

## Farm Operator Household Dependence on Farming

Farm operator households typically receive income from several sources, and 88 percent of their total household income came from off the farm in 1993. Off-farm income is critical to the financial well-being of many farm households, offsetting some of the low average farm income discussed above. The relative importance of farm and off-farm income, however, varies widely among different types of farm households. This section of the report examines how farm households' income levels and dependence on farming vary by farm and operator characteristics. A brief discussion of FCRS household data appears in the box below.

### Level and Sources of Household Income

In 1993, the average income of farm operator households from all sources (\$40,200) was similar to the average for all U.S. households (\$41,400). However, there was much variation in the level of income among individual farm households, just as there was for all U.S. households. For example, 19 percent of farm operator households reported a household income of less

than \$10,000 in 1993, as did 14 percent of all U.S. households (fig. 19). At the other extreme, 25 percent of farm operator households reported household income of \$50,000 or more. Approximately 29 percent of all U.S. households had incomes in that range.

For most farm operator households, off-farm income was the major source of income. Farm operator households received an average of only \$4,800 from farming in 1993, while off-farm sources averaged \$35,400 (fig. 20). Off-farm wage and salary jobs were the single most important source of off-farm income, accounting for 46 percent of total farm operator household income during the year. Dependence on off-farm income, however, differed by farm and operator characteristics.

### Variation by Farm Characteristics

*Sales class of farm.* The 1.5 million households associated with noncommercial farming operations pull down the average income from farming (table 10 and fig. 21). Households with noncommercial farms had, on average,

### FCRS Household Data

The FCRS collects information about farm operator households, including their farm and off-farm income. Farms not closely held by the operator and members of the operator's household (nonfamily corporations, cooperatives, and farms with a hired manager) are excluded from the household data. Thus, the information presented in this section of the report represents only the households of operators with farms organized as individual operations, partnerships, and family corporations. These households operated 99 percent of all U.S. farms in 1993.

As discussed earlier, the FCRS collects information only for the primary operator in cases where the farm has more than one operator. Similarly, household income data is available only for the households of primary operators. Any other households associated with the farm are excluded.

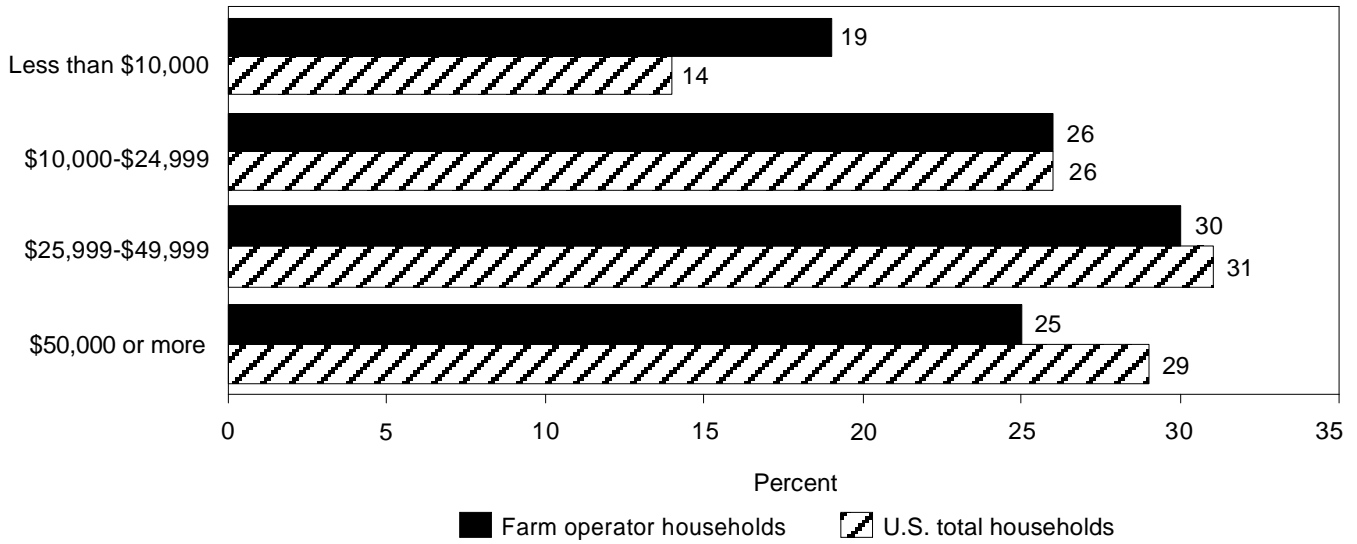
Farm income received by the household is defined in the FCRS as net cash farm income (less depreciation) adjusted for the share of income received by the operator's household in the case of multiple-household farms. This definition is consistent with the Census Bureau's definition of self-employment income, which allows comparing incomes of farm operator households and other U.S. households.

