

Still Waiting for the Farm Boom

Family farmers worse off despite high prices

Timothy A. Wise

Since late 2006, crop prices have risen dramatically, reversing a decades-long trend that saw persistent declines in agricultural commodities prices. U.S. Department of Agriculture officials talk regularly about boom times for U.S. farmers, citing their most recent figures on the economic performance of the farm sector. Recent reports point to records in net farm income.

But are small-to-mid-scale family farmers really benefiting from the boom? Not according to the latest of three studies by Timothy A. Wise, who has looked behind the glowing headlines on the farm sector as a whole to examine how family farmers have fared in this high-priced environment. The report was released jointly with a report from farm advocacy groups showing that credit tightened considerably for family farmers after the financial crisis.

Using readily available USDA data that breaks down the widely diverse range of working and non-working farms included in aggregate statistics, Wise shows in "Still Waiting for the Farm Boom: Family Farmers Worse Off Despite High Crop Prices" that small-to-mid-scale family farmers—those with gross sales between \$100,000 and \$250,000 per year farming an average of about 1,100 acres—have seen a decline in net farm income with high prices. Expenses have risen to gobble up higher sales revenues, and government payments have declined because some are triggered by lower prices. With the recession, off-farm income has declined dramatically, leaving family farm households worse off than they were earlier when crop prices were low.

He finds that for 2009 (the most recent year of data available), these family farmers:

- Had household incomes 28 percent below 2007 levels and 21 percent lower than the average for 2000-2006, when crop prices were considerably lower.



Photo by Joanne Paey

- Saw average earnings from farming of just \$19,274, including government payments.
- Relied on off-farm income to sustain the family, providing on average about \$35,000; but this represented a decline of 24 percent from 2007.
- Saw net cash farm income go down 18 percent from the lower price years 2000 to 2006. Farm sales were up 10 percent, but expenses increased 8 percent. An \$8,000 decline in government payments put these family farm businesses below their net incomes from the earlier period.

The largest farms, those with sales more than \$500,000 per year, accounted for 73 percent of the net cash income for the U.S. farm sector as a whole. That figure rises to 88 percent if one includes the relatively small group of "non-family" farms, those that are incorporated or operate as other types of business. These are the clear winners from high crop prices.

As in his earlier studies, Wise recommends that policy-makers and the media stop relying on only the USDA's national farm statistics, which provide a misleading picture of the farm economy in general and family farmers in particular.

For the full report, see www.ase.nifts.edu/gdae/Pubs/rp/PB11-01FarmIncomeMarch2011.pdf by Timothy A. Wise, *GDAE Policy Brief 11-01, March 2011*.

Other resources include www.farmaid.org, *GDAE*, the research institute at www.ase.nifts.edu/gdae/policy_research/USAgPolicy.html and www.ase.nifts.edu/gdae/policy_research/globalization.html.



Photo courtesy of Cascade Cuts

Cascade Cuts Plant Sale

Saturday, May 21, 9 am-4 pm

632 Montgomery Road (King Mountain neighborhood)

The Cascade Cuts wholesale nursery opens its doors to the public just one day every year as a fundraiser for Sustainable Connections' Food & Farming Program. The plant sale offers more than just plants. It's a day full of smashing bargains and delight: shoppers can hear music from local folk musicians wafting through the greenhouses as they shop, talk with local plant experts and master gardeners, and all for a great cause.

"I look forward to this sale every year. It's so much fun to search the greenhouses for unique flowers and herbs and the hanging baskets are beautiful," says Erin McCain-Anderson, events coordinator with Sustainable Connections. "The volunteers and staff are so helpful and everyone has such a great time."

Full of ornamental plants, hanging baskets galore, native plant varieties, and more; many regular shoppers wait for this sale to buy most of their plants for the year. Flower-lovers will find the walkways and greenhouses at Cascade Cuts packed with annuals and perennials familiar and unusual, in every size, color, and shape. Tucked in the greenhouse corners are intriguing oddities for view-

ing pleasure, including coffee trees, hops, and compost tea machines.

"This once-a-year opportunity to score some amazing plant bargains is just part of our enthusiasm for this event," said Shellie Desmond, who volunteers at the event with her husband John, each year. "Supporting those who support Sustainable Connections has been an important part of our lives since we moved here six years ago. Kudos to Cascade Cuts!"

