

Farm Household Study Reveals Changing Farm Family Status



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The USDA Economic Research Service recently reported on the well being of farm operator households emphasizing that the financial picture is not the same as the financial performance of the farm businesses because of the interests of landlords, contractors, and others outside the farm household.

In studying households of principal operators of family farms, the USDA economists used the USDA definition of a farm. So the majority of these farms are small farms and one where the majority of the farm business ownership is held by related individuals. So in 2006 about 96 percent of all farms were family farms.

Farm program payments. Less than half of all farms receive farm payments from commodity or conservation programs. And two-thirds of those that receive payments receive less than \$10,000 – a relatively small amount of income compared to their other income sources and their wealth position. Most farms are family farms, and small family farms account for most farms but produce a modest share of farm output.

Labor on and off the farm. One of the major choices that affects financial well being is how farm operators and their spouses allocate their labor to farm and off-farm work. Farming is not a single career choice for most farm households. Off-farm employment is increasingly common for both farm operators and their spouses. Farm operators and spouses work in a variety of business types.

Age and income. More than one-quarter of farm operators are age 65 or older. The average of all U. S. heads of households is much younger. One reasons for the age structure of farmers is the farm's status as the family home. More than 20 percent of farm operators report they are retired. They adjust to farming by operating their farms at a smaller scale or participating in the Conservation Reserve Program.

Education status. The education level of farm operators is very similar to a profile of all U. S. householders. The highest education level for the majority of farmers and U. S. householders is to graduate from high school and perhaps a few years of college. Only about one-quarter graduate from college with a four year degree or more. This similar degree of educational attainment of farm operators and all U. S. householders is a relatively new situation compared with the 1960s when only 4 percent of farmers had graduated from college. While some may consider formal education less important for a

farmer than for other occupations because much of a farmer's skills are gained through experience, formal education attained contributes to a farmer's ability of adapt to the changing agricultural marketplace and adopt new farming practices. Higher education is also financially rewarding for the majority of farmers who are employed in the nonfarm economy.

Farm operator gender. Although most farm operators are men, about 10 percent of principal farm operators are women. This figure represents a significant increase from 25 years ago when less than 5 percent were women. Women generally operate farms that are smaller than average, and over the past 20 years have diversified their operations that include not only cattle, but also horses, aquaculture, and fur bearing animals.

Labor allocation. Farming is not the single, nor even primary, career choice for most farm households. Off farm activity may take more of their time than their farm work In about one-third of farm operator households. Both the operator and spouse work off the farm. Farm spouses are just as likely to allocate time to off farm work as are operators. How farm operators and spouses allocate their time is what they consider to be their major occupation or the work activity in which they allocate the majority of their work time. Operators were just as likely to identify nonfarm work as their major occupation as they were farming or ranching. Spouses were most likely to identify nonfarm work as their major occupation, although about one-third indicated they did not work outside the home.

This information about farm households raises the question: What should be the definition of a farm? Currently the agricultural census defines a farm as any operation producing at least \$1000 worth of products. Should the USDA only identify farms as operations where the operator's principal occupation is farming and increase the minimum amount of production? Should those living on property in rural areas whose principal occupation is not farming and producing a limited amount of agricultural products be counted only as rural residents? Since many states receive federal benefits based on the number of farms, agricultural officials in many states would oppose any changes in the definition that would decrease farm numbers.

As we study these reports on farm households, the main point to remember is that the reports on farm income are different from the financial situation of individual farm households where part or most of the income comes from off-farm employment. Δ

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