Total operator household income includes all the income that all household members receive from all sources, both farm and off-farm. Using only farm income would understate the farm household's income for comparison with other households. Off-farm income includes off-farm wages and salaries, the net income of any nonfarm business, interest and dividends, and any other cash off-farm income received by household members. A more detailed discussion of operator household income appears in appendix A.

Figure 19

**Distribution of farm operator households and total U.S. households, by total household income category, 1993**

*Farm households and households in general have similar income distributions*

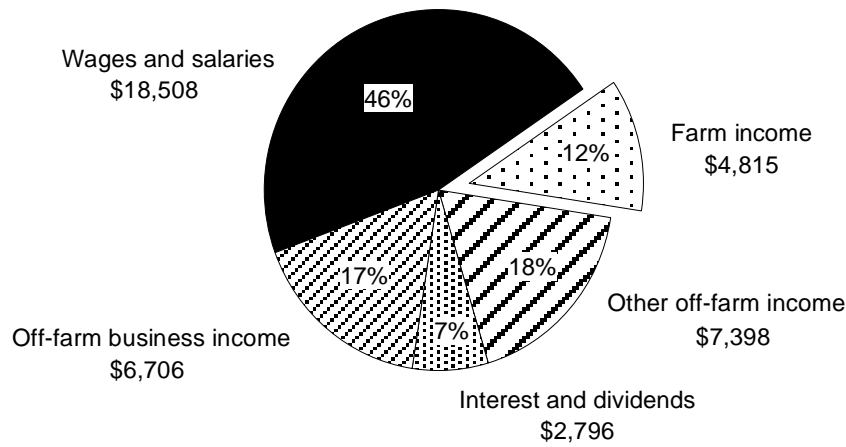


Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey.

Figure 20

**Sources of income for average farm operator household, 1993**

*Because so many farm households depend on off-farm jobs and income, average farm income accounts for only 12 percent of total household income*



Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey.

**Table 10—Farm operator households and household income, by selected characteristics, 1993**

Item	Households		Mean household income		Share from off-farm sources <sup>1</sup>		Percent of U.S. average household income <sup>2</sup>
	<i>Number</i>	<i>RSE</i> <sup>3</sup>	<i>Dollars</i>	<i>RSE</i> <sup>3</sup>	<i>Percent</i>	<i>RSE</i> <sup>3</sup>	<i>Percent</i>
All operator households	2,035,692	2.3	40,223	2.8	88	1.4	97
Sales class of farm:							
Noncommercial	1,498,460	3.1	35,597	3.3	108	1.0	86
Commercial	537,232	2.1	53,124	5.2	51	5.2	128
Small	206,402	4.8	39,662	15.1	81	4.7	96
Lower medium	221,184	3.3	42,968	4.9	51	6.0	104
Upper medium	68,278	5.3	66,008	6.3	39	9.3	159
Large and superlarge <sup>4</sup>	41,368	5.7	153,328	10.3	21	13.1	370
Organization of farm:							
Individual	1,859,231	2.5	38,530	3.1	91	1.3	93
Partnership	124,399	6.9	54,094	7.7	71	5.4	131
Family corporation	52,062	9.3	67,546	13.3	54	13.4	163
Type of farm: <sup>5</sup>							
Cash grains	348,418	3.9	38,682	4.1	74	3.3	93
Other crops	486,896	5.5	46,420	6.1	85	3.0	112
Beef, hogs, or sheep	957,000	3.7	36,958	3.7	100	1.7	89
Dairy	138,466	4.9	40,191	6.7	37	8.0	97
Other livestock	104,911	11.6	46,397	24.7	107	5.1	112
Major farming region:							
Northeast	142,268	6.3	35,388	5.6	95	3.4	85
Lake States	217,029	7.3	35,029	7.3	86	5.0	85
Corn Belt	414,888	4.8	38,586	4.5	82	2.7	93
Northern Plains	186,629	7.8	36,373	8.3	74	5.5	88
Appalachian	297,925	6.2	38,603	11.7	97	1.9	93
Southeast	153,015	7.0	46,972	12.9	95	4.9	113
Delta	113,563	9.5	34,833	11.8	100	7.3	84
Southern Plains	249,758	7.3	43,313	7.9	96	3.7	105
Mountain	114,644	9.3	39,977	7.7	84	4.9	96
Pacific	145,973	12.4	57,564	8.3	77	7.6	139
Operator's occupation:							
Farming	919,044	2.4	36,117	3.4	61	3.3	87
Other occupation	769,237	4.4	51,322	4.7	107	1.0	124
Retired	347,410	7.3	26,507	7.6	101	1.7	64
Operator's age:							
Less than 35 years	180,401	7.0	33,085	8.0	77	6.6	80
35-44 years	394,137	4.8	41,934	4.1	81	3.6	101
45-54 years	471,458	5.1	52,125	7.0	91	2.5	126
55-64 years	433,343	5.0	45,390	4.9	87	2.7	110
65 years or older	556,352	5.0	27,214	5.2	96	2.1	66
Operator's education:							
Less than high school	472,721	5.4	24,548	6.3	92	3.6	59
High school	840,573	3.6	36,819	3.1	86	2.0	89
Some college	412,779	5.9	47,833	7.5	86	2.9	115
College	309,618	5.1	63,250	6.2	90	3.1	153

