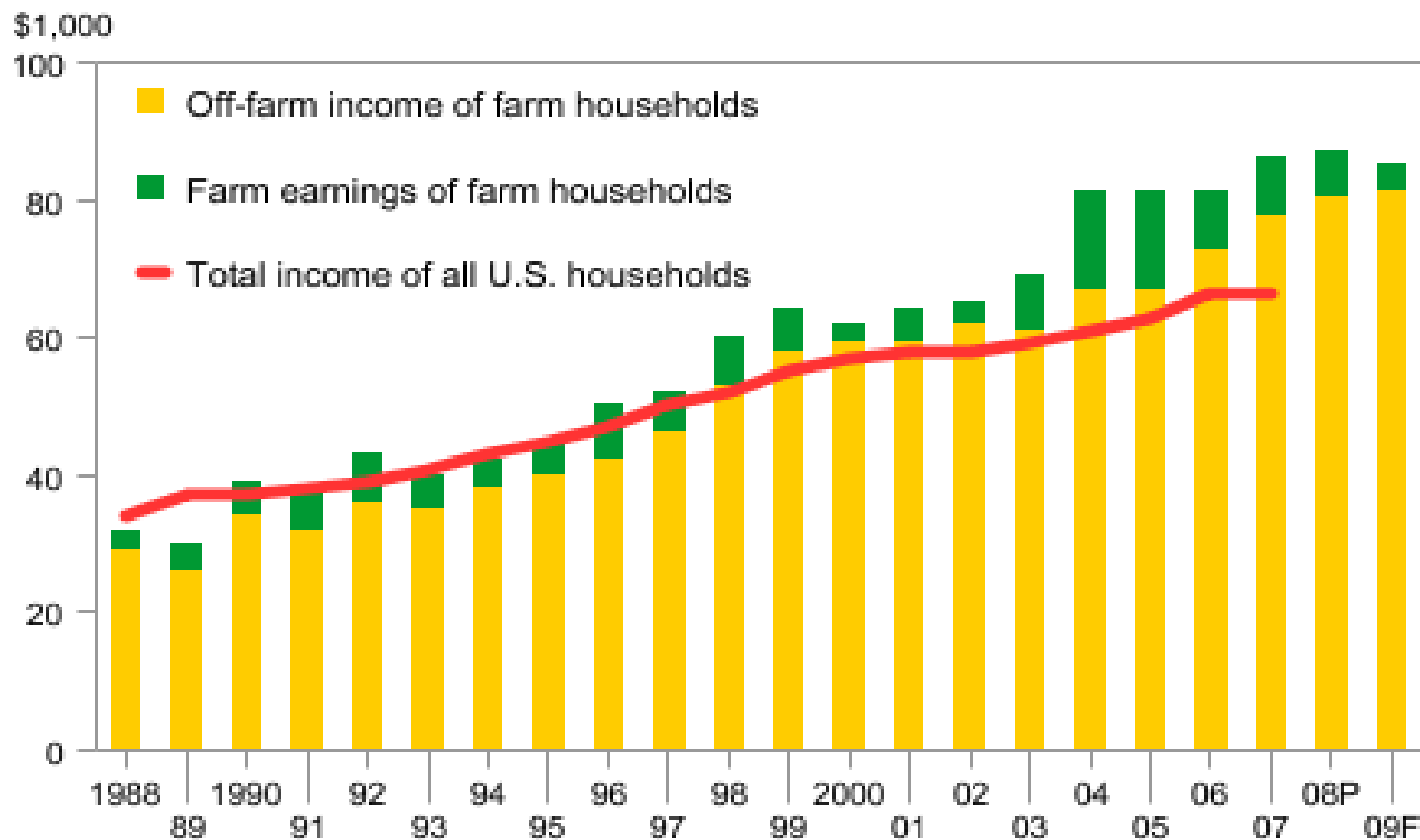

Farm Household Economic Well-Being

Mary Ahearn, Daniel Milkove, and Tim Parker
Economic Research Service, USDA
USDA Agricultural Outlook Conference,
February 26-27, 2009

Sequence of presentation

- Basic income indicator: farm household income compared to U.S. households, 1988-2009F
- Given the uncertain general economic conditions, what facts can guide our expectations about 2008 and beyond?
 - Age distribution of principal operators
 - Farm size is key determinant of economic well-being
 - Dependence on farm vs. off-farm income
 - Industries of off-farm employment opportunities
 - Other indicators: Wealth, health insurance, consumption

Average farm operator household income, by source, compared with U.S. household income, 1988-2009F



P = Preliminary. F = Forecast.

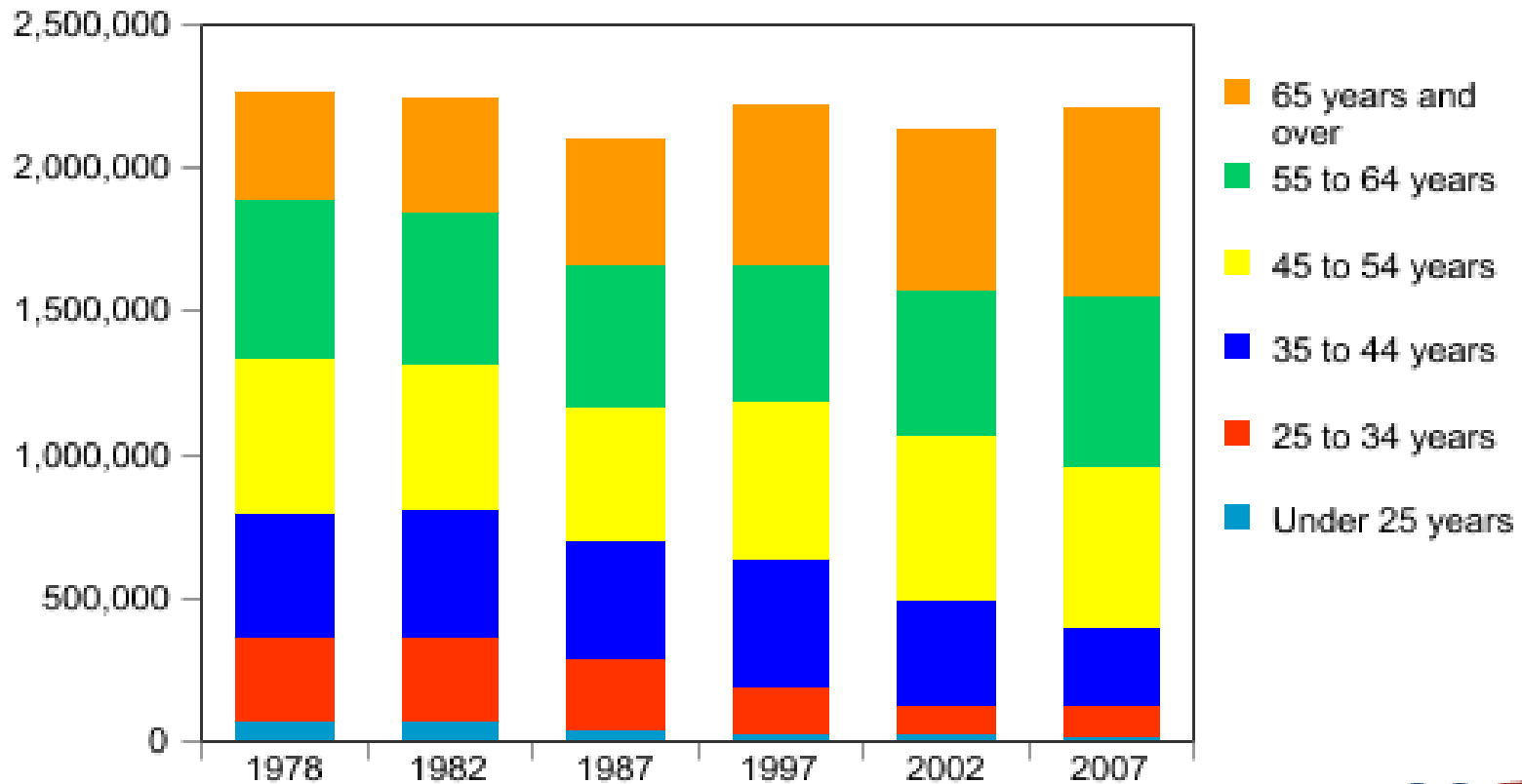
Source: Agricultural Resource Management Survey, Economic Research Service, USDA and the Current Population Survey, U.S. Bureau of the Census.



