

First published by the [Triple Crisis Blog](#)
April 12, 2011

High Food Prices: Do family farmers benefit?

Timothy A. Wise

Farm prices are up again, so farmers must be getting rich, right? The U.S. Department of Agriculture sure thinks so, projecting that U.S. farmers will see record net cash farm income of \$99 billion in 2011. The media follows the government's lead, offering interviews with farmers gushing about their new-found prosperity. Are things really so great down on the U.S. farm?

They may be for the big guys, but they're not for many family farmers. My recent study, "[Still Waiting for the Farm Boom: Family Farmers Worse Off Despite High Prices](#)," shows that the largest farms were capturing a remarkable 88% of all net cash farm income. Meanwhile, small-to-mid-scale family farmers had lower farm incomes in 2009 than they did earlier in the decade when prices were lower, and their household incomes were down as well thanks to the Great Recession. The data reveal a lot about the precarious nature of family farming, even in a resource-rich country like the United States.

As Table 1 shows, the average farmer in this group has not fared much better since agricultural commodity prices began rising in late 2006. The table presents both farm household income and farm business income for "Farming Occupation-Higher Sales" farms. These are what most people imagine when they think of U.S. family farmers: family-run operations relying on their own labor. Data come from a readily available USDA survey. These are not small farms: average size is 1,100 acres and gross sales are \$100,000-\$250,000. But as the table shows, their margins are incredibly small and they live mainly from off-farm income, usually from one or more family members working in town.

Table 1: Family Farm Income, 2000-2009					
For Farming Occupation-Higher Sales Farmers (Sales \$100,000-\$249,999)					
	2000-6 Average	2007	2008	2009	Change, 2009/2000-6
Number of Farms	147,013	111,389	109,505	110,034	-25.2%
Average Acreage Per Farm (1)	1,104	980	965	1,106	0.2%
Farm Household Income (2)					
Average Operator Household Income					
From Farming Sources	25,504	26,254	24,085	19,274	-24.4%
From Off-Farm Sources	34,808	47,485	43,395	35,859	3.0%
Total Household Income	60,312	73,739	67,480	55,133	-8.6%
Percent of U.S. Avg. Income	99%	109%	98%	81%	-18.1%
Farm Business Income (3)					
Cash Farm Income					
Farm Sales (4)	130,005	145,134	146,421	142,851	9.9%
Government payments	17,366	8,662	8,605	9,141	-47.4%
Other farm-related income	23,394	15,892	25,353	22,341	-4.5%
Gross Cash Income	170,766	169,687	180,379	174,334	2.1%
Cash Farm Expenses	130,628	134,111	141,709	141,517	8.3%
Net Cash Farm Income	40,137	35,576	38,669	32,816	-18.2%
<i>all income and expenses in current dollars</i>					
Sources: 1) USDA/ERS, Structural Characteristics Statement, for All Farms by Farm Typology, 1996-2009, from ARMS; USDA/ERS, 2) USDA/ERS, Farm Operator Household Income Statement, for Farm Operator Households, by Farm Typology, 1996-2009, from ARMS; USDA/ERS, 3) Farm Business Income Statement, for All Farms, by Farm Typology, 1996-2009, from ARMS 4) Combined sales from crop and livestock sources in Farm Business Income Statement					

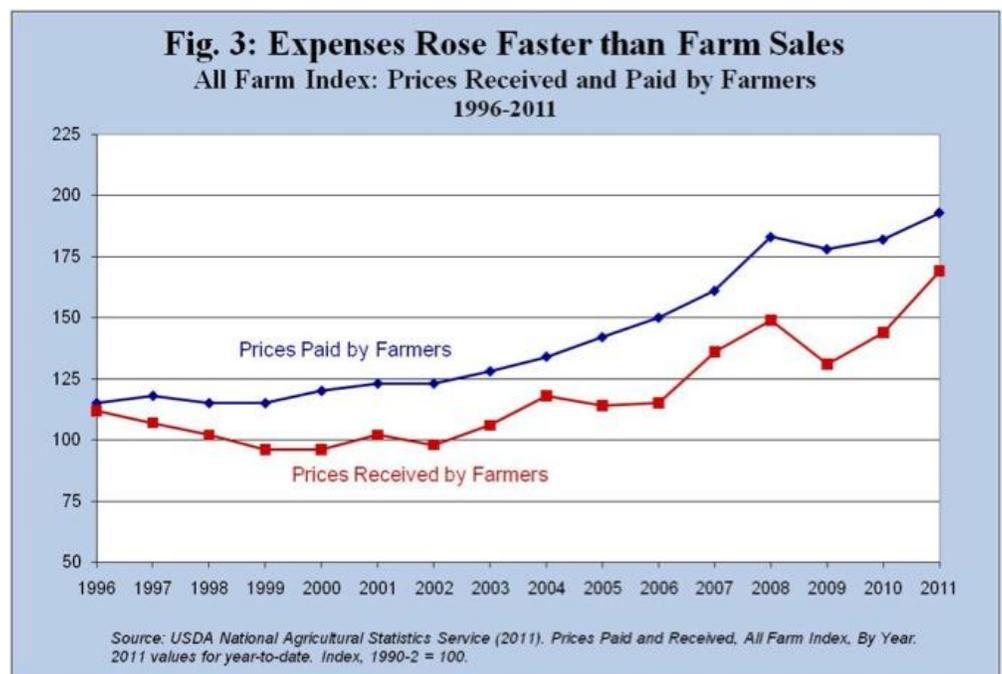
The top part of the table, on household income, shows just how misleading the prevailing image of the wealthy farmer is. In 2009, the average farm household in this group earned just \$19,274 from farming, *including* government payments. This is down more than 20% from the high-price years of 2007-8, but it is also lower than the average farming income during the relatively low-price years of 2000-6. Income from off-farm sources, most often paid work by one or more family members, provided nearly twice as much support as farm-related income in all three recent years. But the recession reduced off-farm income in 2009 by 24% from its 2007 level. This left average household income for these farm families at just \$55,133, down 24% from the 2000-6 average even before adjusting for inflation. That leaves them at just 81% of average household income for the United States as a whole.

