Financial Well-Being of Small Farm Households Depends on the Health of Rural Economies

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The number of farms has decreased since the 1930s, and average size—measured in acres—has increased. Most farms are small, and more than half have sales less than $10,000. As a result, households operating small farms rely heavily on off-farm income from the local economy. At the other extreme, some farms have sales in the millions. These and other differences present challenges when analyzing the economic structure of agriculture and developing farm policy recommendations. USDA's Economic Research Service has developed a classification to address variations across farms, with an emphasis on small farms.

The total number of U.S. farms has declined steadily from 6.8 million in 1935 to about 2 million in 1997. The average size of a farm increased from 100 acres to slightly less than 500 acres over the same period. Despite the increase in average farm acreage, most farms today are small since the current farm definition requires sales of only $1,000 of agricultural products for an establishment to be classified as a farm. Nine out of ten U.S. farms are classified as small (gross sales under $250,000), and half of U.S. farms have annual sales less than $10,000. At the other extreme, some farms have sales in the millions.

But, farms also differ in characteristics other than their level of sales. For example, they may differ in production practices, such as tillage and pest management techniques, and in their use of production or marketing contracts. They also differ in their use of family and hired labor and how they market their products. They may differ in the size of their asset base, their sources of financing, and how they control risk. And, finally, farm households often differ widely in their reliance on off-farm income and off-farm work. In general, smaller farms rely more heavily on off-farm income and work.

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Classifying Farms

The great diversity among farms makes it problematic to talk about farms as if they were a homogeneous group. The Economic Research Service developed a typology or classification system to divide farms into eight mutually exclusive, more homogeneous groups (see "Defining the Farm Typology"). The first five of the eight groups are for small farms, since even small farms can vary in their characteristics.

The ERS typology uses the definition of "small farm" developed by the National Commission on Small Farms, instituted in 1997. The Commission used $250,000 in gross sales as its cutoff between small and large farms in its report, *A Time to Act*, released in January 1998. The farm typology focuses on the "family farm," defined here as any farm organized as a sole proprietorship, partnership, or family corporation. According to 1998 ARMS data, about 98 percent of U.S. farms are family farms. Family farms exclude farms organized as nonfamily corporations or cooperatives, as well as farms with hired managers.

Other definitions of the family farm exist, and a variety of definitions, implicit and explicit, have been used by Congress, researchers, and others (U.S. Department of Agriculture, Economic Research Service). These definitions are generally more restrictive than the one used in the farm typology, however. Some definitions, for example, exclude farms with the amount of hired labor or total labor exceeding some minimum or farms with contracting arrangements, which would tend to eliminate larger farms. Excluding such farms would make sense only if the focus is smaller family farms. Other definitions include only operations where the operator's main occupation is farming or where the farm provides at least half-time employ-

ment, which would tend to exclude smaller farms.

In contrast, the ERS typology is more inclusive, but allows a focus on various groups of large and small farms when necessary. Looking at all farms helps in understanding the contributions of various types of farms to agricultural production, the variation in farm households' dependence on farming, and regional variations in the location of farms by size.

Share of Production

Over 90 percent of U.S. farms are classified as small family farms but they accounted for only 33 percent of total agricultural output. Agricultural production is highly concentrated in large and very large family farms (table 1). Farms with annual sales of $250,000 or more made up 8 percent of all farms in 1998, but accounted for 53 percent of the total production of agricultural products. Small family farms produced a larger share of several specific commodities. For example, small farms' share of the value of production was 62 percent for hay, 54 percent for tobacco, 49 percent for soybeans, 47 percent for wheat, 47 percent for corn, and 40 percent for beef. At the other extreme, small farms accounted for only 26 percent of hogs, and 11 percent of vegetable, fruit, and nursery products.

Most of the production by small farms was concentrated in the farming-occupation/high-sales and farming-occupation/low-sales groups (17 and 8 percent of the total value of production, respectively). Although 62 percent of all U.S. farms were classified as limited-resource, retirement, and residential/lifestyle small farms, these farms produced only 8 percent of farm output. About three-fourths of the farms in these groups had extremely low sales, less than $10,000.

Nevertheless, small farms collectively held 69 percent of farm assets, and 68 percent of the land. As custodians and managers of the bulk of farm assets—including land—small farms weigh heavily in natural resource and environmental policy. For example, retirement farms alone accounted for 29 percent of the land in the Conservation Reserve and Wetland Reserve Programs (CRP and WRP). Retired farmers have scaled back their farming activities and thus may have had excess land available to put to conservation uses.