Plant sale shoppers will support local farms when they buy plants because the Cascade Cuts Plant Sale is the biggest fundraiser of the year for Sustainable Connections' Food & Farming Program. This fundraiser supports the projects that connect people to local farms and Whatcom agriculture, such as the Whatcom Food & Farm Finder, the annual Whatcom County Farm Tour, and other events that celebrate the food from local farms.

Parking for the plant sale is limited - carpooling and/or alternative transportation is encouraged.

For more information, see www.sustainableconnections.org or call 360-647-7093.

2010 Family Farm Report

The majority of U.S. farms are small family farms with annual sales less than \$250,000, according to the 2010 Family Farm Report conducted by the Economic Research Service (ERS) branch of the USDA. However, even though small family operations make up 88 percent of U.S. farms, they only account for 16 percent of the country's agricultural output.

On the flip side, large-scale family farms (plus non-family farms) make up 12 percent of U.S. farms, and they account for 84 percent of the value of U.S. agricultural production. Large-scale farms are also more viable businesses than small family farms, with more positive profit margins across the board. The average operating profit margin of small farms was lower, with a few operating at higher profit margins of at least 20 percent.

Additionally, the recent farm study finds that net farm incomes are 46 percent higher in 2007 than in 2006, averaging \$35,100 per farm. Farms that have annual sales of \$1 million or more make up two percent of all U.S. farms (there are approximately 47,600 U.S. farms that are million dollar farms). Million-dollar farms account for 53 percent of the value of production and produce 60 to 70 percent of high-value crops, hogs, dairy, poultry and beef. Five-million-dollar farms account for 35 to 45 percent

of beef, milk, and high-value crops. Most million-dollar farms and five million-dollar farms are family operations.

Robert Hoppe, study co-author and an economist for the ERS, says that high-value crops, like vegetables, fruits, and dairy play a minor role on small farms, and a much more significant role (44 percent of production) on very large farms. On the other hand, small commercial farms focus on commodities that do not necessarily require a full-time commitment of labor—like poultry, beef, hay, grain, and soybeans.

Many small-farm families take on a second or third income from another source. In fact, most small farmers do not earn the majority of their income from farming. Still, small farms account for 23 percent of the value of production for cash grains and soybeans, 51 percent for hay, 34 percent for tobacco, and 22 percent for beef—all significant shares of production for these specific commodities.

Interestingly, while farming is often thought of as a rural pastime, 39 percent of farms actually exist in metropolitan areas. Also interesting is the advanced age of principal farm operators—about 28 percent are at least 65 years old. Why? Many farmers call the farm their home, which makes late retirement possible.

And farms with an older principal farmer are often multi-generational, with younger operators present as well.

"In farming, the business is also a place of residence, so it's easy for a farmer to gradually phase out over a number of years and retire later in life," says Hoppe.

From a historical perspective, the number of farms overall peaked in 1935 at 6.8 million, but then fell sharply until the early 1970s as agriculture grew in productivity, farms were consolidated, and farm operators left farming to work in the nonfarm economy. Farm numbers stabilized between the 1970s and 2007, largely due to an increase in very small farms that made up for the declines in midsized farms. Today, there are approximately 2.2 million farms in the U.S. Median farm-operator household income in 2007 was \$54,000. Net farm income averaged \$35,100 per farm in 2007, which was 46 percent higher than in 2006.

In another related report conducted earlier in 2010, "Small Farms in the United States: Persistence Under Pressure," Hoppe and his co-authors found that U.S. farm production continues to



Photo by Joanne Paey

shift to larger operations, while the number of small commercial farms and their share of farm sales continue a long-term decline. In the future, competitive forces will likely continue to reduce the number of small commercial farms and shift production to larger farms.

"New farmers have traditionally come from farming families. It is more difficult to farm on a small scale than it was in the past, but there are still people who want to get into farming that do not come from farming families, and they are doing it on a small scale. There are some farmers that like the residential lifestyle of the farm and are not necessarily in it for the profit," says Hoppe. "Farming can still be a good job."

Source: Phil Lempert's *Facts, Figures & the Future*. For the full ERS report, see www.ers.usda.gov/publications/eib66.