<sup>1</sup>Income from off-farm sources can be more than 100 percent of total household income if farm income is negative.

<sup>2</sup>Mean household income divided by U.S. mean household income (\$41,428) from the Current Population Survey (U.S. Dept. Comm., Bur. Cen., 1995).

<sup>3</sup>The relative standard error (RSE) provides the means of evaluating the survey results. A smaller RSE indicates greater reliability of the estimate. For more information, see the box on data sources or appendix B.

<sup>4</sup>The large and superlarge categories were combined due to sample size considerations.

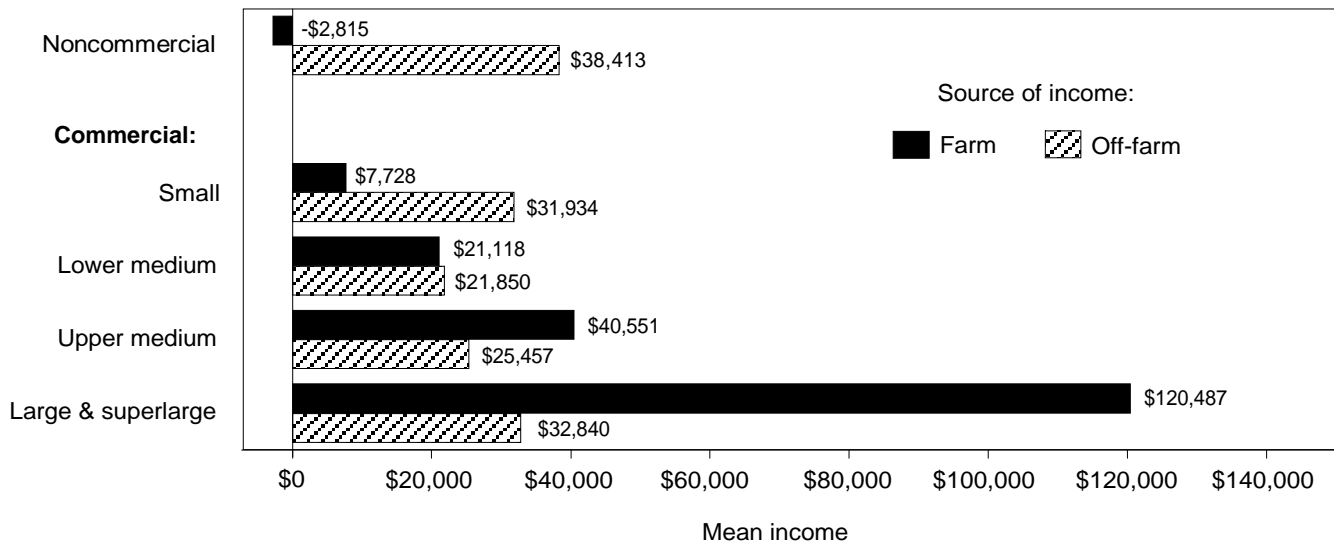
<sup>5</sup>Five categories were used rather than ten due to sample size considerations.

Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey. Data are from the farm operator household subset of the FCRS. See text for more information.

Figure 21

### Mean income by source for farm operator households, by farm size category, 1993

On average, households with small farms are very dependent on off-farm income, while households with large farms depend more on farm income



Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey.

negative farm income, and off-farm income accounted for 108 percent of total income. These generally were not low-income households, because their average household income was 86 percent of U.S. average household income in 1993.