Small farms, in fact, received a large share (82 percent) of conservation program payments. Retirement and residential/lifestyle farms together received about half of the conservation program payments. In contrast, about half of commodity program payments went to high-sales and large farms, reflecting their specialization in cash grains, which includes most program-eligible commodities.

Sources and Level of Income

For most small farm groups, virtually all income came from off-farm sources (table 2). On average, farming made a substantial contribution to household income only for groups with sales of $100,000

Defining the Farm Typology

Small family farms (sales less than $250,000)

- **Limited-resource farms.** Small farms with sales less than $100,000, farm assets less than $150,000, and total operator household income less than $20,000. Operators may report any major occupation, except hired manager.
- **Retirement farms.** Small farms whose operators report they are retired.*
- **Residential/lifestyle farms.** Small farms whose operators report a major occupation other than farming.*
- **Farming-occupation farms.** Small farms whose operators report farming as their major occupation.*
  - **Low-sales.** Sales less than $100,000.
  - **High-sales.** Sales between $100,00 and $249,999.

Other farms

- **Large family farms.** Sales between $250,000 and $499,999.
- **Very large family farms.** Sales of $500,000 or more.
- **Nonfamily farms.** Farms organized as nonfamily corporations or cooperatives, as well as farms operated by hired managers.

*Excludes limited-resource farms whose operators report this occupation.

Table 1

Selected structural characteristics of farms, by farm typology group, 1998

Most farms are small, with half selling less than $10,000 annually

Item	Small family farms					Large family farms	Very large family farms	Non-family farms	All farms
	Limited-resource	Retirement	Residential/ lifestyle	Farming-occupation/ low-sales	Farming-occupation/ high-sales				
					Number				
Total farms	150,268	290,938	834,321	422,205	171,469	91,939	61,273	42,296	2,064,709
					Percent				
Distribution of:									
Farms	7.3	14.1	40.4	20.4	8.3	4.5	3.0	2.0	100.0
Value of production	0.6	1.4	6.1	7.8	17.1	16.8	36.7	13.6	100.0
Acres owned	1.2	10.2	15.7	24.4	16.8	11.2	10.0	10.5	100.0
Farms with sales less than $10,000	79.8	75.5	70.2	34.6	0.0	0.0	0.0	31.1	52.5
Distribution of CRP and WRP acres	3.8	28.9	20.6	17.5	13.5	8.2	3.9	3.5	100.0
Positive net cash income	35.2	39.6	31.6	49.5	81.7	87.1	91.7	55.9	45.6
Type of farm:									
Cash grain	*10.0	7.1	14.0	22.6	42.8	44.1	20.3	25.0	18.6
Other field crops	22.1	31.6	24.5	15.9	10.7	12.6	13.5	21.9	21.5
High-value crops	d	*7.4	7.8	6.6	4.9	7.3	14.0	20.5	7.7
Beef	40.6	39.0	32.4	36.6	13.0	9.7	8.8	14.7	31.1
Hogs	d	d	d	2.3	4.2	4.7	5.9	d	2.5
Dairy	d	d	d	6.4	20.4	15.6	14.0	d	4.5
Other livestock	*15.7	*14.5	18.0	9.5	4.0	6.0	23.5	*11.5	14.0

d = Data suppressed due to insufficient observations.
* = Standard error is between 25 and 50 percent of the estimate.
Source: USDA, Economic Research Service, 1998 Agricultural Resource Management Study, version 1.

or more, and farming's share of income increased with sales.

Except for households with retired operators, at least half of off-farm income was earned, coming from a job or self-employment. This reflects the heavy participation in off-farm work by operators and their spouses (table 3). Off-farm work by farmers and their spouses diminished with increasing sales for high-sales, large, and very large farms, although spouses within each group were more likely to work off-farm than operators. Even on very large family farms, nearly two-fifths of spouses worked off-farm. Between one-fourth and one-third of the working spouses in each typology group worked for the government, which includes local school districts.

Households operating very large farms received only 16 percent of their income from off-farm sources, much less than the other groups (table 2). Households operating very large farms had the highest average household income, $209,100, about four times the average for all U.S. households ($51,900 in 1998).

