth

Nebraska farm household income and wealth compare with average US households. The 2018 median income for US households was \$63,179. Approximately 66% of Nebraska farms generated income greater than this in 2018. Average Nebraska net farm household income was \$126,226.

Median 2018 US household wealth was \$99,352. Farms in each farm size category have household net worth greater than median US household wealth.

# NEBRASKA COOPERATIVES

Nebraska farm household income or wealth, by farm type, 2018		
Farm size category	Household income	Household wealth
Retirement	\$84,038	\$1,755,713
Off-farm	\$134,889	\$1,545,868
Low-sales	\$35,720	\$1,104,196
Moderate-sales	\$76,104	\$2,850,464
Midsized	\$158,272	\$3,282,161
Large	\$353,487	\$6,229,474
Very large	\$1,260,923	\$13,689,937

Farm household income is earned from a combination of on- and off-farm sources. Self-employment and wage or salary-based jobs are the main sources of off-farm income for those still employed; other sources provide income for operators in the retirement farm category. Off-farm income is the major income source for average small Nebraska family farms.

Sources of Nebraska farm household income, by farm type, 2018		
Farm size category	Average on-farm income	Average off-farm income
Small family farms		
Retirement	\$13,855	\$70,183
Off-farm	\$2,525	\$132,363
Low-sales	\$(6,831)	\$42,550
Moderate-sales	\$20,237	\$55,867
Midsized family farms	\$112,342	\$45,929
Large scale family farms		
Large	\$318,873	\$34,614
Very large	\$1,218,572	\$42,351

Available national data indicate operators obtain off-farm employment, in part, to obtain health insurance. National data show throughout the 2010s show that approximately 65% principal operator spouses obtain health insurance if they are the only one employed off farm. This increases to approximately 80% when both spouses work off-farm. Data are not available at the Nebraska level to determine how these percentages vary with farm size.

Occupational choices and compensation vary somewhat for Nebraska off-farm workers as compared with Nebraska citizens living in metropolitan areas (Omaha, Lincoln, Grand Island). In 2018, 13.6% of employment was in goods-producing occupations, such as farm support services, construction, and maintenance; the share was 15.1% in non-metro areas. Goods-

# NEBRASKA COOPERATIVES

producing employment pays relatively more, on average, in metro areas. The 2018 average annual metro salary for these occupations was \$42,027; \$39,866 in non-metro areas. An exception to this is in the “farming, fishing, and forestry” occupation category, with businesses in non-metro areas paying about 0.4% more than those in metro areas. This gap is greatest in the southeast non-metro part of the state, with businesses paying 2.3% more in “farming, fishing, and forestry” occupations than in metro areas. Metro/non-metro salary differences are greater for service industry and managerial employment. Farm operators, and their spouses, are more likely to be employed in the “farming, fishing and forestry” and “installation, maintenance, and repair” occupations than their Nebraska metro counterparts. Service and managerial occupations are a smaller share of non-metro employment than in the metro areas, but it is still the largest occupation category of off-farm employment.

Nebraska employment and compensation of selected occupations in metro and non-metro areas, 2018				
	Nebraska metro areas		Nebraska non-metro	
	Share of employment	Mean annual salary	Share of employment	Mean annual salary
Farming, Fishing, and Forestry Occupations	0.1%	\$35,213	0.8%	\$35,343
Construction and Extraction Occupations	4.5%	\$43,960	4.5%	\$40,050
Installation, Maintenance, and Repair Occupations	3.8%	\$46,907	5.1%	\$44,203
Management Occupations	5.2%	\$95,423	4.7%	\$82,503
Professional services	72.6%	\$50,312	67.1%	\$44,450
<i>Total employment (persons)</i>	<i>711,070</i>		<i>284,360</i>	

## Nebraska Farm Legal Organization

Most Nebraska family farms are proprietorships. They account for over 80% of farms in 2018 and account for between 45% and 50% of Nebraska farm production value. Proprietorships are the most common form of legal organization among farms of less than \$250,000, in terms of number of operations. Farms with sales of less than \$250,000 are also the most common economic size of partnerships (53% of partnerships) and of family held corporations (37% of family held corporations).