For households with commercial operations, farm income made an important positive contribution to total household income, accounting for half of total household income. The average income of \$53,100 for commercial farm households in 1993 was significantly higher than the average of \$35,600 for noncommercial farm households, and the average of \$41,400 for U.S. households overall.

Among households with commercial farms, dependence on off-farm income decreased as farm size increased. Households running large and superlarge farms had the highest average household income at \$153,300, and only 21 percent of their household income was from off-farm sources. Households with farms in the upper medium category had the next highest average household income, with farm income the dominant source. Most of the apparent differences in average household income among farms in the smaller commercial and noncommercial size categories were not statistically significant.

**Organization of farm.** About 91 percent of farm operator households were associated with farms legally organized as individual proprietorships. Households associated with partnerships (6 percent) or family corporations (3 percent), however, had significantly higher average household income, reflecting differences in farm size (table 10). Average household income for both of these groups also exceeded the U.S. average for 1993.

Households in all three groups had, on average, similar amounts of off-farm income. But, off-farm income represented only 54 percent of total household income for operator households with family corporations, and only 71 percent for operator households with partnerships, compared with 91 percent for households with individual proprietorships.

**Type of farm.** Average household income did not vary significantly among the different farm types, except that households with farms in the "other crop" category had higher average household income than households with beef, hog, or sheep farms (table 10). However, dependence on off-farm income varied among farm types,<sup>12</sup>

<sup>12</sup> Percent of income from off-farm sources did not differ by a statistically significant amount between beef, hog, or sheep farms and other livestock farms

because different types of farms have different labor and management requirements.

Households with dairy farms, for example, were the least dependent on off-farm income. Dairy farms are labor-intensive, limiting the hours that operators and other household members can devote to off-farm jobs (fig. 22). In 1993, dairy farms had the highest average hours worked by both operators and their spouses.

Other commodity specializations require less labor. For example, almost half of farm operator households had beef, hog, or sheep farms, which are generally less labor intensive. On average, off-farm income accounted for all of these households' income in 1993 (table 10). As mentioned earlier, the beef, hog, or sheep category is largely made up of cattle farms, which often have relatively flexible labor requirements that fit well with an off-farm job or retirement.

**Region.** Farm operator households in every region relied heavily on off-farm income. Differences in average farm operator household income among the 10 major farming regions were not significantly different, with the exception of the comparatively high average for the Pacific Region (table 10).<sup>13</sup> The average income

of \$57,600 for farm households in the Pacific Region was also significantly higher than the average for operator households overall.

### Variation by Operator Characteristics

**Operator's occupation.** Approximately 45 percent of operators reported farm or ranch work as their major occupation in 1993 (table 10). Their average household income was lower than the average for farm households overall, and their share of income from off-farm sources was lower.

The comparatively low average household income for operators reporting farm or ranch work as their major occupation resulted more from low off-farm income than from low farm income. Average income from farming for these households was \$13,900, while operators reporting they were retired or had another occupation lost money farming. However, income from off-farm sources offset negative farm income for those two groups. As a result, more than 100 percent of their household income came from off-farm sources.

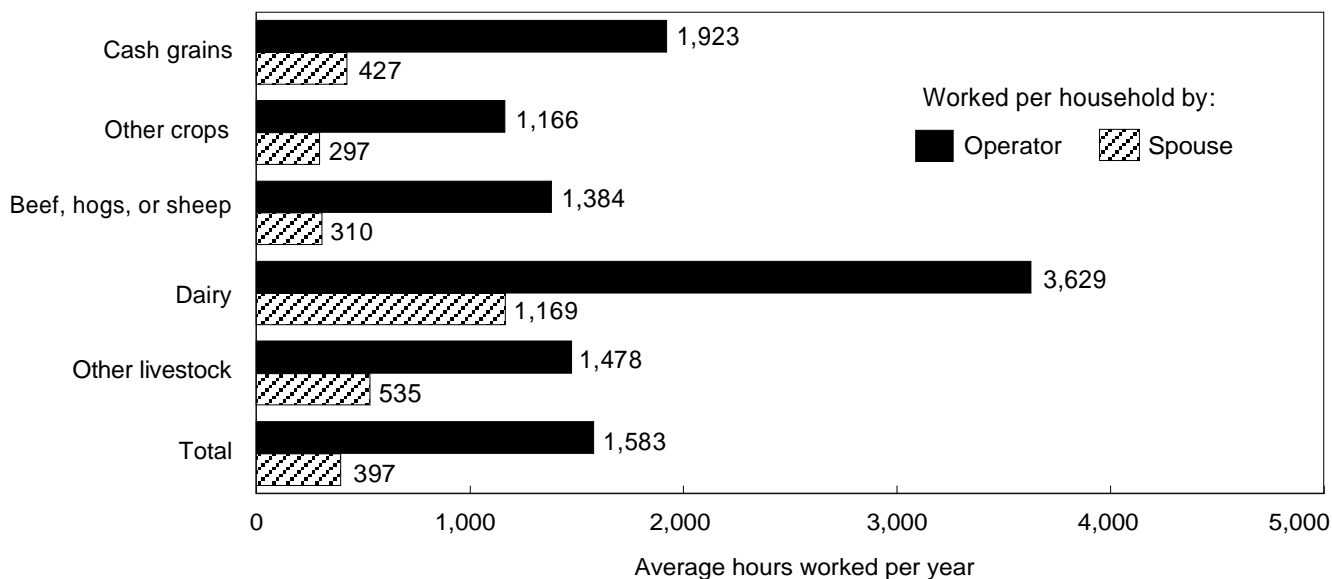
Among the occupational categories, operators in the "other occupation" category had the highest average household income. This was the only occupational category for which average household income exceeded the average for all U.S. households.