Age distribution of principal operators

Age distribution of farm operators, 1978-2007

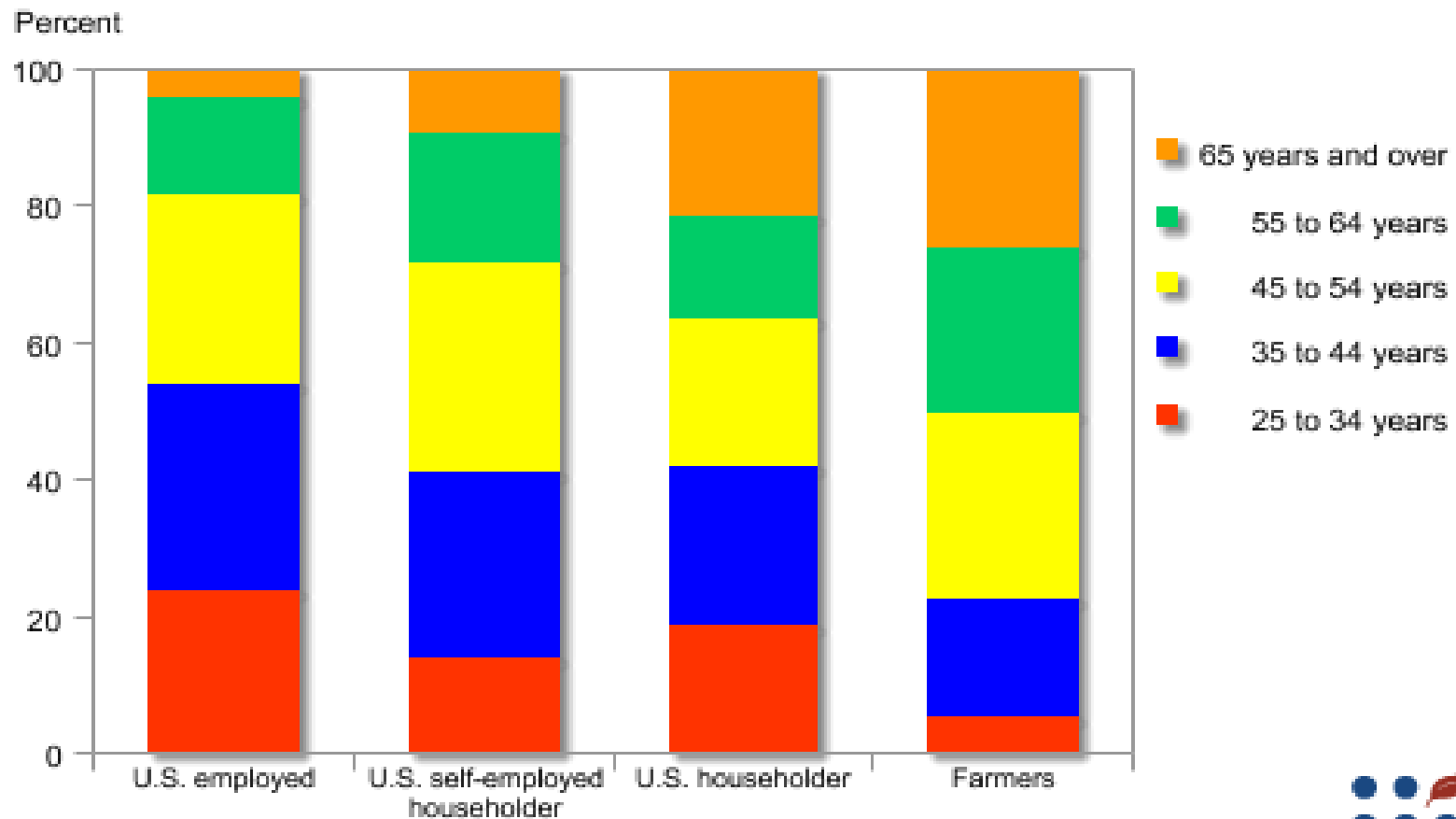
Number of farm operators



Source: USDA, Census of Agriculture.



Age distribution of those 25 and older, U.S. and farmers

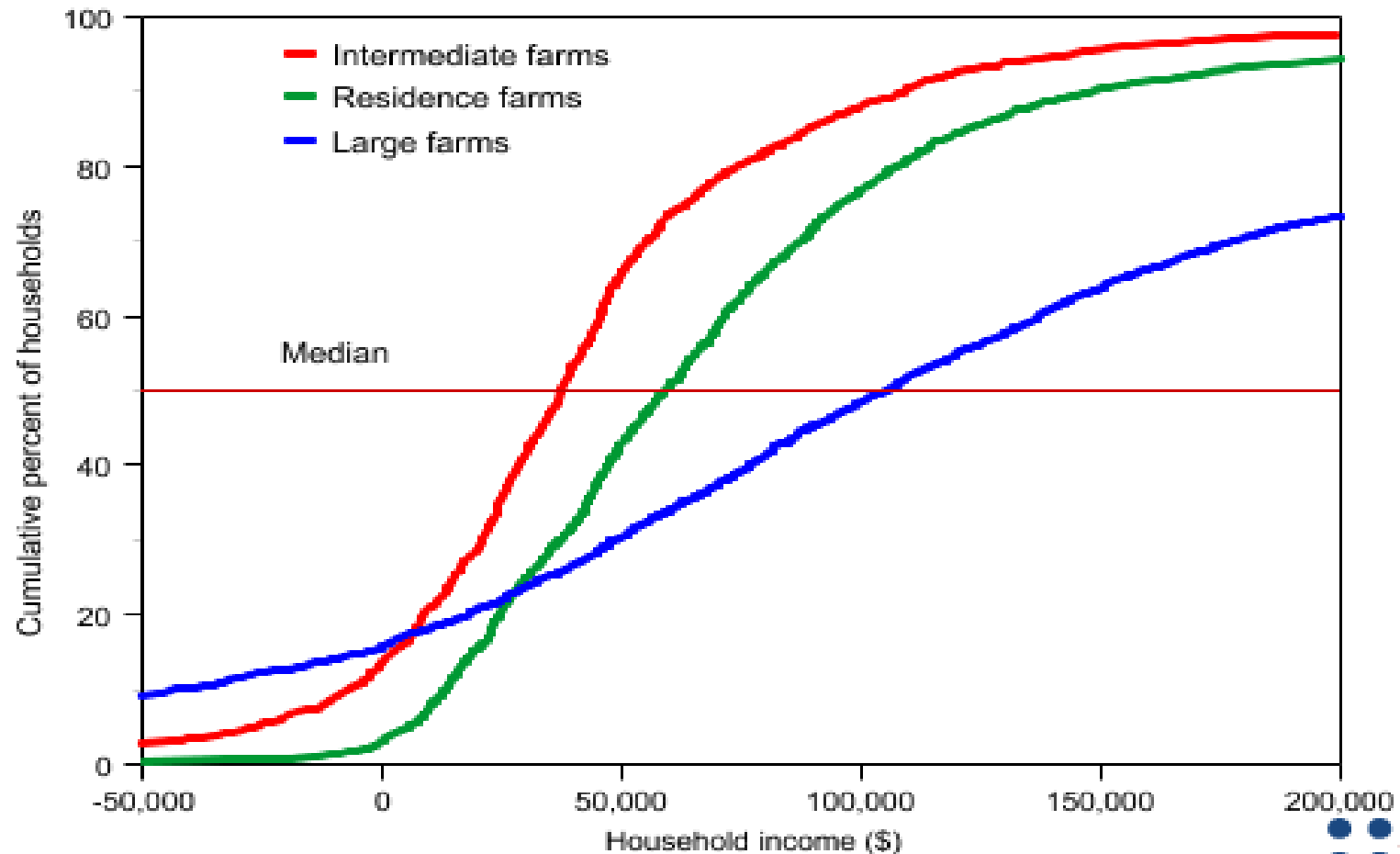


Source: 2007 Census of Agriculture and 2007 March Current Population Survey.