Households operating residential/lifestyle farms or large farms also had an average income above the average for all U.S. households, but the sources of income differed between the two groups. Households with residential/lifestyle farms received practically all of their income from off-farm sources, largely earned. One-third of the residential/lifestyle farms specialized in beef (table 1), which—in the case of cow-calf enterprises—can have relatively low labor requirements that mesh well with off-farm work. In contrast, households with large

Table 2

Income and net worth of farm operator households, by farm typology group, 1998

Most households operating small farms rely heavily on off-farm income

Group	Operator households	Total household income: Average amount	Total household income: From off-farm sources[1]	Total household income: Percent of U.S. aver. household income[2]	Off-farm income: Average amount	Off-farm income: From earned sources	Total net worth: Average amount	Total net worth: From off-farm sources	Total net worth: Percent of U.S. aver. household net worth[3]
	Number	*Dollars/ household*	*Percent*		*Dollars/ household*	*Percent*	*Dollars/ household*	*Percent*	
All operator households	2,022,413	59,734	88.1	115.2	52,628	74.4	492,195	17.0	174.2
Farm typology:									
Small family farms									
Limited-resource	150,268	9,924	132.5	19.1	13,153	53.3	78,718	16.0	27.9
Retirement	290,938	45,659	103.3	88.1	47,158	34.9	535,943	19.8	189.7
Residential/lifestyle	834,321	72,081	106.0	139.0	76,390	88.7	347,909	26.3	123.2
Farming-occupation									
Low-sales	422,205	34,773	106.9	67.1	37,186	57.7	576,402	14.2	204.0
High-sales	171,469	50,180	57.2	96.8	28,717	72.3	669,458	10.4	237.0
Large family farms	91,939	106,541	44.4	205.5	47,252	65.7	944,533	9.0	334.3
Very large family farms	61,273	209,105	15.9	403.2	33,240	65.1	1,508,151	6.8	533.9

Note: Household data are not collected for nonfamily farms.

[1]Income from off-farm sources can be more than 100 percent of total household income if earnings of the operator household from farming activities are negative.

[2]Average farm household income divided by U.S. average household income ($51,855) from the Current Population Survey (CPS).

[3]Average farm household net worth divided by U.S. average household net worth ($282,500) from the Survey of Consumer Finances (SCF).

Source: 1998 Agricultural Resource Management Study (ARMS) for farm operator and farm household data. Current Population Survey (CPS) for U.S. average household income. Survey of Consumer Finances (SCF) for U.S. average household net worth.

family farms received only 44 percent of their income from off-farm sources. The most common specialization for large family farms was cash grain.

Households operating retirement farms or high-sales small farms had an average income that did not differ from the average for all U.S. households by a statistically significant amount (table 2). Nearly all the income of households with retirement farms came from off the farm, mostly from unearned sources such as Social Security. Households operating high-sales small farms relied much more heavily on farming in comparison with those operating retirement farms, with farming accounting for 43 percent of the group's total household income, on average. About two-thirds of the farms in this group specialized in cash grains or dairy (table 1).

The remaining groups—low-sales and limited-resource farm households—received income below the average for all U.S. households (table 2). Most of their income came from off-farm sources, with unearned income making up nearly half of their off-farm income. This reflects the relatively high percentage of elderly farmers in these groups. Approximately a third of limited-resource farmers reported they were retired. Lower-sales farmers reported farming as their major occupation, but 36 percent were over age 65, and would receive Social Security if they scaled back their farming activities and restricted their off-farm work.

Except for households operating limited-resource farms, each group of households had an average household net worth well above the $282,500 average for all U.S. households (table 2). Although many farm households relied heavily on off-farm sources for income, most operator household wealth was invested in farm assets, regardless of typology group.

Location

Some of the typology groups are concentrated regionally (table 4). As one would expect from their specialization in dairy and cash grain, 62 percent of high-sales

