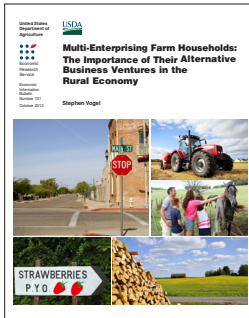


ERS *Report Summary*

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of an ERS report.

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Multi-Enterprising Farm Households: The Importance of Their Alternative Business Ventures in the Rural Economy

Stephen Vogel

What Is the Issue?

Farm operators and their households have a choice in how their entrepreneurial and managerial skills are used to earn business income. They can focus on traditional commodity production, use farm resources to produce other (noncommodity) goods and services, or operate an off-farm business in addition to their onfarm activities. Close to a third of U.S. farm households generate income by engaging in off-farm business ventures and onfarm activities independent of commodity production. The latter, referred to as onfarm diversification activities, range from operating agritourism ventures to supplying forest products to selling output at farmers' markets. Farm operators also may own off-farm businesses, which face fluctuating conditions in the economy. Average off-farm business income earned by farm households was \$63,800 in 2001, peaked at \$76,800 in 2006, and fell to \$42,700 in 2008.

What Did the Study Find?

In 2007, close to a third of all U.S. farm households—or 686,600 farm households—engaged in 791,000 income-generating activities distinct from commodity production, creating \$26.7 billion in household income. Onfarm diversification activities and off-farm business ventures each accounted for about half of these income-generating activities, but off-farm businesses had the largest impact on the local economy by generating about 80 percent of total noncommodity business income earned by farm households.

The farms operated by households engaged in alternative (i.e., noncommodity) entrepreneurial activities produced almost 40 percent of the total value of U.S. agricultural production in 2007. This suggests that households associated with farms of all sizes engage in alternative entrepreneurial activities, not just those associated with “part-time” or “hobby” farms.

Over 290,000 farm households engaged only in onfarm diversification activities in 2007, earning approximately \$14,400 per farm from these activities. Custom work, direct-to-consumer sales of local foods, and agritourism activities like pick-your-own operations accounted for almost 90 percent of the total amount of income earned from onfarm diversification activities. The type of commodities grown on the farm and the farm's location relative to urban markets influenced participation in these activities. Farm households engaged in onfarm diversification devoted almost 50 percent more operator work time to the farm than did farm households not engaged in such activities.

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Onfarm diversifying households tended to operate larger farms, averaging over 660 acres, and were twice the average size of farms not engaged in any alternative entrepreneurial activity. Farm households engaged in onfarm diversification appeared to use their larger physical asset base more intensively to support their onfarm business ventures.

In 2007, 395,600 U.S. farm households operated an off-farm business. Multi-enterprise farm households typically earn incomes above those of farm households not engaged in these activities; portfolio entrepreneur households—those operating off-farm businesses in addition to their farms—earned incomes (\$140,200 per year) nearly twice the average for farm households not engaged in alternative income-generating business activities (\$72,610) in 2007.

Off-farm businesses operated by farm households generate strong links to the nonfarm economy. In 2007, off-farm businesses generated \$21.6 billion in profits based on estimated sales of \$111.6 billion, contributed an estimated \$54.6 billion in value-added income to the gross regional products of their local economies, and paid out \$24.5 billion in wages and salaries to 853,100 part-time and full-time employees. Excluding sole proprietors, off-farm businesses employed six workers, on average, from local nonfarm labor markets.

The share of a nonmetro county's employed labor force linked to farm household-operated businesses increases at greater distances from an urban core. In 2007, jobs directly linked to such off-farm businesses accounted for 0.2 percent of the employed labor force in metro counties, 1.6 percent in micropolitan counties (urban populations of 10,000-50,000), and almost 2.4 percent of employment in noncore counties (urban centers of less than 10,000).

How Was the Study Conducted?

Most of the data in this report came from the 2007 Agricultural Resource Management Survey (ARMS), which was supplemented with data from earlier and subsequent ARMS, and from the 2007 Census of Agriculture. ARMS is a detailed, annual survey of farm businesses and associated households conducted jointly by the U.S. Department of Agriculture's Economic Research Service (ERS) and National Agricultural Statistics Service (NASS). This report also uses the direct coefficients of the 2002 benchmark input-output tables published by the U.S. Department of Commerce's Bureau of Economic Analysis.