Distribution of Well-Being and Farm Size

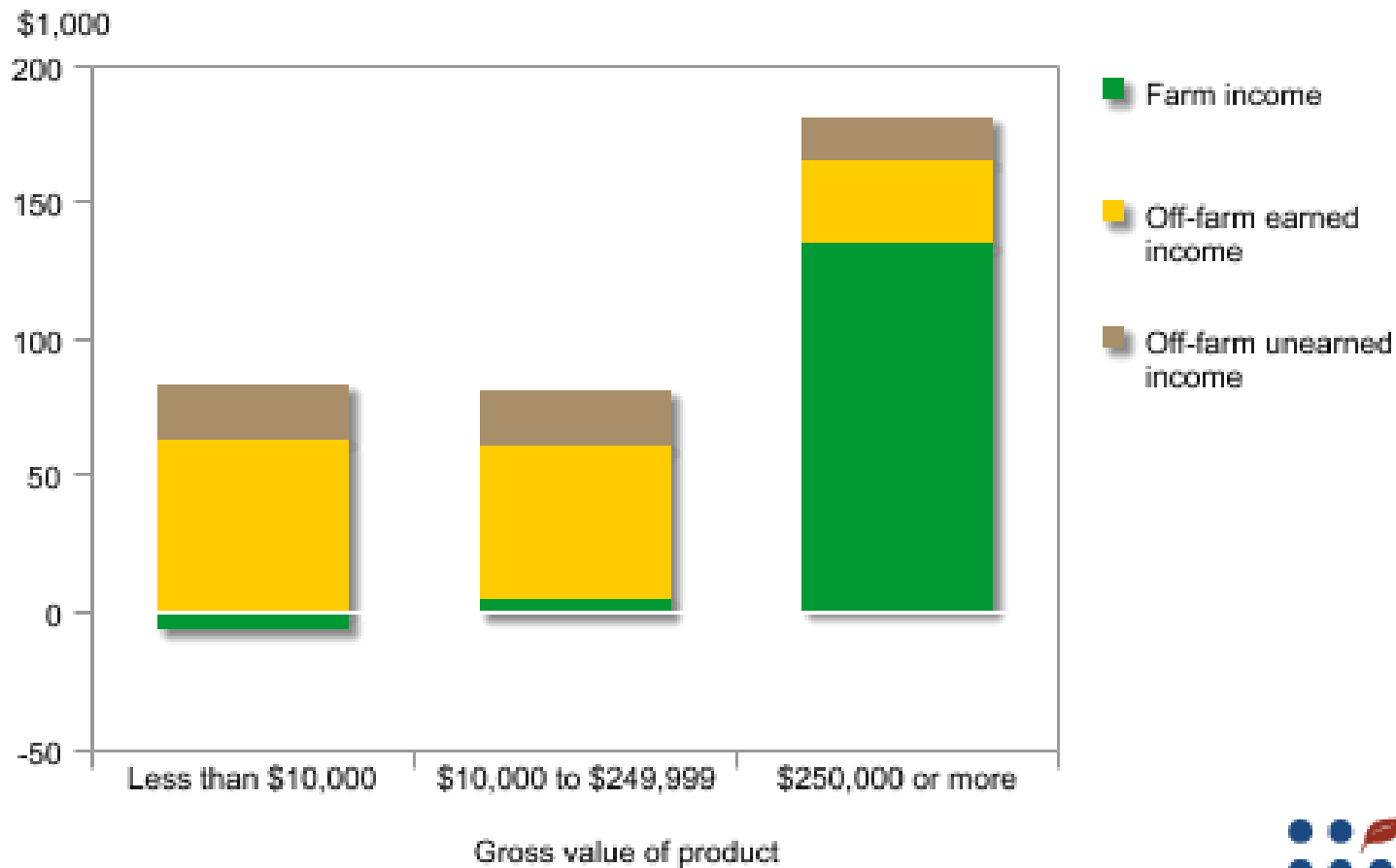
Distribution of operator household income by farm typology, 2007



Note: Very high (above \$200,000) and very low (less than \$-50,000) incomes are not displayed.
Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.



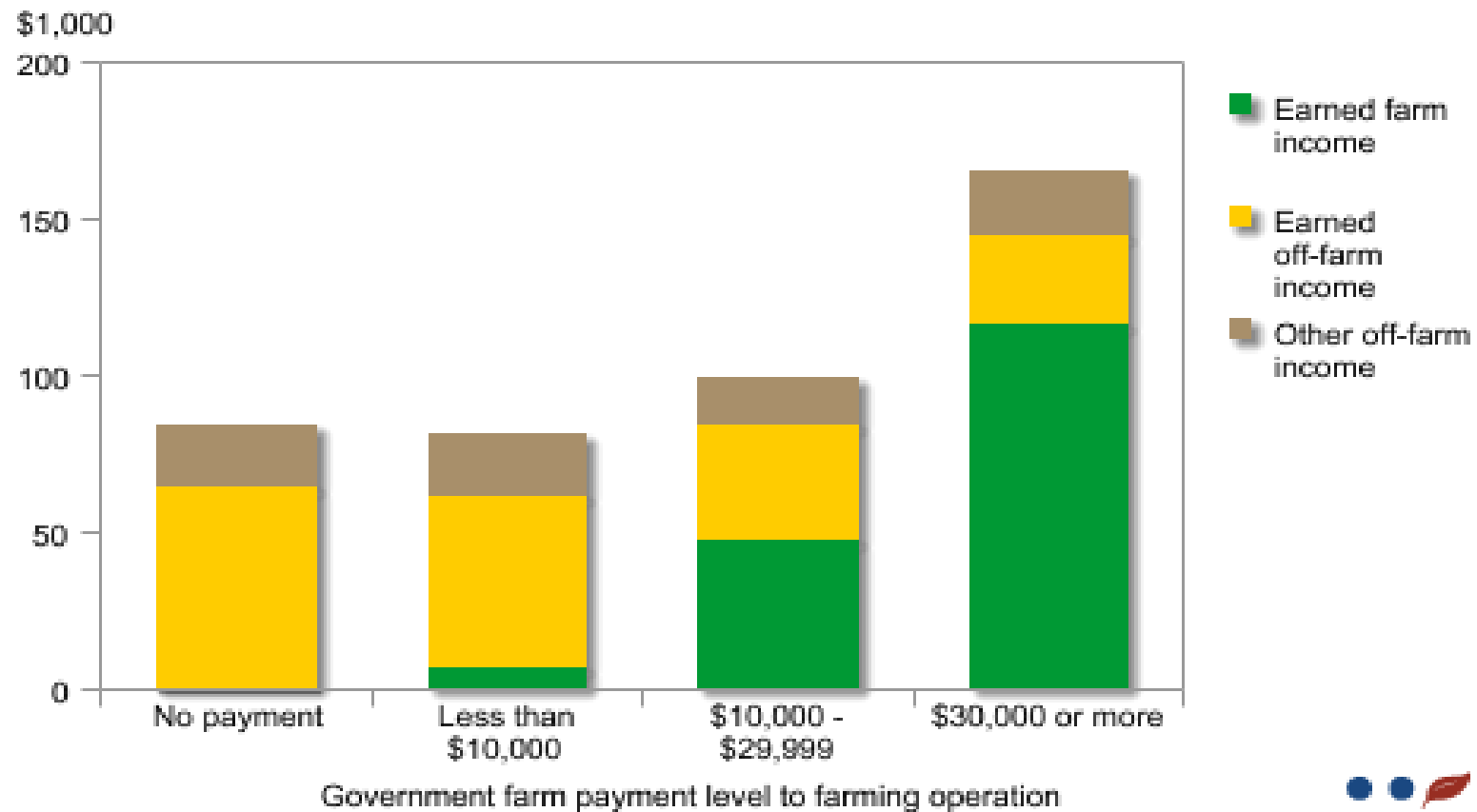
Farm operator household income, by size of farm, 2007



Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.



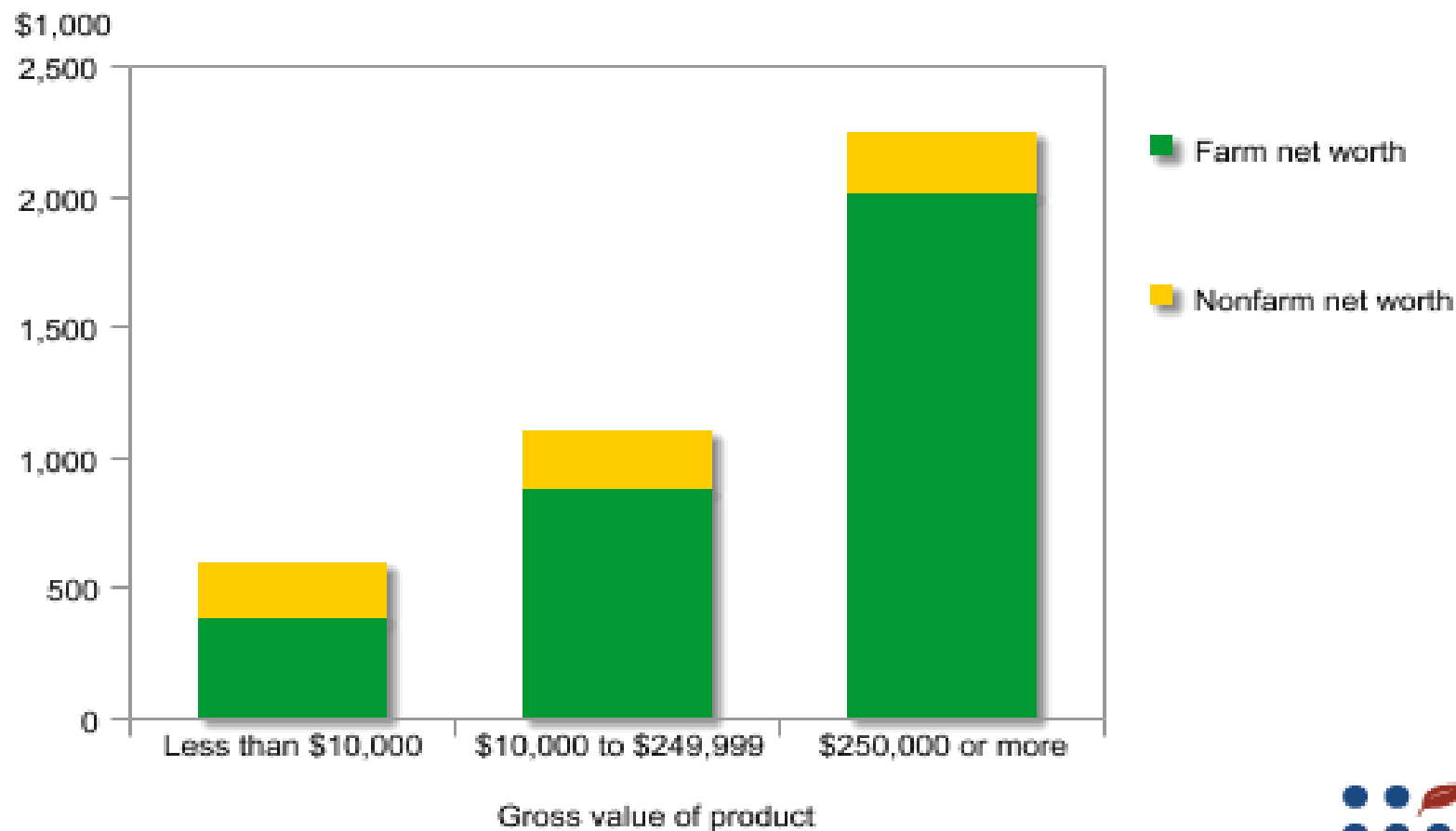
Sources of income for farm operator household by level of government farm payment, 2007



Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.