Table 3

Off-farm work by farm operators and spouses, by typology group, 1999

Even on very large family farms, two-fifths of spouses worked off farm

Item	Small family farms					Large family farms	Very large family farms	All family farms
	Limited-resouce	Retirement	Residential/ lifestyle	Farming-occupation/ low-sales	Farming-occupation/ high-sales			
				Number				
Total households	126,920	297,566	931,561	480,441	175,370	77,314	58,403	2,147,576
				Percent				
Operator works off-farm	38.4	15.4	100.0	31.4	24.4	22.9	16.2	58.0
Type of work for operators with off-farm work:[1]								
Employed by another farm	d	d	d	12.8	d	d	d	3.0
Employed by a private firm	47.1	45.6	56.7	38.8	42.7	42.6	33.9	52.9
Employed by government	d	d	14.9	17.2	20.1	15.8	12.1	15.1
Self-employed, another farm	d	d	d	d	d	d	d	*1.0
Self-employed, nonfarm business	d	d	21.3	22.3	20.6	28.0	29.9	21.5
Other	d	d	3.1	d	d	d	d	3.7
Spouse works off-farm	13.1	23.8	62.8	41.5	48.7	46.2	39.0	47.3
Type of work for spouses with off-farm work:[1]								
Employed by another farm	d	0.0	d	d	d	d	d	*0.7
Employed by a private firm	d	46.2	58.4	53.5	52.5	51.5	48.9	55.7
Employed by government	d	34.3	25.4	28.2	33.0	34.0	36.4	27.6
Self-employed, another farm	d	d	0.0	d	d	d	d	d
Self-employed, nonfarm business	d	d	12.5	11.5	8.0	8.7	8.5	11.8
Other	d	d	d	4.2	4.9	d	d	3.4
Off-farm work by operator and spouse:								
Only operator works	30.5	7.5	37.2	13.1	10.0	9.1	8.8	23.3
Only spouse works	d	16.0	0.0	23.3	34.4	32.4	31.6	12.6
Neither works	56.3	68.7	0.0	45.4	41.2	44.7	52.2	29.4
Both work	d	*7.9	62.8	18.2	14.3	13.8	7.3	34.7

Note: Household data are not collected for nonfamily farms. d = Data suppressed due to insufficient observations.
* = Standard error is between 25 and 50 percent of the estimate.
[1]Detail may not add to 100 percent because refusals are not shown separately.
Source: USDA, Economic Research Service, 1999 Agricultural Resource Management Study.

farmers lived in the Lake States, Corn Belt, and Northern Plains. Similarly, 46 percent of large farms were located in the Corn Belt and Northern Plains, which reflects the large farm specialization in cash grain. Forty-two percent of limited-resource farmers lived in Southern regions.

About two-thirds of all U.S. farms were located in nonmetro counties. About three-fourths of farming-occupation small farms and large family farms were located in nonmetro counties, a higher share than the national average. In addition, about two-fifths of high-sales small farms and large family farms were located in nonmetro counties not adjacent to a metro area, compared with one-third of all farms.

By definition, farming-dependent counties, where farming accounts for at least 20 percent of earnings, have a large local farm sector relative to other types of

Table 4

Location of farms, by farm typology group, 1998

Family farms with sales greater than $100,000 are more likely to be located in farming-dependent counties

Item	Small family farms					Large family farms	Very large family farms	Non-family farms	All farms
	Limited-resouce	Retirement	Residential/ lifestyle	Farming-occupation/ low-sales	Farming-occupation/ high-sales				
					Number				
Total farms	150,268	290,938	834,321	422,205	171,469	91,939	61,273	42,296	2,064,709
					Percent				
Region:									
Northeast	d	*5.4	8.7	7.7	9.2	6.7	5.8	*8.6	7.7
Lake States	d	8.6	9.4	10.1	16.7	13.5	6.6	*8.6	10.2
Corn Belt	d	15.2	20.7	18.1	27.5	26.0	18.0	15.9	20.4
Northern Plains	d	d	5.8	10.5	18.0	20.0	8.5	d	8.5
Appalachia	18.5	16.8	16.1	13.2	4.9	8.5	9.3	d	14.2
Southeast	*7.9	10.4	7.3	6.8	3.1	4.1	13.2	10.2	7.4
Delta	8.1	*6.8	3.7	3.2	2.5	3.9	11.6	*3.3	4.5
Southern Plains	7.7	13.9	14.0	16.2	6.3	5.6	6.3	*11.0	12.7
Mountain	d	7.3	7.2	7.2	6.0	5.4	5.1	*10.7	6.7
Pacific	d	*10.6	7.2	7.0	5.8	6.4	15.7	14.9	7.9
Metro-nonmetro status[1]									
Metro	34.0	40.9	37.0	26.1	23.0	26.5	31.5	49.2	33.5
Nonmetro	66.0	59.1	63.0	73.9	77.0	73.5	68.5	50.8	66.5
Adjacent	32.3	32.3	32.3	38.5	35.2	30.7	31.5	22.2	33.5
Nonadjacent	33.8	26.9	30.7	35.4	41.8	42.8	36.9	28.6	33.0
Economic specialization:									
Metro counties	34.0	40.9	37.0	26.1	23.0	26.5	31.5	49.2	33.5
Nonmetro counties	66.0	59.1	63.0	73.9	77.0	73.5	68.5	50.8	66.5
Farming-dependent counties[2]	*7.5	10.8	7.8	17.0	26.8	28.0	19.5	12.8	13.0
Other nonmetro counties	58.5	48.3	55.2	56.9	50.2	45.5	48.9	38.1	53.4