<sup>13</sup>The difference between the Pacific Region and the Southern Plains was significant at the 90-percent level.

Figure 22

### Average hours worked per year onfarm by farm operators and their spouses, by type of farm, 1993

Average hours worked for both operators and spouses was highest on dairy farms



Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey, Farm Operator Resource version.

**Operator's age.** As with all U.S. households, the average income of farm operator households varied with householder age (table 10). Average income for farm households, however, was similar to the corresponding average for U.S. households with heads the same age. For example, farm households with an operator at least 65 years old had an average household income of \$27,200, which was similar to the \$26,000 average for all U.S. households with a householder the same age.

Farm operators, were, on average, older (54 years) than the average householder (48 years), reflecting the higher percentage of operators over the age of 65. Twenty-seven percent of operators were 65 years old or older in 1993, compared with only 21 percent of all U.S. householders. Because farm operators do not generally have a required retirement age, older operators often choose to reduce their farming activities and farm on a smaller scale, thus delaying full retirement. This is reflected in the composition of these households' income, 96 percent of which came from nonfarm sources.

**Operator's education.** Average household income tends to increase with the level of education attained by the household head. Households of farm operators who reported some college or a college education had average income above that of all operator households, while those with high school or less had below-average incomes (table 10). These differences related mostly to differences in average off-farm income, which increased consistently with education.

Only 15 percent of the farm operators reported obtaining a 4-year college degree, compared with 24 percent

of all U.S. householders. Their average household income, however, was comparable to that of similarly educated U.S. householders.

### Farm Dependency Categories

To summarize the variation that exists in farm households' dependence on farming, farm operator households were grouped into categories based on the ratio of their farm income to total household income. Six categories of farm operator households were created: five with positive household income and a sixth with negative household income (table 11).

Based on this classification, most households were not heavily dependent on farm income and the largest number of households were classified in the lowest farm dependency category, with positive household income and a loss from farming. These households had an average household income of \$38,500 in 1993.

Households most dependent on farm income, those with 75 percent or more of their income from farming, accounted for only 11 percent of farm households. These households had the highest average household income, \$68,600.

Households with negative household income accounted for 7 percent of the households, and their average household income was -\$28,400. The farms operated by these households were generally larger than average in terms of average gross cash income and average acres operated (app. tables 19 and 20). Large farms can have a bad year.

**Table 11—Farm operator households and household income, by farm dependency category, 1993**

Farm dependency category	Households		Mean household income		Percent of U.S. average household income <sup>1</sup>
	Number	RSE <sup>2</sup>	Dollars	RSE <sup>2</sup>	Percent
All operator households	2,035,692	2.3	40,223	2.8	97
Positive household income and:					
Loss from farming	981,229	4.0	38,460	4.1	93
0-24 percent from farming	400,130	5.4	49,574	7.0	120
25-49 percent from farming	158,635	6.1	44,617	5.5	108
50-74 percent from farming	112,684	6.6	50,248	4.4	121
75 percent or more from farming	231,340	4.0	68,611	4.5	166
Negative household income	151,674	7.0	-28,383	8.6	nc

Note: nc=not computed.

<sup>1</sup>Mean household income divided by U.S. mean household income (\$41,428).

<sup>2</sup>The relative standard error (RSE) provides the means of evaluating the survey results. A smaller RSE indicates greater reliability of the estimate. For more information, see the box on data sources or appendix B.

Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey. Data are from the farm operator household subset of the FCRS. See text for more information.

