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# Farms Without Program Payments

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*In this report. Farms that did not receive direct support from Federal farm programs in 1987 or 1988 totaled 1.4 million, or two-thirds of all farms. These farms did not receive payments because they either did not produce the program commodities or did not participate in farm programs. They accounted for about one-half of the land in farms and one-half of the sales of farm products in 1987. These data for 1987 and 1988 are the first such data published by the census of agriculture. They show that not all farmers receive support from the Government and that the characteristics of those who do not receive payments differ greatly from those of farmers who do.*

Certain segments of the farm sector have been subsidized by the Government since the 1930's. Most of the subsidy in the early years was the result of the nonrecourse loan program that, in effect, provided a price floor for commodities that were designated as eligible for loans. Since 1985, nonrecourse loan rates have been set below a moving average of market prices and therefore they provide a low-level safety net for prices rather than a mechanism to enhance prices. Thus, the deficiency payment becomes the primary subsidy.

Farmers who participated in programs run by USDA in 1987 received over \$16.7 billion in direct payments. Of that amount, about \$9.6 billion was reported by census respondents to have gone to about 700,000 producers who were operators of farms counted by the census of agriculture. The remaining \$7.1 billion presumably went to farm landlords, partners of the operators, and stockholders of corporations. It is also possible that some respondents underreported payments received.

Discussions about the distribution of payments have had an important position in agricultural policy-making since the beginning of programs. However, little attention has been paid to farms that do not participate in the subsidy programs. Concern has focused primarily on total income of all farms and on the welfare of program participants. The characteristics of the farms and farmers who received payments were reported on in a previous research report (1). (Italicized numbers in parentheses refer to items in References).

Two-thirds of the farm operators (about 1.4 million) did not report receiving payments from the Federal Government in 1987 and 1988. They apparently did not produce program commodities or did not participate in the programs for those commodities.

Here are some report highlights.

- Farms that did not receive payments generally were either very small or very large as measured by volume of sales.
- Farms that received no payments usually produced few program commodities.
- Farms with high acreage were more likely to receive payments than farms with low acreage.
- Most of the cash farm income of nonrecipient farms was earned by very large farms.
- Operators of farms not receiving payments earned a larger share of their total income off the farm.

## Description of Farms

### Two-thirds of all farms did not receive payments in 1987.

The 1.4 million farms (67 percent of all farms) that did not receive payments in 1987 controlled 481.4 million acres, or about 50 percent of the land in farms (table 1). These farms had total sales of \$69.9 billion, or \$50,333 per farm. They averaged 346 acres per farm. About 1.1 million, or 78 percent, of these farms had sales of farm products of less than \$25,000. These are relatively small businesses by today's standards. They would not, for the most part, be expected to provide sufficient net income to be the sole economic activity of a family. These farms that did not receive payments, with sales of less than \$25,000, accounted for 80 percent of all farms in that sales group.

About 60 percent of the 701,384 farms that had \$25,000-\$499,999 in sales received payments.

These were the primary producers of the supported commodities.

Just over 32,000 of the 1.8 million census farms had \$500,000 or more in sales. Of this group, 56 percent, or 17,892, did not receive payments. Many of these large farms that did not receive payments produced high-valued commodities, such as fruits, vegetables, or livestock, and they did not rely on the supported commodities as a primary source of income.

On average, farms not receiving payments had about one-half as many acres as those receiving payments. The per farm sales volume of farms not receiving payments averaged about one-half of the sales volume of farms receiving payments.

**Table 1--Characteristics of farms receiving and not receiving payments, 1987**

*Farms not receiving payments were generally smaller than those receiving payments.*

Item	Unit	Farms receiving payments <sup>1</sup>	Farms not receiving payments
All farms	Number	699,010	1,388,749
	Percent	33	67
Land in farms	Million acres	483.0	481.4
	Percent	50	50
Total sales	Billion dollars	66.1	69.9
	Percent	48	52
Average acres	Acres	691	346
Average sales	Dollars	94,630	50,333
Farms with sales of:			
Less than \$25,000	Number	264,211	1,090,141
	Percent	20	80
\$25,000-\$99,999	Number	252,426	185,260
	Percent	58	42
\$100,000-\$499,999	Number	168,242	95,456
	Percent	64	36
\$500,000 or more	Number	14,131	17,892
	Percent	44	56

<sup>1</sup>1987 Census of Agriculture, Vol. 2, Part 5, Page 22, Table 2. Number of farms not receiving payments may not agree exactly among tables because the numbers are estimates based on expansions of survey data.