d = Data suppressed due to insufficient observations. * = Standard error is between 25 and 50 percent of the estimate.

[1]The U.S. Office of Management and Budget (OMB) defines metro areas as geographic areas with a large population nucleus (generally at least 50,000 inhabitants), plus adjacent communities that are socially and economically integrated with that nucleus. Metro designations as of 1993, which identified 813 metro counties, are used here. The 2,276 nonmetro counties are a residual, the part of the Nation lying outside metro areas. Nonmetro counties are divided into two groups: those adjacent to metro areas (991 counties) and those that are not adjacent (1,285 counties).

[2]There are 556 farming-dependent nonmetro counties, where farming accounted for at least 20 percent of earned income over the 3 years from 1987 to 1989.

Source: 1998 Agricultural Resource Management Study (ARMS), version 1.

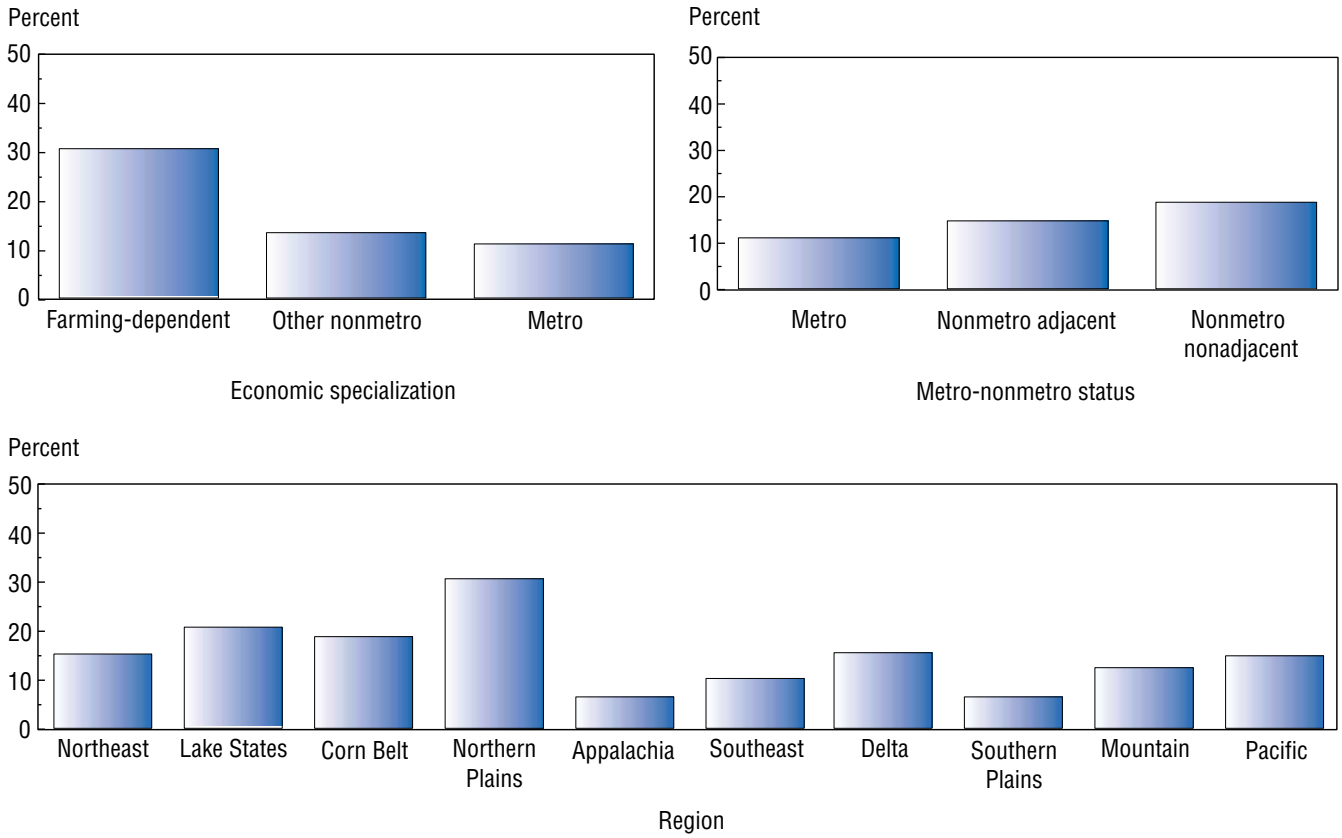
business. Not surprisingly, family farms with sales of $100,000 or more were more likely than farms in general to be located in farming-dependent counties. Between 20 and 28 percent of high-sales small farms, large farms, and very large farms were located in these counties. In contrast, only 13 percent of all U.S. farms were located in farming-dependent counties.