## Economic Satisfaction

In the 1993 survey, farm operators were asked about their levels of satisfaction with four components of their income and their overall standard of living:

- Farming/ranching as a source of income
- Off-farm work as a source of income
- Other off-farm income, such as pensions, Social Security, investment income, etc.
- Standard of living (housing, car, furniture, recreation, etc.).

Responses were coded on a scale of 1 to 5:

- 1 = Very satisfied
- 2 = Somewhat satisfied
- 3 = Undecided
- 4 = Somewhat dissatisfied
- 5 = Very dissatisfied.

The average total score for all farm operators was 2.3, indicating that farmers were slightly less than “somewhat satisfied” (table 12). At the U.S. level, farm operators expressed the highest levels of satisfaction with their standard of living, with an average score of 1.7. Of those responding, 48 percent indicated that they were very satisfied, and 39 percent indicated that they were somewhat satisfied with their standard of living (fig. 23).

The highest levels of dissatisfaction were expressed with farming/ranching as a source of income, with an average score of 2.8 (table 12) and with more than one-third of the respondents indicating that they were either very or somewhat dissatisfied (fig. 23). The next highest levels of dissatisfaction were with off-farm work and other off-farm income as a source of income, which received average scores of 2.2 and 2.5, respectively (table 12). But, only a small share of respondents expressed dissatisfaction with either component (fig. 23).

Farm operators in the highest farm dependency and negative household income categories expressed higher than average levels of overall dissatisfaction with their overall economic situation (table 12). Farmers in the negative household income category expressed significantly higher levels of dissatisfaction than average with off-farm work as a source of income and with their overall standard of living. Farmers in the highest dependency categories reported above-average levels of satisfaction with farming as a source of income. But, they were significantly more dissatisfied with off-farm work as a source of income.

## Making a Living Farming

The majority of farm operator households do not make enough farm income to rely on it alone for a comfortable living. However, some operator households receive farm income near or above the average household income for all U.S. households. Examining the characteristics of these operator households gives an idea of the types of farms that can provide an income equal to the average for all U.S. households, without reliance on off-farm jobs or income (table 13).

Three groups were defined according to whether the household’s income from farming alone in 1993 was below, about equal to, or above the average U.S. household income for the year. “About equal to the U.S. average” was defined as \$35,000 to \$49,999. This income range was selected because it was consistent with published Census Bureau income categories, and because it included the U.S. average household income of \$41,400 for 1993.

In 1993, there were approximately 64,000 farm operator households (3.1 percent of all farm operator households) whose farm income alone was about equal to the average U.S. total household income. These farm operator households’ average total household income was almost \$60,000, because they received substantial amounts of off-farm income in addition to their large farm income. An additional 5 percent of farm operator households had income in excess of \$49,999.

Farm operator households in the two groups with farm income more than \$35,000 were associated with medium- to large-size commercial farms. These farms were more likely to be partnerships or family corporations than the farms of households with less than \$35,000 in farm income. Farm operator households with farm income in excess of \$35,000 were also more likely to operate cash grain and dairy farms, and less likely to operate beef, hog, or sheep farms.

There also were regional differences among the three groups. Farm operator households with farm income about equal to the U.S. average household income were more likely to be located in the Lake States than households in the other two groups. Farm operator households with farm income below the U.S. average household income were more likely than households in the other two groups to be in the Appalachian Region, while those with farm income above the U.S. average were more likely than households in the other two groups to be in the Pacific Region.

**Table 12—Operator satisfaction with household economic situation, by farm dependency category, 1993**

Farm dependency category	Farming as source of income		Off-farm job as source of income		Other off-farm income		Standard of living		Total score	
	Average score <sup>1</sup>	RSE <sup>2</sup>	Average score <sup>1</sup>	RSE <sup>2</sup>	Average score <sup>1</sup>	RSE <sup>2</sup>	Average score <sup>1</sup>	RSE <sup>2</sup>	Average score <sup>1</sup>	RSE <sup>2</sup>
All operator households	2.8	1.5	2.2	1.4	2.5	1.2	1.7	1.7	2.3	0.9
Positive household income and:										
Loss from farming	3.0	2.0	2.0	2.3	2.5	1.8	1.7	2.4	2.3	1.4
0-24 percent from farming	2.8	3.2	2.2	3.2	2.4	2.9	1.7	3.5	2.3	2.1
25-49 percent from farming	2.4	5.9	2.6	4.3	2.6	3.6	1.7	7.1	2.3	3.8
50-74 percent from farming	2.4	5.7	2.6	3.9	2.4	4.7	2.0	10.5	2.3	3.5
75 percent or more from farming	2.3	4.2	2.7	2.4	2.8	2.4	1.9	3.4	2.4	2.1
Negative household income	2.9	5.8	2.5	4.5	2.6	3.9	2.1	6.1	2.6	3.8

<sup>1</sup>Computed as the average of scores ranging from 1 (very satisfied) to 5 (very dissatisfied).