Source: 1987 Census of Agriculture.



## Operator Characteristics

Most operators on farms that did not receive payments in 1987 had a primary occupation that was something other than farming.

Nearly 800,000 of the 1.4 million farmers who did not receive payments in 1987 had a primary occupation other than farming (fig. 1). Over three-fourths of all operators, nearly 1.5 million, lived on the farm they operated.

Although farm operators not receiving payments lived on the farm they operated, they worked a

large number of days off the farm. About 45 percent, or 590,000, worked off the farm 200 days or more.

These data support the conclusion that most of the farms not receiving payments are too small to be the sole source of income for the operator's family.

Figure 1

### Characteristics of operators of farms not receiving program payments, 1987

*Most operators of farms not receiving payments had a primary job off the farm.*

Characteristic

Place of residence

On farm operated

Not on farm operated

Occupation

Farming

Other

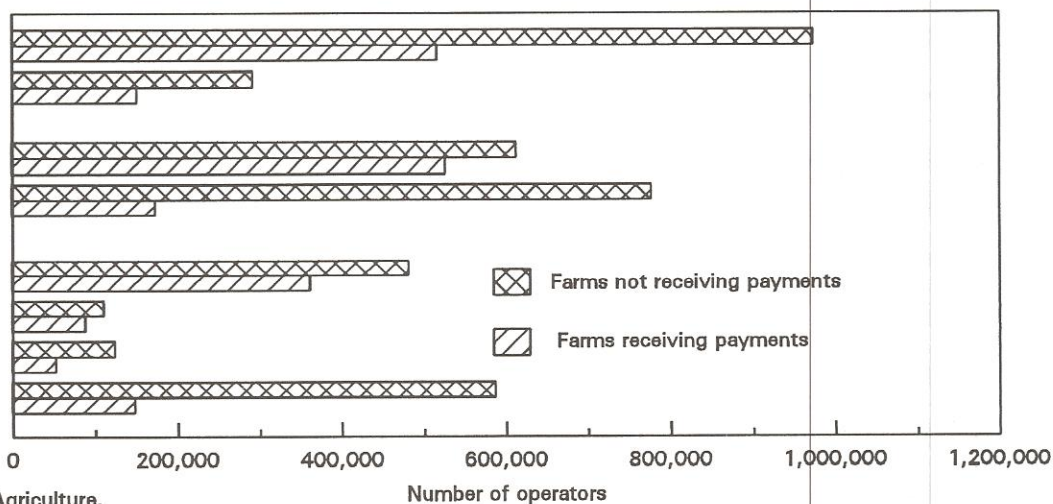
Days worked off farm

None

1-99 days

100-199 days

200 or more days



Source: 1987 Census of Agriculture.

## Data Sources

The 1987 Census of Agriculture, Volume 2, Part 5, *Government Payments and Market Value of Agricultural Products Sold* (conducted by the U.S. Department of Commerce, Bureau of the Census) presents data for all farms counted in the census of agriculture and also for those farms receiving payments (2). It is the first agricultural census to publish information on farms receiving payments. Information on farms not receiving payments can be derived by subtracting the data for those receiving payments from the total for all farms.

The census of agriculture defines a farm as any place from which \$1,000 or more of agricultural products were sold

or normally would have been sold during the year of the census. Government payments were not counted toward the \$1,000 minimum size.

In addition to the census of agriculture, the U.S. Department of Commerce, Bureau of the Census, conducted a sample survey called the *Agricultural Economics and Land Ownership Survey* (AELOS) in 1989 (3), which is the other data source used in this report. This survey provides calendar year 1988 data. The survey is based on a sample of 44,125 farm operators. Data for 1988 show 171,000 fewer farms in 1988 than in 1987. Most of the decline was among farms of fewer than 50 acres.

## Net Cash Returns

### Nearly one-half of the farms not receiving payments had losses.

Of the 1.4 million farms not receiving payments, 673,357 had losses in 1987 (table 2). Losses on these farms averaged \$5,113. Nearly one-third, or 442,130, of the farms that did not receive payments had losses of \$1,000 to \$9,999. These losses reduced the taxable income of operator families that had nonfarm occupations.