So far, the emphasis of this section has been the distribution of particular typology groups across geographic areas. However, it is also important from a rural development perspective to examine the composition of farms within particular geographic areas. Farming can still provide an economic stimulus where larger farms are concentrated. For example, in farming-dependent counties, 31 percent of all farms were family farms with sales of at least $100,000, compared with 14 percent in the remaining nonmetro counties and 12 percent in metro counties (fig. 1). The Northern Plains also

Figure 1

Family farms with sales of $100,000 or more as a share of all farms in selected geographic areas, 1998

Family farms with sales of at least $100,000 make up a large share of farms in farming-dependent counties, in the Northern Plains, and in nonadjacent counties



Note: Family farms with sales greater than $100,000 include high-sales small farms, large family farms, and very large family farms.
Source: USDA, Economic Research Service, 1998 Agricultural Resource Management Study, version 1.

had a high percentage (31 percent) of farms with sales of $100,000 or more. The share of farms with sales of at least $100,000 was larger in nonmetro counties adjacent to a metro area (16 percent) than in metro counties (12 percent), and larger still in nonmetro counties not adjacent to a metro area (20 percent). Fewer off-farm job opportunities may help explain why farms were larger in farming-dependent counties, in the Northern Plains, and in nonadjacent nonmetro counties.

Most of the economic stimulus provided by farmers occurs locally, regardless of typology group. Operators do not travel particularly long distances to make purchases (table 5). For all farms (in 1993), the average distance to sources of household supplies (12 miles) and farm supplies (13 miles) was less than the average distance to sources of durables (20 miles) and farm machinery (21 miles). Many smaller towns have stores where farmers can buy household and farm supplies. Farmers may need to travel farther to find towns selling the more expensive and less frequently purchased durables and farm machinery. Technological changes—especially purchases via Internet—may alter these relationships. According to 1999 ARMS data, 15 percent of the 634,000 farms with Internet access used e-commerce to purchase livestock and crop inputs. Twenty-five percent of these e-commerce farms sold livestock via the Internet.

Implications for Rural Development

Great diversity exists in U.S. farms. In part, this occurs because only $1,000 of product sales is nec-

essary for an establishment to qualify as a farm, and most family farms classified as limited-resource, retirement, and residential/lifestyle have sales less than $10,000. Many family farms are too small for the farm to do more than supplement off-farm income. At the other extreme, very large family farms have sales of at least $500,000 and obtain nearly all of their income from farm sources.

Farm operators in each typology group rely to some extent on off-farm income. On average, virtually all income comes from off-farm sources for households operating limited-resource, retirement, residential/lifestyle, or low-sales farms. Even households with large and very large farms receive substantial off-farm income (an average of $47,300 and $33,200, respectively), although most of their income comes from farming activities. As a result, a healthy local nonfarm economy can help farm operators and their households by creating opportunities to earn off-farm income.

Farm near Beallsville, Maryland. Photo courtesy Jack Harrison

Farming contributes to economic activity in rural areas because farmers tend to make purchases locally, even those operating larger farms. However, new technologies such as the Internet could alter this. Farm business expenditures for limited-resource, retirement, and residential/lifestyle farms are fairly low, since most of these farms have sales less than $10,000. Nevertheless, households operating these farms make consumption expenditures. In addition, although residential/lifestyle farms produce little, they provide labor to local economies through the off-farm work of the farm operators, their spouses, and any other household members who may work.