Average farm household net worth, by size of farm, 2007

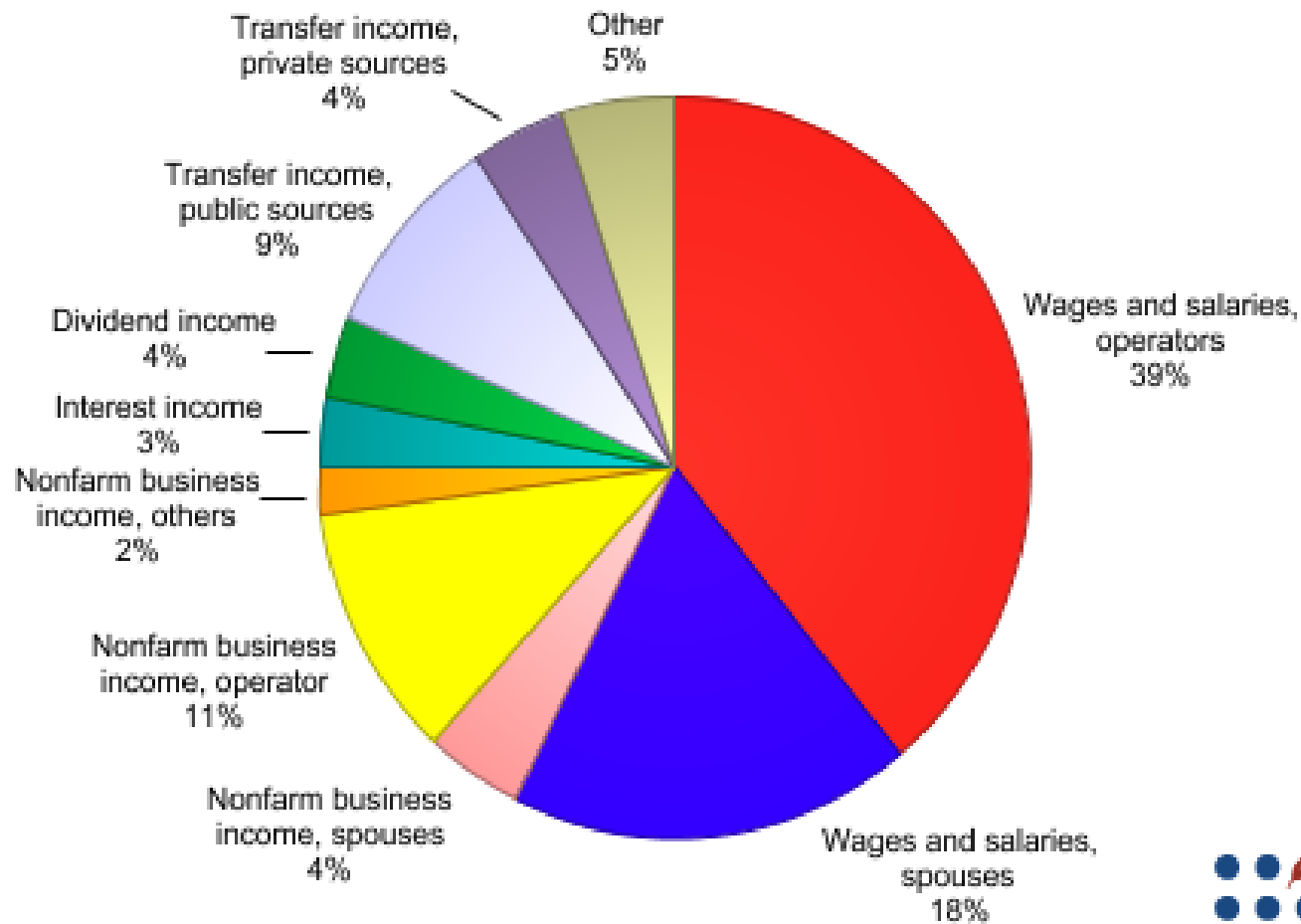


Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.



Sources of Off-farm Income

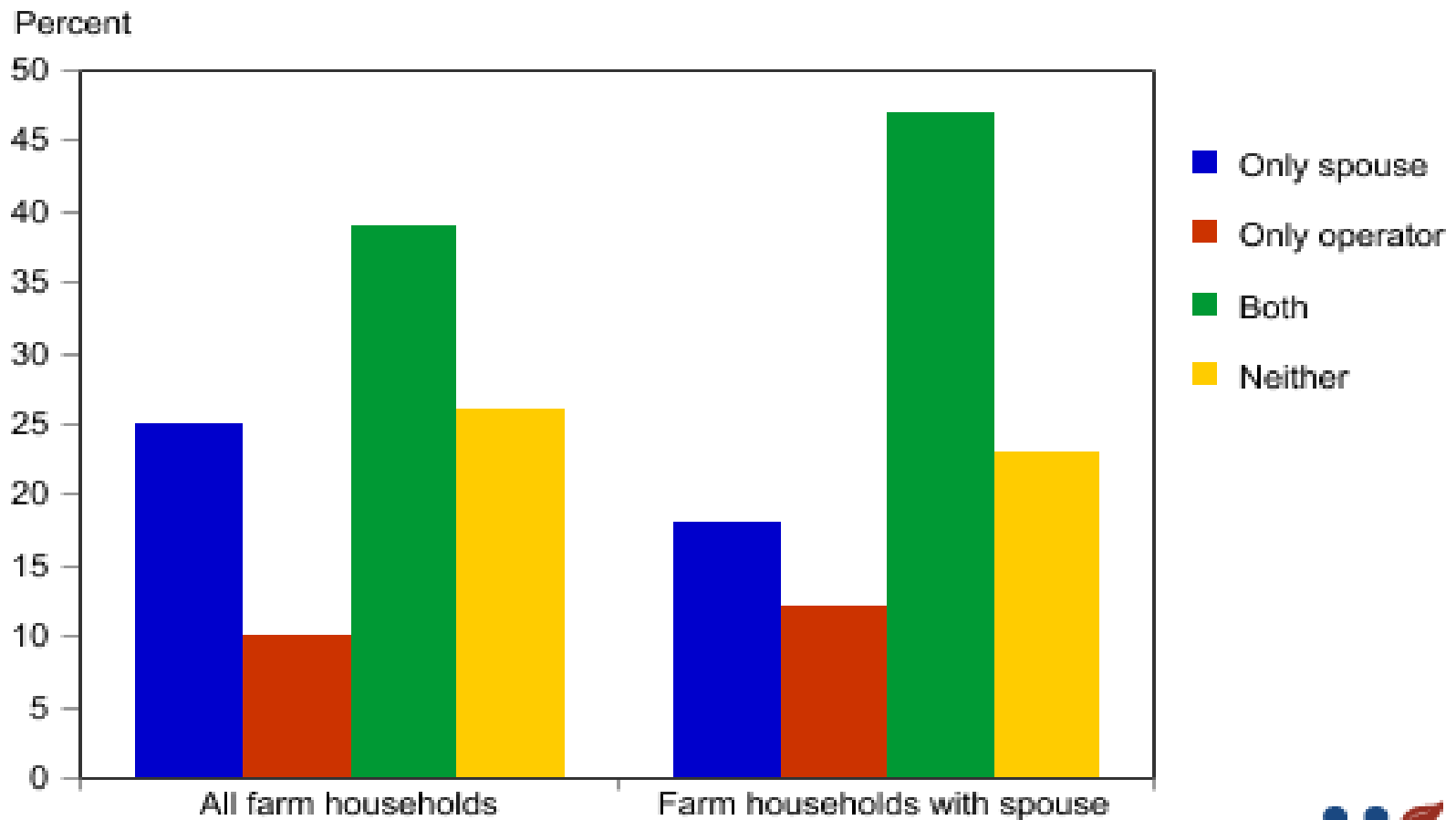
Sources of off-farm income for farm operator households, 2007



Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.