Of the 700,600 farms receiving payments, 123,077 had losses. The other 577,523 had net returns that averaged \$41,861.

A reported 713,793, or 51 percent, of the farms not receiving payments had positive net cash gains as reported by the census. This compares with 577,523, or 82 percent, of the farms receiving payments that had positive net returns. Farms not receiving payments had net cash returns that averaged about one-half the size of the net cash returns of farms that received payments. While 21 percent of the farms receiving payments had net cash returns over \$50,000, only 61,073, or 4 percent, of those not receiving payments had gains above \$50,000.

Table 2--Farms with cash gains and losses from farm production, 1987

*Farms not receiving payments accounted for 1,387,150 farms, and 673,357, or nearly one-half, of these had losses.*

Item	Unit	Farms receiving payments <sup>1</sup>	Farms not receiving payments
All farms	Number	700,600	1,387,150
	Percent	34	66
Average net gain	Dollars	33,146	9,255
Farms with net gain	Number	577,523	713,793
	Percent	45	55
Average net gain	Dollars	41,861	22,808
Gain of:			
Less than \$1,000	Number	23,878	137,725
	Percent	15	85
\$1,000-\$9,999	Number	155,938	345,005
	Percent	31	69
\$10,000-\$49,999	Number	249,810	169,990
	Percent	60	40
\$50,000 or more	Number	147,897	61,073
	Percent	71	29
Farms with net loss	Number	123,077	673,357
	Percent	15	85
Average net loss	Dollars	7,747	5,113
Loss of:			
Less than \$1,000	Number	21,848	161,065
	Percent	12	88
\$1,000-\$9,999	Number	76,803	442,130
	Percent	15	85
\$10,000-\$49,999	Number	22,566	65,974
	Percent	25	75
\$50,000 or more	Number	1,860	4,188
	Percent	31	69

<sup>1</sup>1987 Census of Agriculture, Vol. 2, Part 5, Page 26, Table 2. Number of farms receiving and not receiving payments may not agree exactly among tables because the numbers are estimates based on expansions of survey data.



## Producers by Specialty

The share of farms not receiving payments ranged from 13 percent of the cotton farms to 94 percent of the nursery and greenhouse farms in 1987.

Some commodity producers do not have the opportunity to receive payments. For instance, over 90 percent of the farms raising fruits, nuts, berries, and nursery and greenhouse products did not receive direct payments in 1987 because they did not raise program commodities (table 3). Of farms raising program commodities, only 13 percent of all cotton farms and 29 percent of all grain farms did not receive payments in 1987. Except for hog farms (which typically raise some grain crops), the majority of livestock farms did not receive payments.

Farms generating over \$50,000 in sales that did not receive payments accounted for over 32 percent of the dairy farms and about 29 percent of both

nursery and poultry farms (table 4). Over 90 percent of all sales of nursery and greenhouse products and about 86 percent of all poultry sales were from such farms. Less than 6 percent of grain sales were from these large farms that did not receive payments. Although producers of dairy products do not receive direct payments for dairy products, dairy product prices are supported through Government purchases from dairy processors and imports are restricted by quotas.

Peanut and sugar producers receive subsidies through price supports and import restrictions. Tobacco producers receive subsidies through price supports and allotments.

**Table 3--Farms not receiving payments, by specialty, 1987**

*The share of farms not receiving payments varied sharply among specialties.*

Specialty	Nonrecipient farms	
	Share of farms	Share of sales
	Percent	
All farms	67	51
Grains	29	12
Cotton and cottonseed	13	13
Tobacco	77	49
Hay and silage	61	47
Vegetables	69	71
Fruits, nuts, and berries	92	91
Nursery and greenhouse	94	96
Other crops	44	42
Poultry	79	87
Dairy	60	61
Cattle and calves	69	57
Hogs and pigs	49	33
Sheep and lambs	58	52
Other livestock	85	91

Source: 1987 Census of Agriculture.