Table 5

Distance to sources of purchases, by farm typology group, 1993

Most farm purchases are made close to home

Item	Small family farms					Large family farms	Very large family farms	All farms
	Limited-resource	Residential	Residential/ lifestyle	Farming occupation/ low-sales	Farming occupation/ high-sales			
	Average miles							
Household supplies[1]	11	10	11	14	13	13	13	12
Durables[2]	18	19	20	23	21	18	22	20
Farm machinery[3]	19	16	21	23	22	25	32	21
Farm supplies[4]	12	12	13	15	13	13	21	13

Note: Data on purchases were not collected for nonfamily farms.
[1]Groceries, clothes, supplies for the home, etc.
[2]Cars, trucks, furniture, and household appliances.
[3]Excludes trucks but includes implements.
[4]Seed, feed, chemicals, parts, fuels, and other farm-related goods and services.
Source: USDA, Economic Research Service, 1993 Farm Costs and Returns Survey, version 3.

An Earlier Classification

Gale and Harrington (1993) identified several myths—or commonly held beliefs—about the structure of U.S. agriculture. One of these myths holds that most farms are similar, resembling homesteads of the past, a unified block of modest-sized operations. In reality, farms are diverse, and have always been so. As pointed out over 50 years ago in the *Journal of Farm Economics*:

> With so much diversity among farms the averages for all farms are of little significance. Such items as average income per farm and per farmer as commonly presented include hundreds of thousands of units which do not accord with the concept of a farm which is in the minds of most of the people using these data. Data are included for thousands of farmers who have retired to small acreages; for many suburban estates owned by men of large income whose contribution to agricultural income is nevertheless insignificant . . . Yet the concept in the mind of the user of such data more often than not is that of a fairly substantial commercial farm such as is common through the great crop-producing areas of the country (Benedict et al.).

In recognition of this diversity, a classification of farms was developed for use in the 1945 Census of Agriculture. The classification arose from the discussions of a joint committee of the U.S. Department of Agriculture and the Bureau of the Census (Bachman and Jones) and the article cited above. Groups in the classification were based primarily on the value of production and work off the farm:

- **Large-scale farms** (value of production of $20,000 or more).
- **Large commercial family farms** (value of production from $8,000 to $19,999).
- **Medium commercial family farms** (value of production from $3,000 to $7,999).
- **Small commercial family farms** (value of production from $1,200 to $2,999).
- **Small-scale farms** (value of production from $500 to $1,199 and operator works off-farm less than 100 days per year).
- **Part-time units** (value of production from $250 to $1,199 and operator works off-farm 100 days or more).
- **Nominal units** (value of production less than $250, or value of production between $250 and $499 if the operator worked less than 100 days off the farm.)

The Census Bureau continued to publish statistics using this classification—with modifications made over time—until 1974. Changes in prices and technology probably explain why the classification was discontinued (Stanton). Since then, the ERS typology is the first farm classification system based largely on sales class and the operator's time commitment to farming to be used extensively by a Federal agency.

Despite their reliance on off-farm income, operators of many small farms may be interested in improving their earnings from farming activities through such measures as extension education, innovative marketing programs, and credit targeted specifically at small farms. Trying to raise earnings from farming may be particularly appropriate for limited-resource farmers whose income from all sources is so low. Even modest improvements in household income could be important to these low-income farm households.

Agricultural production is concentrated in large and very large farms. However, low- and high-sales small farms account for about 25 percent of all agricultural production. Small farms—as a group—also produce larger portions of specific commodities, including hay, tobacco, soybeans, wheat, corn, and beef. Thus, small farms are more important to food and fiber production and local economies than their share of total production suggests.

Finally, small farms hold about 69 percent of farm assets, including 68 percent of the land. Thus, small farms are important in any discussions regarding land use, natural resources, or the environment. Retirement farms alone account for 29 percent of the land enrolled in the CRP and WRP though they represent only 10 percent of all farmers' land. Small farms' land is also important to local economies, since it provides a tax basis for property taxes and helps maintain the rural

landscape, which is important in areas where local businesses depend on tourism (Steele).

In contrast, commodity program payments are most relevant to high-sales small farms and large family farms. These farms receive about half of commodity program payments. Farm programs making payments proportional to production will necessarily provide benefits to farms (and regions) producing the commodities in question. RA

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