Off-farm work of farm operators and spouses, 2007

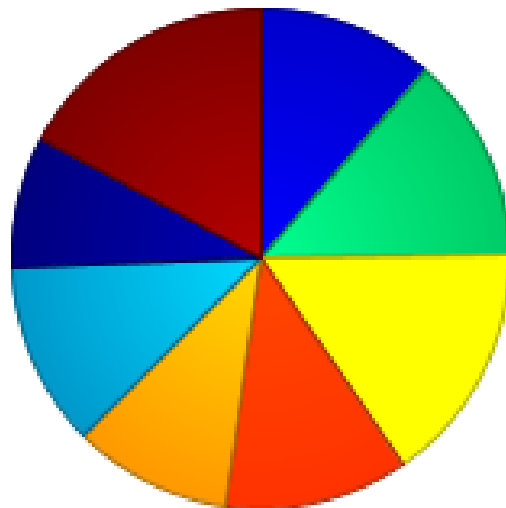


Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.

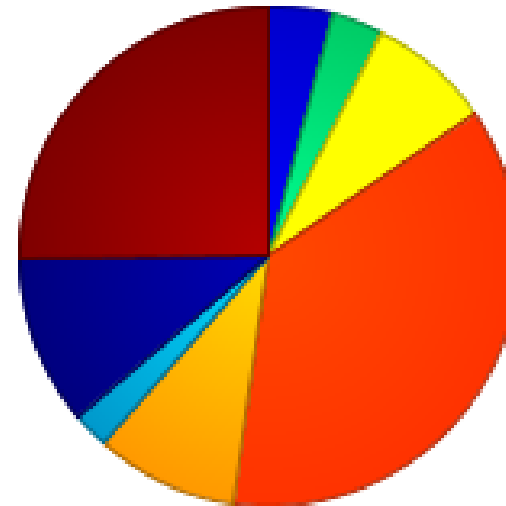


Industry of wage and salary jobs, operator and spouse, 2007

- Agriculture, forestry, fishing, hunting, or mining
- Manufacturing
- Other government services
- Finance, insurance, real estate and other professional services
- Construction
- Education and health care
- Wholesale, utilities, and transportation
- Retail and other services



Operator



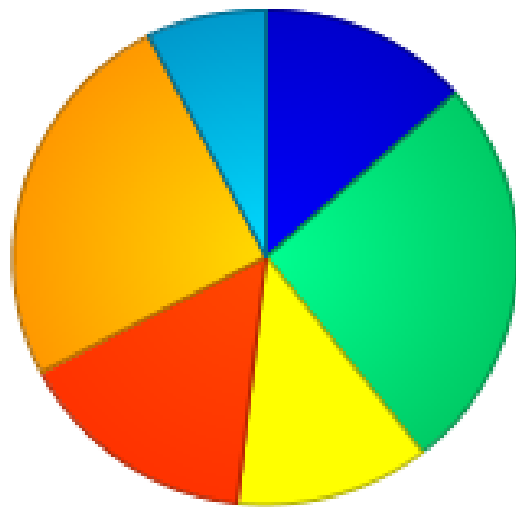
Spouse

Source: 2007 Agricultural Resource Management Survey, Version 1 only, Economic Research Service, USDA.



Industry of nonfarm businesses, operator and spouse, 2007

- Agriculture, forestry, fishing, hunting, or mining
- Construction
- Wholesale, utilities, and transportation
- Finance, insurance, real estate, and other professional services
- Retail and other services
- All other



Operator

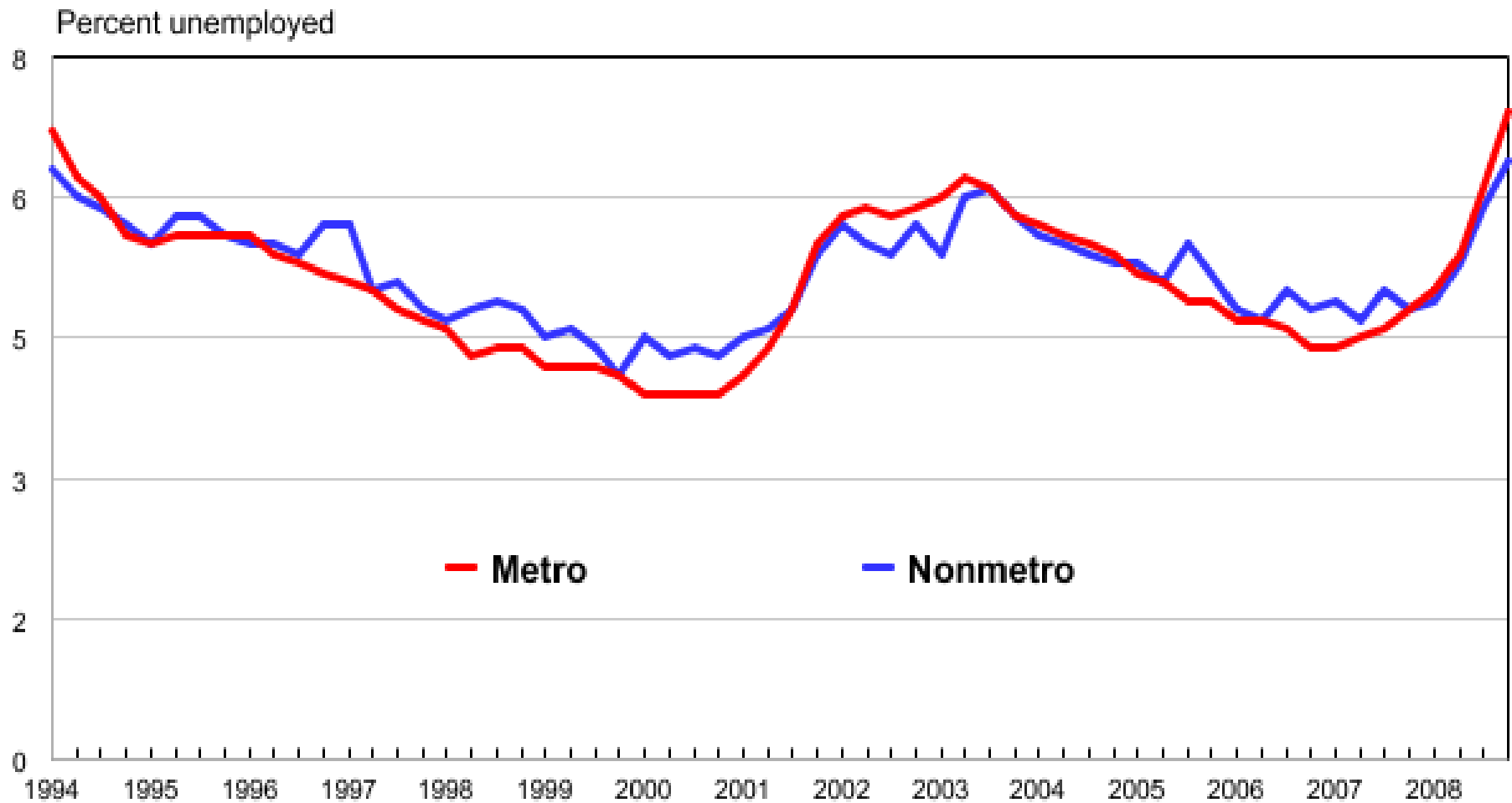


Spouse

Source: 2007 Agricultural Resource Management Survey, Version 1 only, Economic Research Service, USDA.