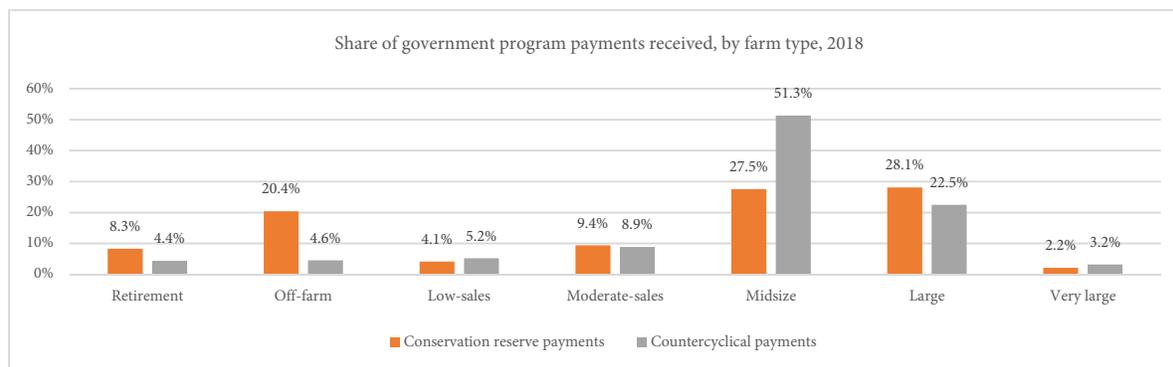
Proprietorships are most common legal organization for midsize farms (\$250,000 to \$999,999 in sales) and of large (\$1 million or more in sales) farms. 36% of family held corporations are midsize farms and 27% of them are large farms.

Most Nebraska farm production value, however, is generated by entities other than proprietorships. Family held corporations account for the largest share.

# NEBRASKA COOPERATIVES

## Government Payments to Nebraska Family Farms

Nebraska family farms receive payments from a variety of government programs. Conservation Reserve Program (CRP) payments provide incentives to remove environmentally sensitive land from agricultural production. In 2018, Nebraska family farms received over \$118 million in CRP payments, with large farms receiving the greatest fraction of funds (28%). Small farms received 42% of CRP payments, with off-farm occupation farms receiving the most of any of these size farms (20% of all payments). Countercyclical programs make payments to agricultural producers when either price or revenue are low. In 2018, Nebraska family farms received \$119 million in countercyclical payments. Midsize farms received the greatest fraction of countercyclical payments (51%). Small farms received 23% of countercyclical payments. Percentages in the figure below indicate the share of payments received by farms in each size category, per program.



Not all Nebraska family farms receive government program payments. 36% of farms received no payment in 2018—these were almost all small farms. The remaining 64% (26,459 farms) received a total of nearly \$450 million in payments in 2018. The average payment received per farm varied by size, ranging from \$2006 for low-sales farms to nearly \$88,000 for very large farms.

## Summary

Nebraska farming is overwhelmingly done by family farms. 98% of Nebraska farms are family farms. These account for 93% of farm production value. The largest share (76%) of Nebraska farms are small (gross income less than \$350,000). Small farms account for approximately 10% of farm production value, 35% of Nebraska farmland, and make their largest contribution to Nebraska wheat and sorghum production.

Farm financial performance varies by size. Most small Nebraska family farms had low or negative profit margins in 2018. The average midsize and large farms have relatively greater returns. Many Nebraska family farms have household income that exceeds median US family income. Most

# NEBRASKA COOPERATIVES

farm households receive funds from government farm program payments. Off farm work is an important source of income for farm households, with health insurance being an important motive for employment. Occupational selection in farming communities varies somewhat from employment in the metro areas of Nebraska. Average Nebraska farms, regardless of economic size have household wealth greater than the US median.