

ERS *Report Summary*

Economic Research Service

February 2010

U.S. Department of Agriculture

Small Farms in the United States
Persistence Under Pressure



This is a summary
of an ERS report.

Find the full report at
[www.ers.usda.gov/
publications/eib63](http://www.ers.usda.gov/publications/eib63)

Small Farms in the United States: Persistence Under Pressure

Robert A. Hoppe, James M. MacDonald, and Penni Korb

Small farms—defined here as those with gross cash farm income (GCFI) less than \$250,000—range from retirement and residential farms with little or no output to commercially oriented farms with operators employed full-time in agriculture. At the lower end of the small-farm size spectrum, farm households rely heavily on earnings from off-farm work or on retirement income. At the upper end of the spectrum, farm households earn more from farming. A few commodities—beef cattle, hay, poultry, and grain/soybeans—account for most small-farm production.

What Is the Issue?

Small farms account for 91 percent of all farms and 23 percent of agricultural production. There are large differences among small farms, however, because USDA statistics are based on a very broad farm definition. Most small-farm production occurs on small commercial farms with GCFI of at least \$10,000. Most places counted as small farms, however, are much smaller than that—60 percent of small farms have GCFI of less than \$10,000, and 22 percent have less than \$1,000. While there are good reasons to maintain a broad farm definition, statistics based only on that definition obscure the performance of small commercial farms. This report examines the differences between small and large farms and—among small farms—distinguishes between noncommercial farms (GCFI of less than \$10,000) and small commercial farms (GCFI of \$10,000-\$249,999).

What Did the Study Find?

U.S. farm production continues to shift to larger operations, while the number of small commercial farms and their share of farm sales continue a long-term decline. Larger farms have competitive advantages over smaller farms in most commodities, reflecting economies of size in farming. Nevertheless, about 800,000 of the 2.2 million U.S. farms in 2007 were small commercial farm operations. Their total production—\$65 billion in 2007—was greater than the total agricultural production from all farms in the Corn Belt States.

Product mix. Small commercial farms have a product mix distinctly different from that of larger farms: small commercial farms focus on commodities that do not necessarily require a full-time commitment of labor—poultry, beef (generally cow/calf or stocker enterprises), hay, and grain/soybeans. High-value crops (vegetables, fruits and tree nuts, and nursery and greenhouse products) and dairy play a minor role in farm production on small commercial farms, but make up 44 percent of production on very large farms (GCFI of at least \$1 million).

Farm finances. Average small-farm financial performance lags well behind that of large farms, suggesting that production will continue to shift to larger operations. Financial performance

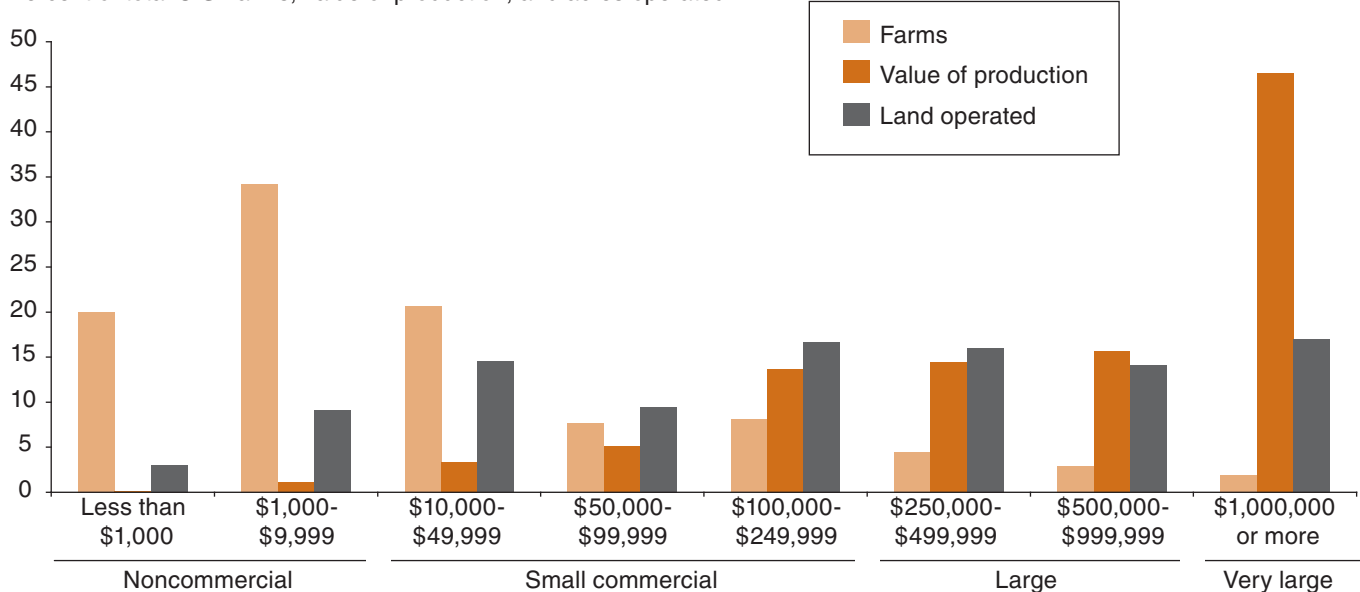
ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

www.ers.usda.gov

Distribution of farms, value of production, and land operated, by GCFI class, 2007

Most small farms produce little, while very large farms account for nearly half of production

Percent of total U.S. farms, value of production, and acres operated



GCFI=Gross cash farm income.

Source: ERS calculations based on USDA's 2007 Agricultural Resource Management Survey, Phase III, conducted by the National Agricultural Statistics Service and the Economic Research Service.

among small farms varies, however, and many are quite profitable. Other small farms, particularly very small ones, will remain in business in spite of financial losses because their operators have other sources of income and operate the farm for reasons other than profit.

Household income and wealth. Small-farm households depend heavily on off-farm income, and the nonfarm economy is important to them. Because of their off-farm income, median household income for small-farm households is comparable with the median income for all U.S. households. Farm households, regardless of the size of their farms, tend to have a high net worth, with their farms accounting for most of that value. Ninety-four percent of farm households in 2007 had a net worth equal to or greater than the median for all U.S. households.

Longrun changes. The number of very large farms grew rapidly between 1982 and 2007, according to the census of agriculture, while the number of small commercial farms declined. The share of sales by very large farms also grew substantially, from 27 to 59 percent. The 2007 census reported more noncommercial farms than prior censuses, and they now account for well over half of all farms. The increase in noncommercial farms, however, coincides with greater efforts by the USDA to count all small farms in the census.

The future? Because larger farms realize higher than average financial returns and because many operators of small commercial farms are over 65 years old—especially those with GCFI of less than \$100,000—competitive forces will likely continue to reduce the number of small commercial farms and shift production to larger farms. The number of noncommercial farms is less likely to fall. In some respects, noncommercial farms exist independently of the farm economy, so competition from larger farms is less likely to reduce their numbers.

How Was the Study Conducted?

Most of the data in this report are from the 2007 Agricultural Resource Management Survey (ARMS). The 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). The report also uses data from the 1982, 1987, 1992, 1997, and 2007 Censuses of Agriculture to follow the shift in sales to very large farms.