Metro and Nonmetro Unemployment, 1994-2008

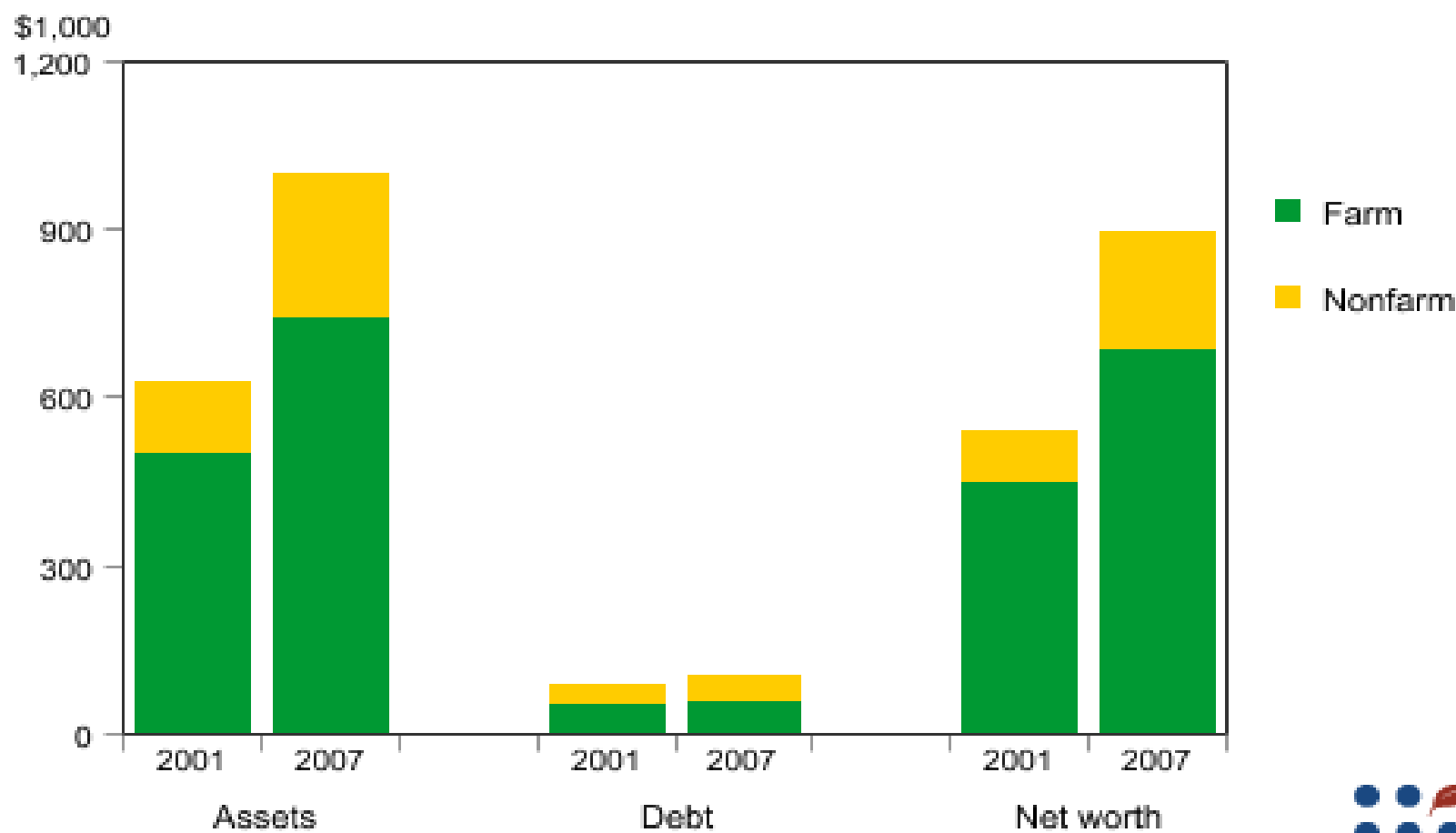


Source: Seasonally adjusted by ERS using data from the Bureau of Labor Statistics, Current Population Survey.

Other indicators

- Wealth
- Health Insurance
- Consumption

Average farm household assets, debt, and net worth, 2001 and 2007

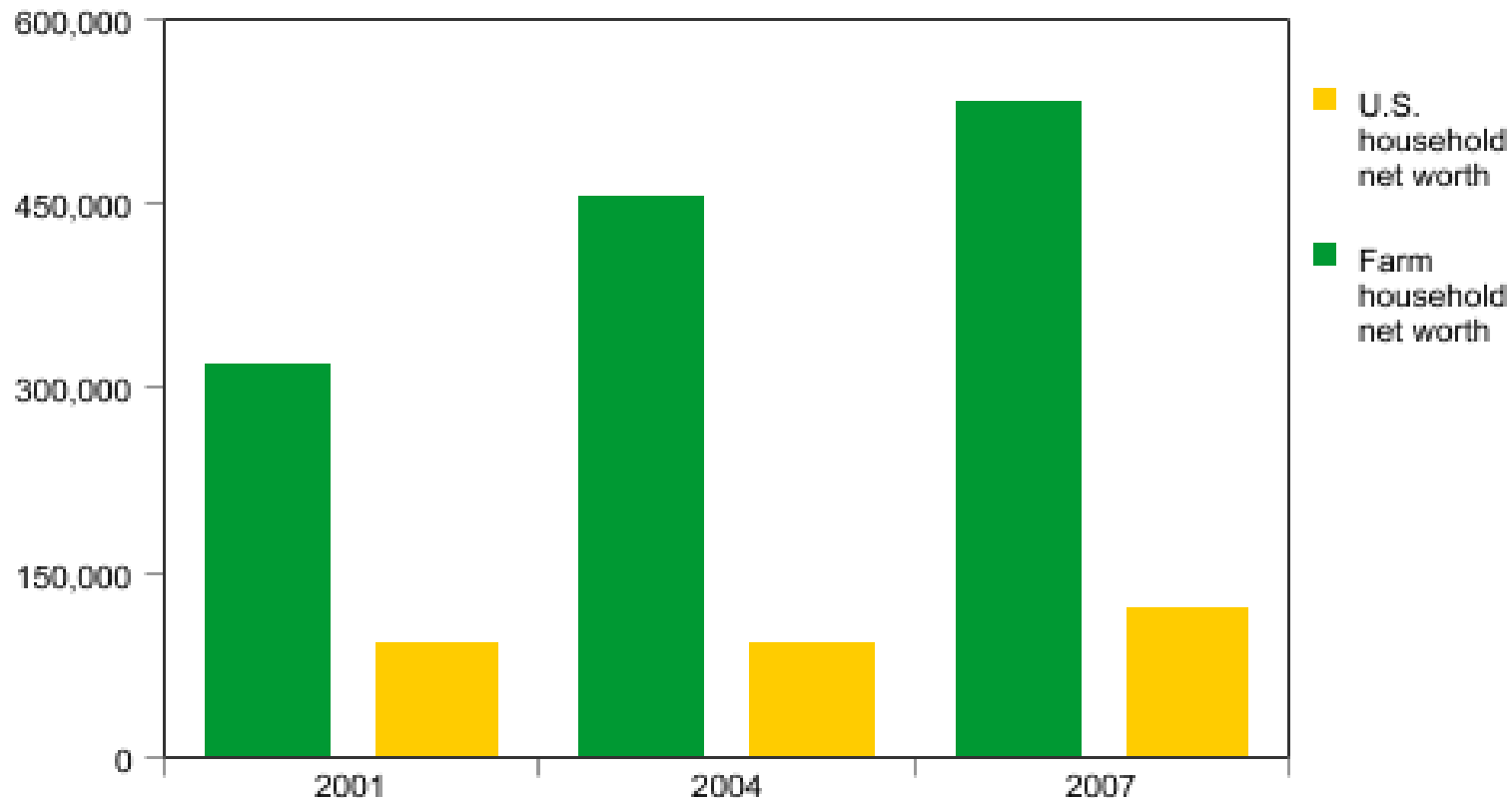


Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA.



U.S. household and farm operator household median net worth, 2001, 2004 and 2007

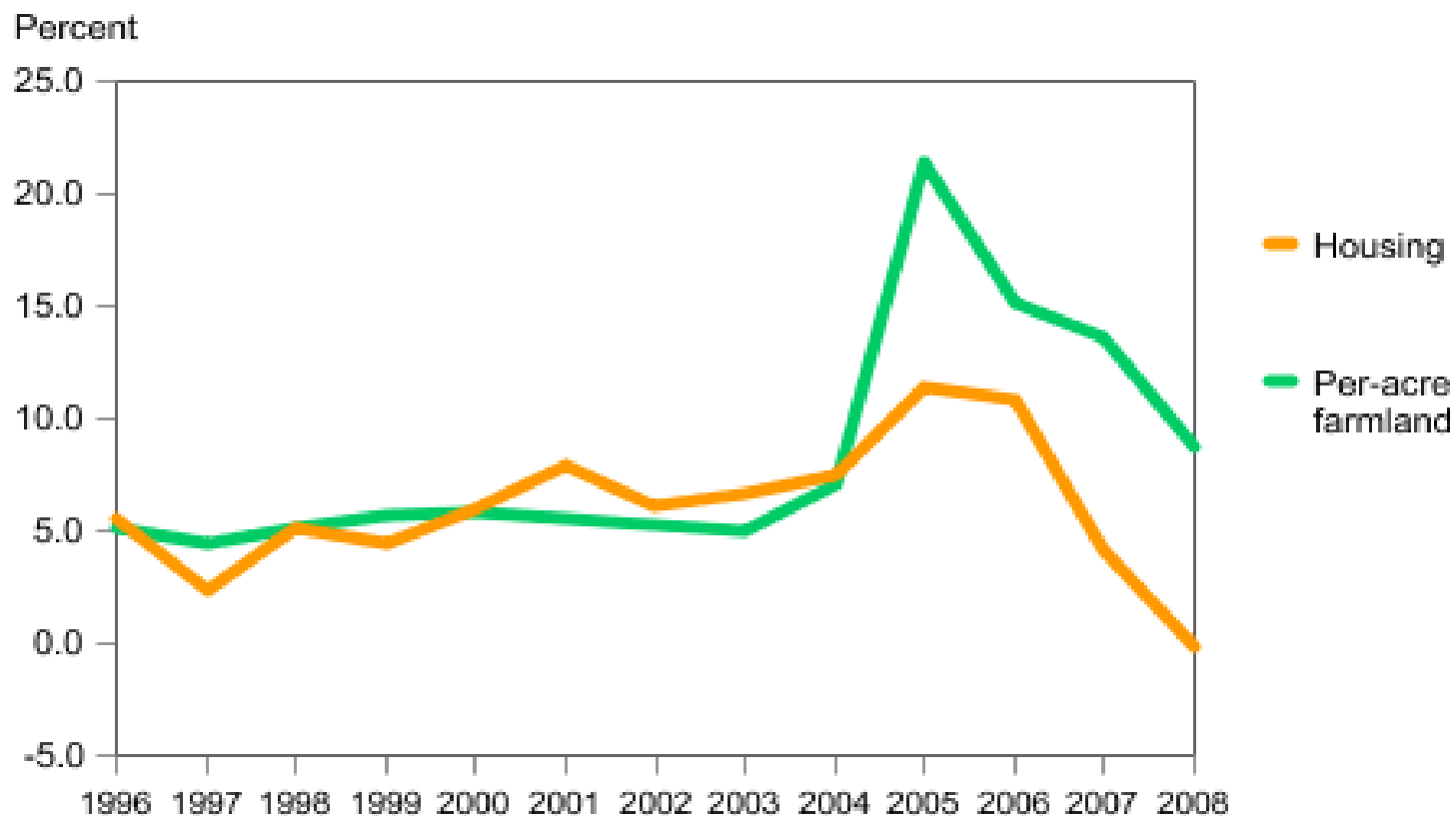
1,000 dollars



Source: Agricultural Resource Management Survey, USDA and Federal Reserve Board, Survey of Consumer Finance.