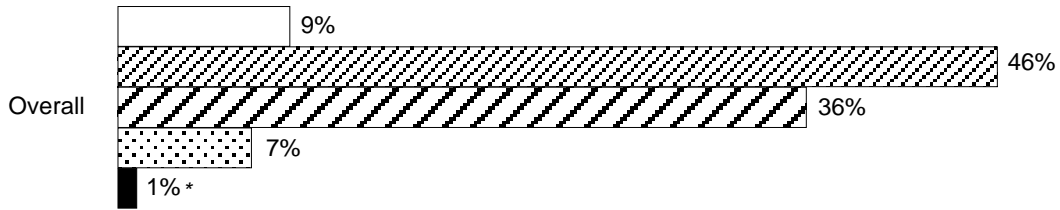
<sup>2</sup>The relative standard error (RSE) provides the means of evaluating the survey results. A smaller RSE indicates greater reliability of the estimate. For more information, see the box on data sources or appendix B. Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey. Data are from the farm operator household subset of the FCRS. See text for more information. Only the Farm Operator Resource version collected information on operator satisfaction.



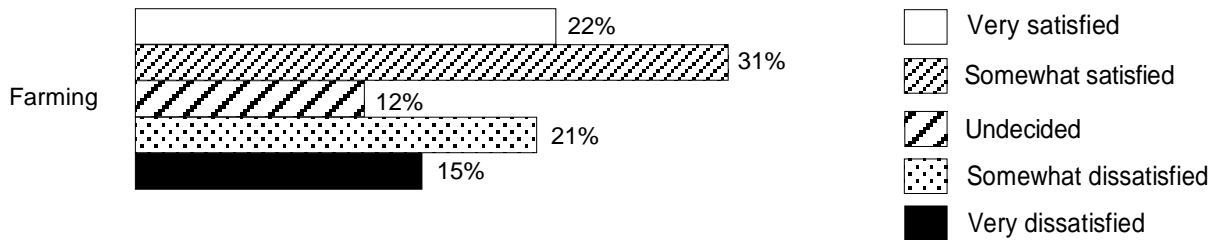
Figure 23

### Levels of satisfaction with income components, 1993

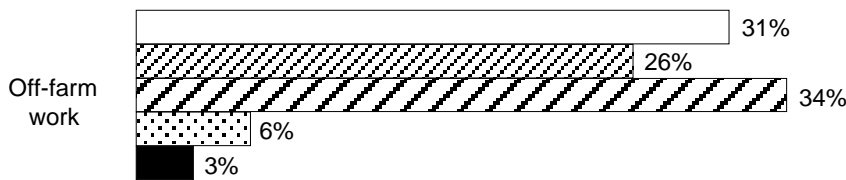
The largest share of respondents to all four questions relating to satisfaction with their income components was, overall, somewhat satisfied



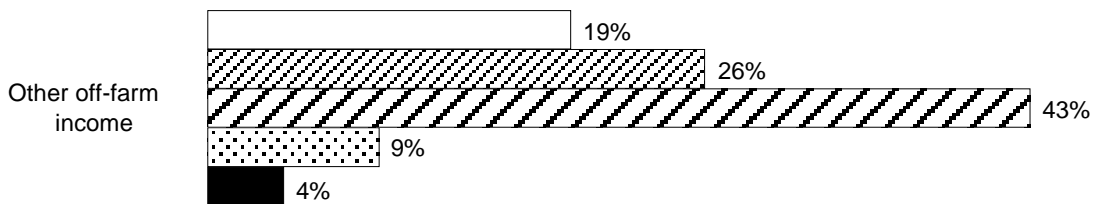
More than one-third of respondents expressed that they were either very or somewhat dissatisfied with farming as a source of income