**Table 4--Farms with sales of at least \$50,000 not receiving payments, by specialty, 1987**

*Sales are highly concentrated for some specialties.*

Specialty	Nonrecipient farms	
	Share of farms	Share of sales
	Percent	
Grains	1.8	5.9
Cotton and cottonseed	4.3	12.2
Tobacco	1.8	14.7
Hay and silage	.9	18.4
Vegetables	9.6	64.9
Fruits, nuts, and berries	19.5	82.0
Nursery and greenhouse	29.3	91.2
Other crops	10.9	35.8
Poultry	30.3	85.8
Dairy	32.4	54.4
Cattle and calves	3.1	43.1
Hogs and pigs	5.4	24.3
Sheep and lambs	1.2	35.4
Other livestock	2.8	70.1

Source: 1987 Census of Agriculture.

## Farms by Size in Acres

### Most farms with small acreage received no payments in 1988.

Almost 93 percent of the farms of less than 50 acres did not receive payments in 1988 (table 5). At the larger end of the size classes, only 34 percent of the 63,000 farms with over 2,000 acres did not receive payments.

Thirty-two percent of farms with 260 acres or more did not receive payments. Most of these apparently were livestock ranches.

**Table 5—Farms without Government payments by acreage size classes, 1988**

*Most small farms received no payments, while one-third or fewer of the large farms did not receive payments.*

Acreage size class	All farms	Farms not receiving payments <sup>1</sup>	Share of farms not receiving payments
	-----Number-----		Percent
All farms	1,870,567	1,187,891	63.5
Less than 50	474,136	439,411	92.7
50-99	290,588	241,042	82.9
100-179	317,339	214,857	67.7
180-259	192,318	104,753	54.5
260-499	256,826	99,865	38.9
500-999	181,217	44,892	24.8
1,000-1,999	95,328	21,999	23.1
2,000 or more	62,815	21,072	33.5

<sup>1</sup>Number of farms not receiving payments may not agree exactly among tables because the numbers are estimates based on expansions of survey data.

Source: Agricultural Economics and Land Ownership Survey (1988).

## Harvested Acres

**A small share of the acres harvested in 1987 was on farms that did not receive payments.**

About 72 million acres, or only 25 percent of the harvested acreage on census farms in 1987, were on farms not receiving payments. Of 59 million acres of corn produced for grain, about 9 million acres (16 percent) were on farms that did not receive payments (fig. 2). Wheat and soybeans showed patterns similar to corn, with 6

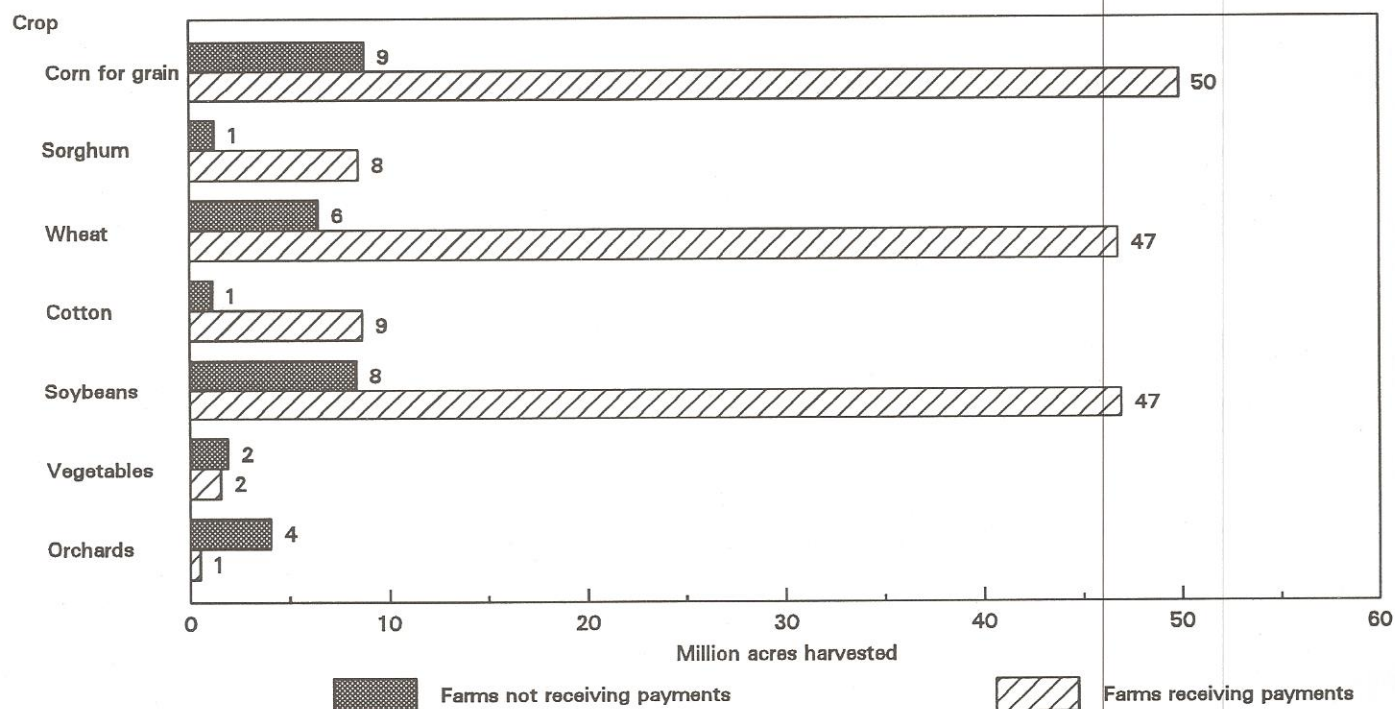
million out of 53 million acres and 8 million out of 55 million acres on farms that did not receive payments.