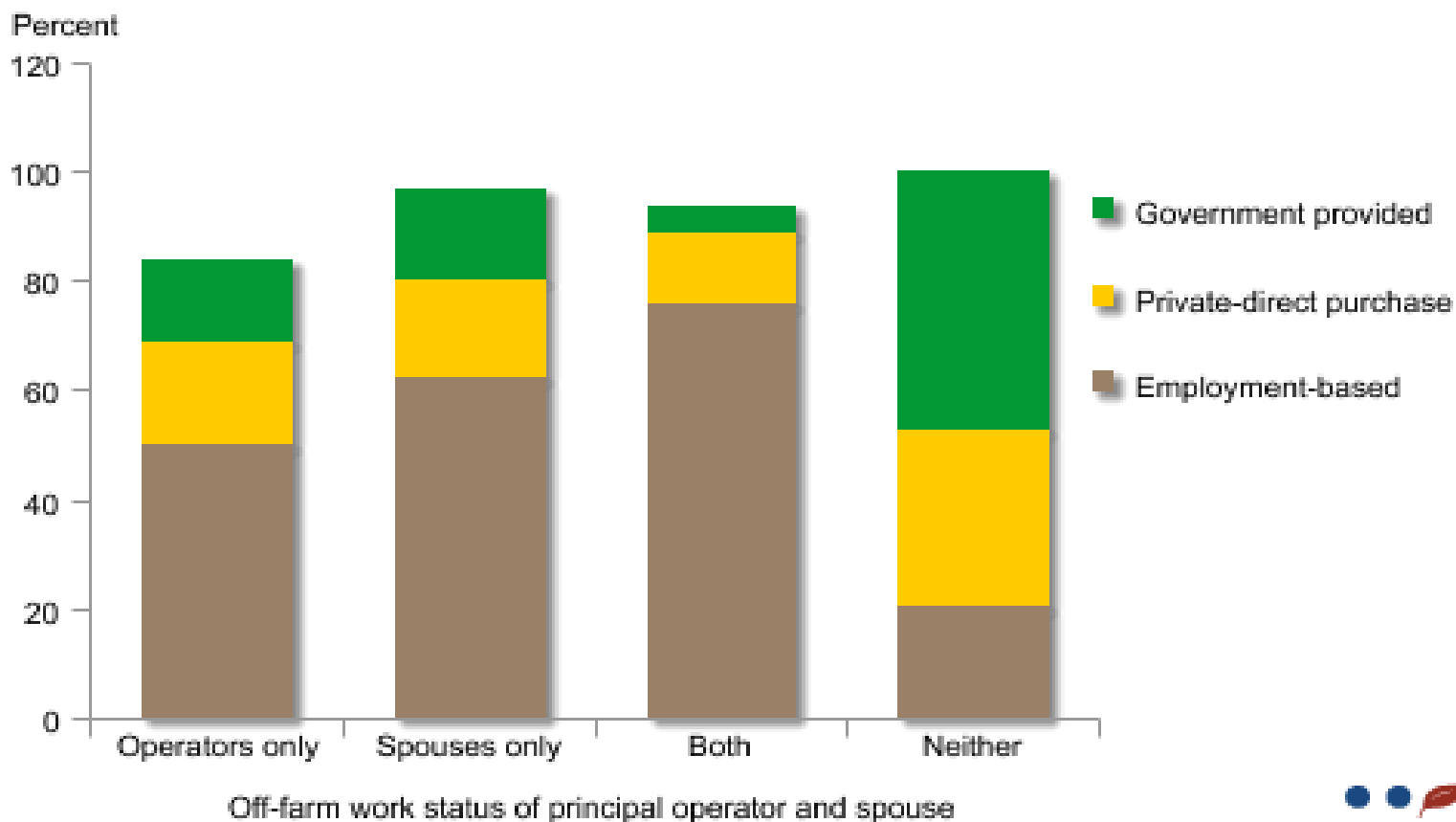
Price changes in U.S. housing and farmland from previous period, 1996-2008



Sources: For housing prices, OFHEO. For farm real estate, USDA, NASS.
Note: Housing prices are first quarter. Farm real estate is as of January 1.



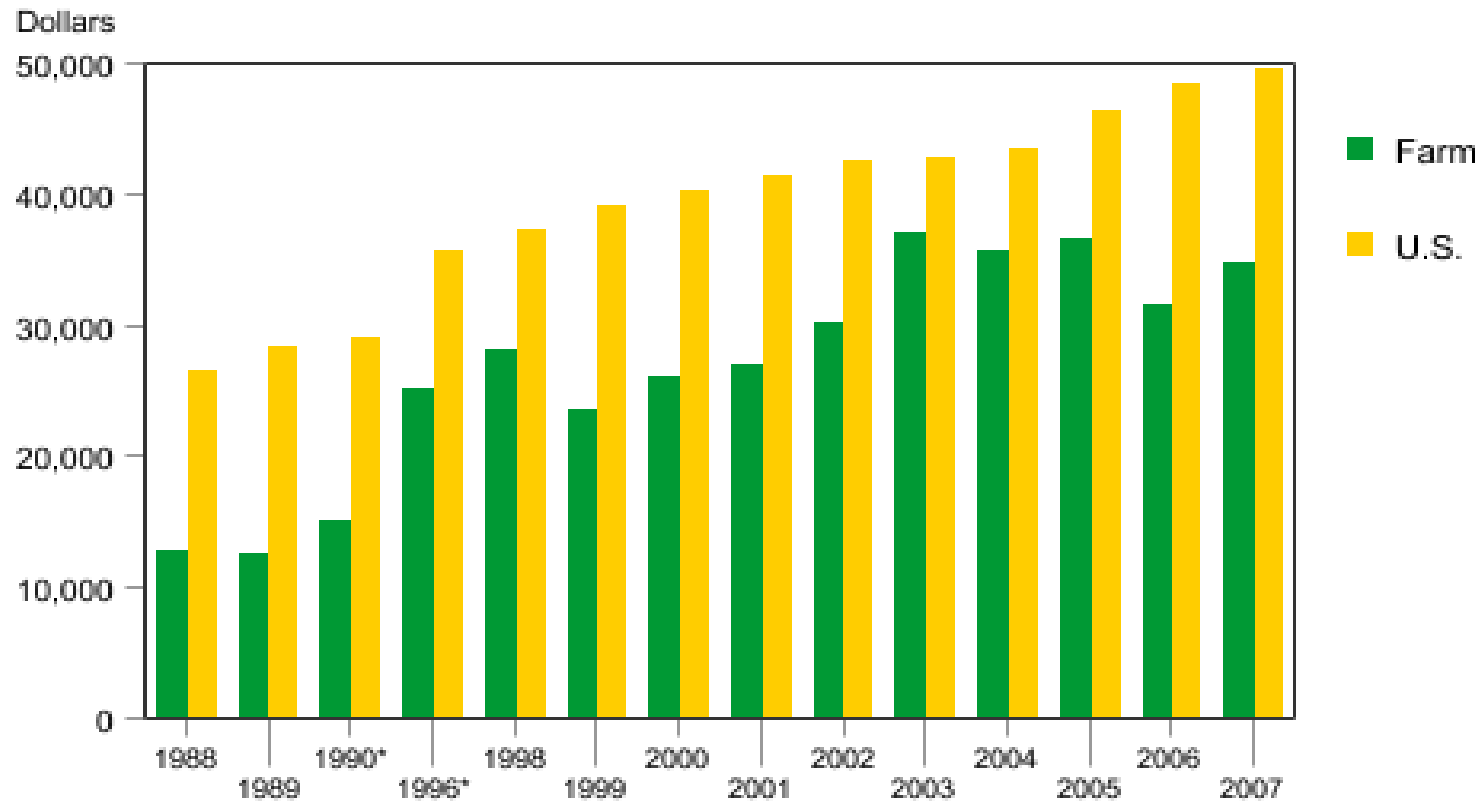
Type of health insurance coverage by off-farm work status, 2007



Source: 2007 Agricultural Resource Management Survey, Version 1 only, Economic Research Service, USDA.