The second part of Table 1 looks at farm businesses (as opposed to households) for this same sales class. It shows that income from farm sales indeed went up with the higher prices from 2007-9. In 2009, farm sales were up about 10% over their 2000-6 average, even after falling from 2007 and 2008 levels. But that gain of about \$13,000 was offset by a drop of about \$8,000 in government payments compared to the 2000-6 period, a result of higher prices eliminating or reducing payments under the government programs tied to price.

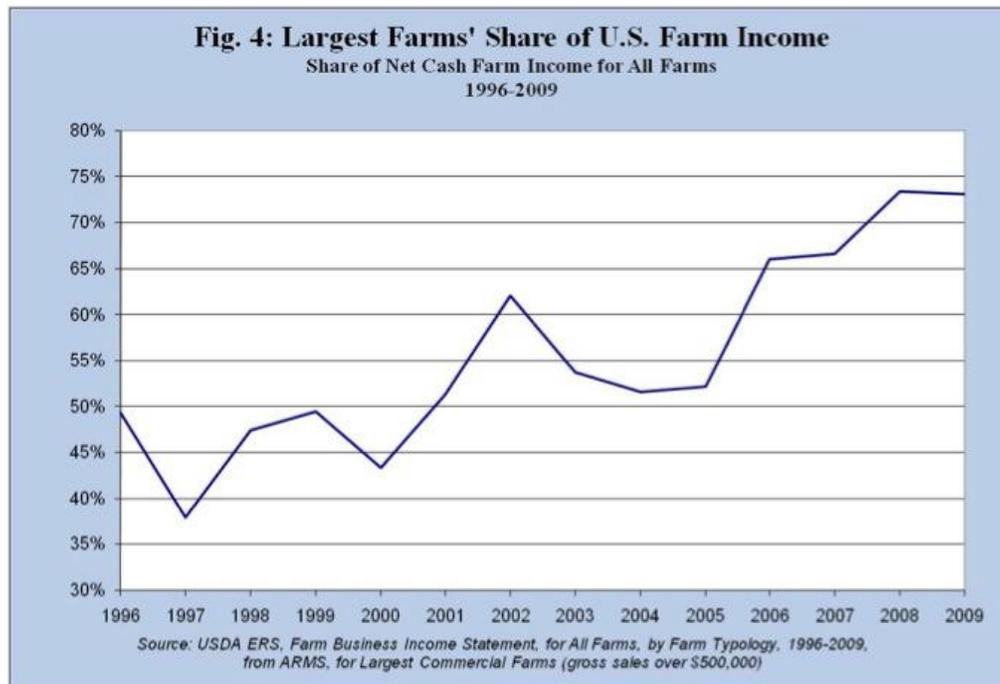
The remaining small gains were obliterated by higher costs, as prices for fertilizers, chemicals, seeds, feed, fuel, and other inputs followed the same upward curve as crop prices. Expenses in 2009 were nearly \$11,000 higher than they were in the 2000-6 period. As Figure 3 from my study shows, the prices paid by farmers since 1996 have increased faster than the prices they received. And a [recent study](#) documents that credit has grown harder to secure as well.

The bottom line? Even without adjusting for inflation, net cash farm income was lower in all three higher-price years (2007-9) than it was in 2000-6 for this class of family farms. In 2009 it was down by about \$7,000, or 19%. At \$32,816, that is just \$30/acre, or \$75/hectare.

This is not surprising to farmers, but it is news to anyone who has been listening to “farm boom” reports coming through the media. USDA data shows that even before the run-up in crop prices, the prices for farm inputs had been rising faster than crop prices (see Fig. 3).



Farmers are being squeezed, between the suppliers, which often exercise market power in the seed, equipment, and chemical industries, and their buyers, which are often large conglomerates – Cargill, Archer Daniels Midland, etc. – who are themselves often selling to large conglomerates – Smithfield, Tyson, etc. – who are selling to the giant retailers – with Walmart at the top of this unhealthy food chain. Only the largest farms can make good money on such small margins, and that is what the data show.



This last graph shows how the largest farms' share of farm income has risen in the last fifteen years, from under 50% to over 70%. Add to these the small share of U.S. farms operated as corporations or other non-family operations and the share in 2009 reached 88%.

So much for a boom for family farmers in the United States.

For more on this, read [*"Still Waiting for the Farm Boom,"*](#) and see Wise's ongoing work on [*Myths About U.S. Farm Income.*](#)