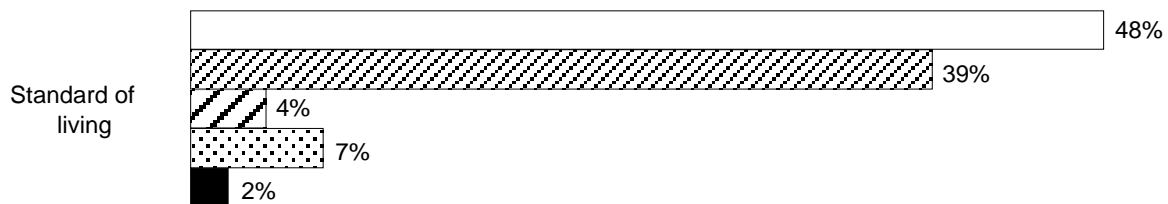
Only about one out of every ten respondents expressed dissatisfaction with off-farm work as a source of income



Dissatisfaction with other off-farm income, such as pensions, Social Security, and investments was also comparatively low



Satisfaction with standard of living, considering such items as housing, car, furniture, and recreation, was expressed by most respondents



\*Relative standard error is greater than 25 percent.

Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey, Farm Operator Resource version.

**Table 13—Household income and selected characteristics, for farm operator households receiving farm income below, about equal to, or above the average income for all U.S. households, 1993<sup>1</sup>**

Item	Farm income to the household					
	Below U.S. average		About equal to U.S. average (\$35,000 - \$49,999)		Above U.S. average	
	<i>Estimate</i>	<i>RSE</i> <sup>2</sup>	<i>Estimate</i>	<i>RSE</i> <sup>2</sup>	<i>Estimate</i>	<i>RSE</i> <sup>2</sup>
Number of operator households	1,867,742	2.6	63,979	6.9	103,971	4.9
Percent of operator households	91.7	2.6	3.1	6.9	5.1	4.9
<i>Dollars per household</i>						
Operator household income	33,203	3.5	59,601	3.0	154,403	3.7
Farm income	-3,280	10.4	41,384	0.7	127,726	4.0
Off-farm income	36,483	3.2	18,217	9.6	26,677	9.6
<i>Percent of households</i>						
Households with off-farm income	95.6	0.3	87.6	2.4	81.1	2.4
Sales class of farm:						
Noncommercial	79.6	3.1	d	na	d	na
Commercial	20.4	2.9	d	na	d	na
Small	9.8	5.2	d	na	d	na
Lower medium	8.0	4.3	49.8	8.9	37.6	8.4
Upper medium	1.7	7.7	14.0	15.1	26.9	8.9
Large and superlarge <sup>3</sup>	0.8	11.3	4.6	21.1	22.3	6.8
Organization of farm:						
Individual	92.5	2.7	82.3	7.9	75.3	5.8
Partnership	5.5	8.1	10.5	18.2	13.9	12.0
Family corporation	1.9	12.0	7.2	21.2	10.8	17.0
Type of farm: <sup>4</sup>						
Cash grains	15.7	4.6	36.0	12.3	30.2	8.6
Other crops	23.9	5.9	15.6	16.3	30.2	10.0
Beef, hogs, or sheep	49.3	3.9	23.3	15.4	21.3	12.6
Dairy	5.8	6.1	21.6	14.4	16.0	7.9
Other livestock	5.4	12.1	3.5	25.1	2.3	26.9
Major farming region:						
Northeast	7.2	6.8	4.8	19.4	5.0	13.2
Lake States	10.6	7.9	17.5	19.0	8.4	13.9
Corn Belt	20.0	5.4	26.7	14.4	23.5	10.0
Northern Plains	8.8	8.9	18.7	16.2	10.5	12.6
Appalachian	15.3	6.4	7.3	21.9	6.3	13.7
Southeast	7.7	7.4	3.8	23.8	7.3	23.3
Delta	5.7	10.2	3.2	31.2	4.9	15.4
Southern Plains	12.6	7.8	6.4	25.5	9.5	17.4
Mountain	5.5	10.4	6.6	23.5	8.1	13.8
Pacific	6.7	14.2	4.9	30.8	16.4	16.0

Note: d=Data insufficient for disclosure. In some categories with sufficient data, estimates are not provided to prevent disclosure in categories with insufficient data. na=not applicable.

<sup>1</sup>In this table, farm operator households are classified by their farm income relative to U.S. mean household income (\$41,428) from the Current Population Survey (U.S. Dept. Comm., Bur. Cen., 1995). See text for more detail.

<sup>2</sup>The relative standard error (RSE) provides the means of evaluating the survey results. A smaller RSE indicates greater reliability of the estimate. For more information, see the box on data sources or appendix B.

<sup>3</sup>The large and superlarge categories were combined due to sample size considerations.

<sup>4</sup>Five categories were used rather than ten because of sample size considerations.

Source: Economic Research Service, compiled from the 1993 Farm Costs and Returns Survey. Data are from the farm operator household subset of the FCRS. See text for more information.