Average household living expenditures for U.S. and farm operator households, various years, 1988-2007

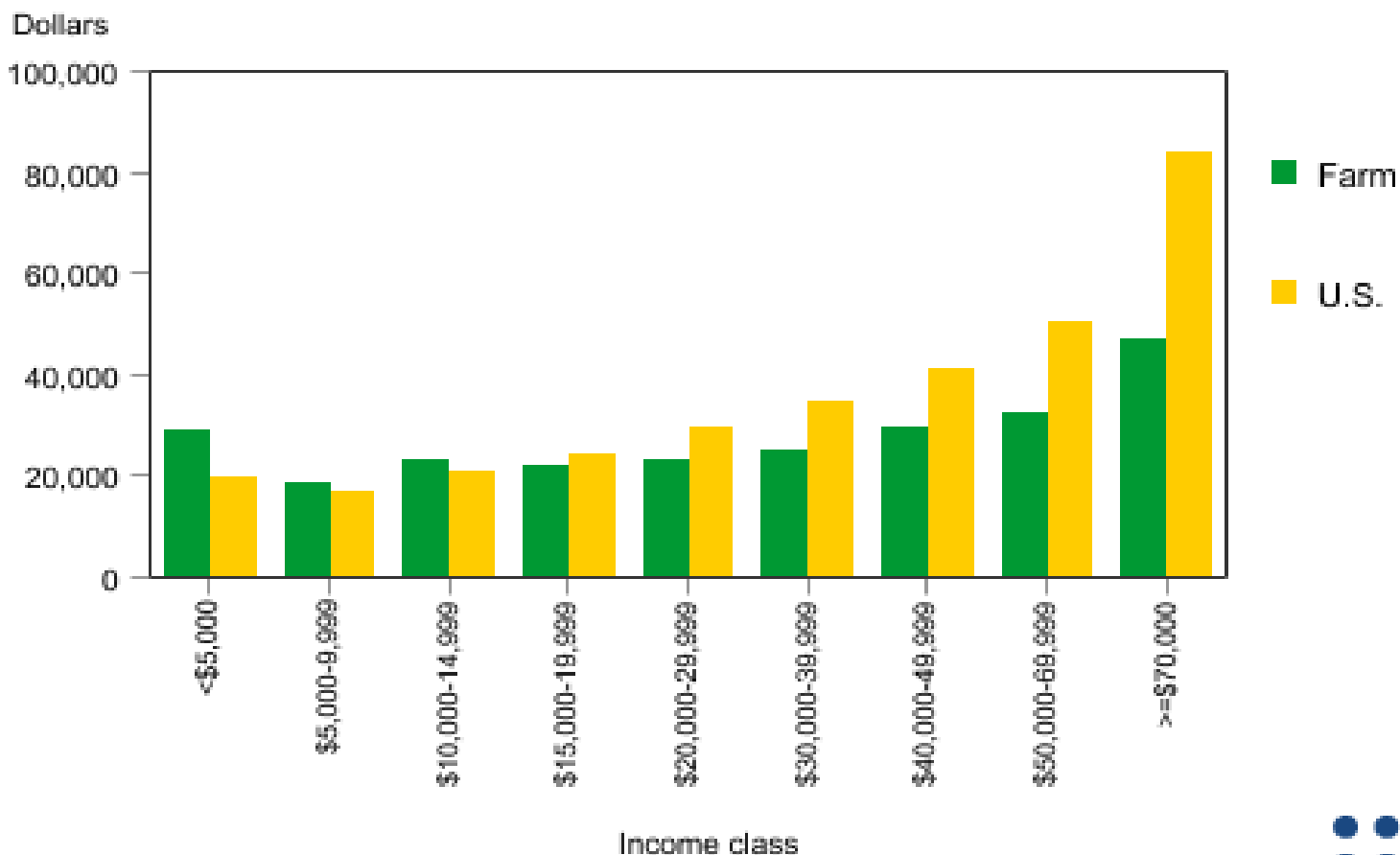


*Note: Farm data unavailable for 1991-95 and 1997.

Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA and Consumer Expenditure Survey.



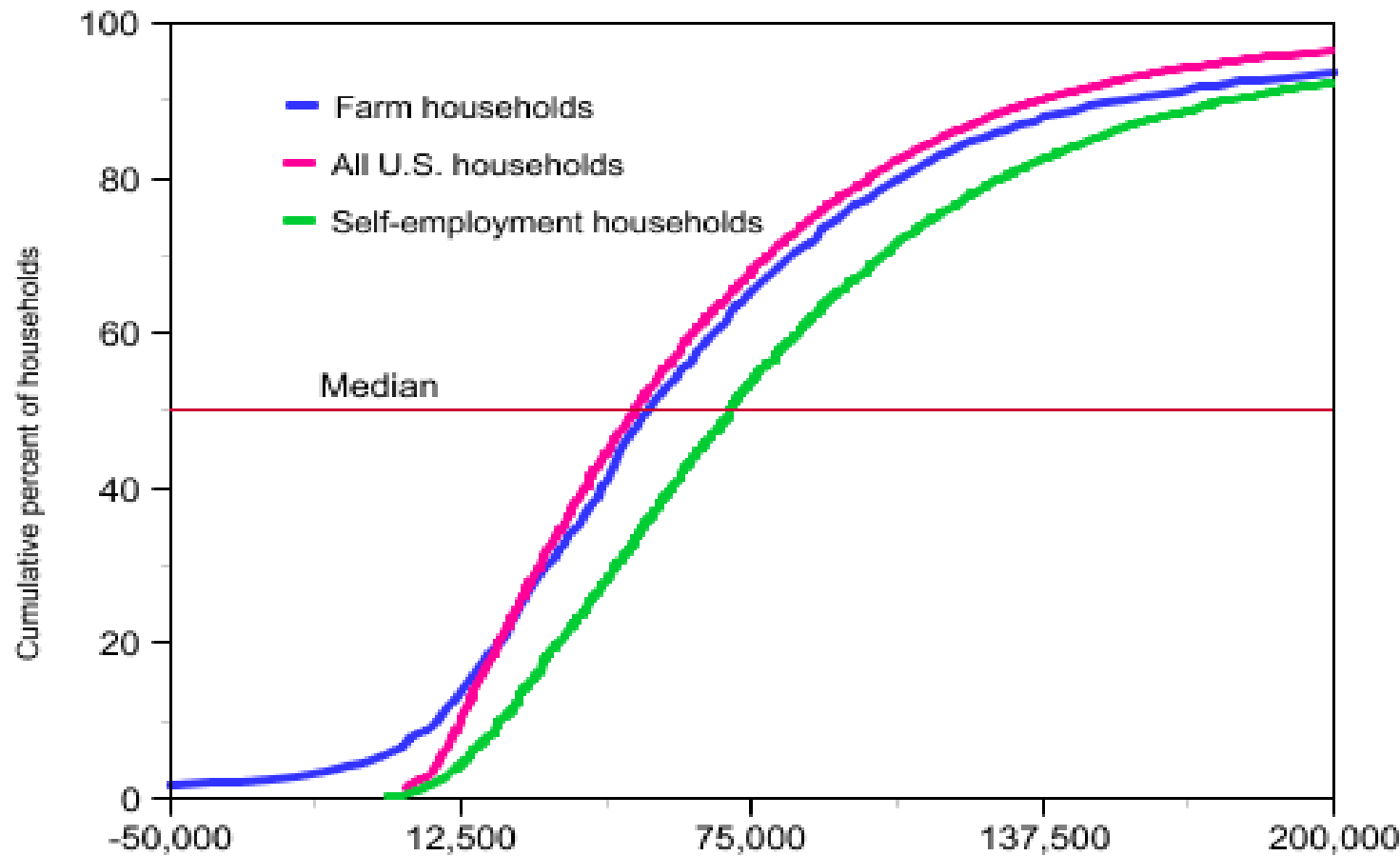
Average household expenditures for U.S. and farm operator households by income class, 2007



Source: USDA, ERS Agricultural Resource Management Survey and Consumer Expenditure Survey.



Cumulative income distributions of farm, all U.S., and U.S. households with self-employment income, 2007



Note: Very high (above \$200,000) and very low (less than \$-50,000) incomes are not displayed.
Source: 2007 Agricultural Resource Management Survey, Economic Research Service, USDA and the Current Population Survey, U.S. Census Bureau.



Concluding comments

- The uncertainty in the economic conditions carries over to the farm household income forecasts.
- Subgroups of farm families will be affected differently especially depending on farm size, age of operator, source of off-farm income.
- Very generally speaking, housing and employment rates in nonmetro areas compared to metro areas, and farmland compared to other investment opportunities are generally more positive during the downturn. Will that last beyond 2009?
- The average farm household had significant increases in net worth in the recent past and low-income farm households have a history of maintaining living expenditures, indicating an ability to adjust to the current downturn.