In contrast to the figures for grains and oilseeds, 4 million acres of orchards out of 5 million total acres were on farms that did not receive payments.

Figure 2

### Acreage of land harvested on farms not receiving and receiving payments, 1987

*Farms not receiving payments had a small share of harvested acres.*



Source: 1987 Census of Agriculture.



## Farms by Value of Sales

Almost 80 percent of the farms with sales of less than \$25,000 did not receive payments in 1988.

The Agricultural Economics and Land Ownership Survey (1988) collected data from a sample of farms which, when expanded to the population, represents 1,879,567 farms (table 6). Of these farms, 1,196,891 were shown not to have received payments in 1988.<sup>1</sup> About 80 percent, or 929,085, of these farms not receiving payments had sales of less than \$25,000 (fig. 3). This group of farms, representing 49 percent of all farms, sold about \$5 billion in farm products, or 3.7 percent of all farm product sales.

These farms with low product sales and no farm program payments are of insufficient size to provide the sole support for a family. Most would depend on nonfarm sources as their primary source of income.

At the other end of the scale, there were about 307,000 farms with sales of over \$100,000 in 1988, representing 16 percent of U.S. farms. They accounted for 78 percent of all sales. Of these farms, 104,000 received no payments. This nonrecipient group, amounting to less than 6 percent of all farms, sold \$52.2 billion of farm products, or 40 percent of the total sales from farms in 1988.

The 6,316 farms with over \$1 million in sales that received no payments had total sales of \$28.2 billion and average sales of \$4.5 million in 1988. They were mainly large livestock, poultry, and fruit and vegetable farms.

<sup>1</sup>This compares with 1.4 million farms that were shown as not receiving payments out of a total of 2.1 million farms in the 1987 Census of Agriculture.

**Table 6—Farms by value of sales, 1988**

*Fewer very small farms and very large farms received payments when compared with midsize farms.*

Item	All farms		Farms not receiving payments <sup>1</sup>			
	Farms	Sales	Farms	Share of farms	Sales	Share of sales
	Number	\$1,000	Number	Percent	\$1,000	Percent
All farms	1,879,567	135,174,837	1,196,891	63.7	65,371,297	48.3
Farms with sales of:						
Less than \$25,000	1,164,743	7,400,609	929,085	79.8	4,951,448	66.9
\$25,000-\$49,999	206,146	7,254,543	93,503	45.5	3,289,152	45.3
\$50,000-\$99,999	201,553	14,157,300	70,294	34.9	4,870,463	34.4
\$100,000-\$499,999	276,553	54,600,158	88,316	31.9	17,698,776	32.3
\$500,000-\$999,999	20,072	13,222,224	9,377	46.7	6,305,134	47.8
\$1 million or more	10,500	38,540,003	6,316	60.2	28,256,324	73.3

<sup>1</sup>Number of farms not receiving payments may not agree exactly among tables because the numbers are estimates based on expansions of survey data.

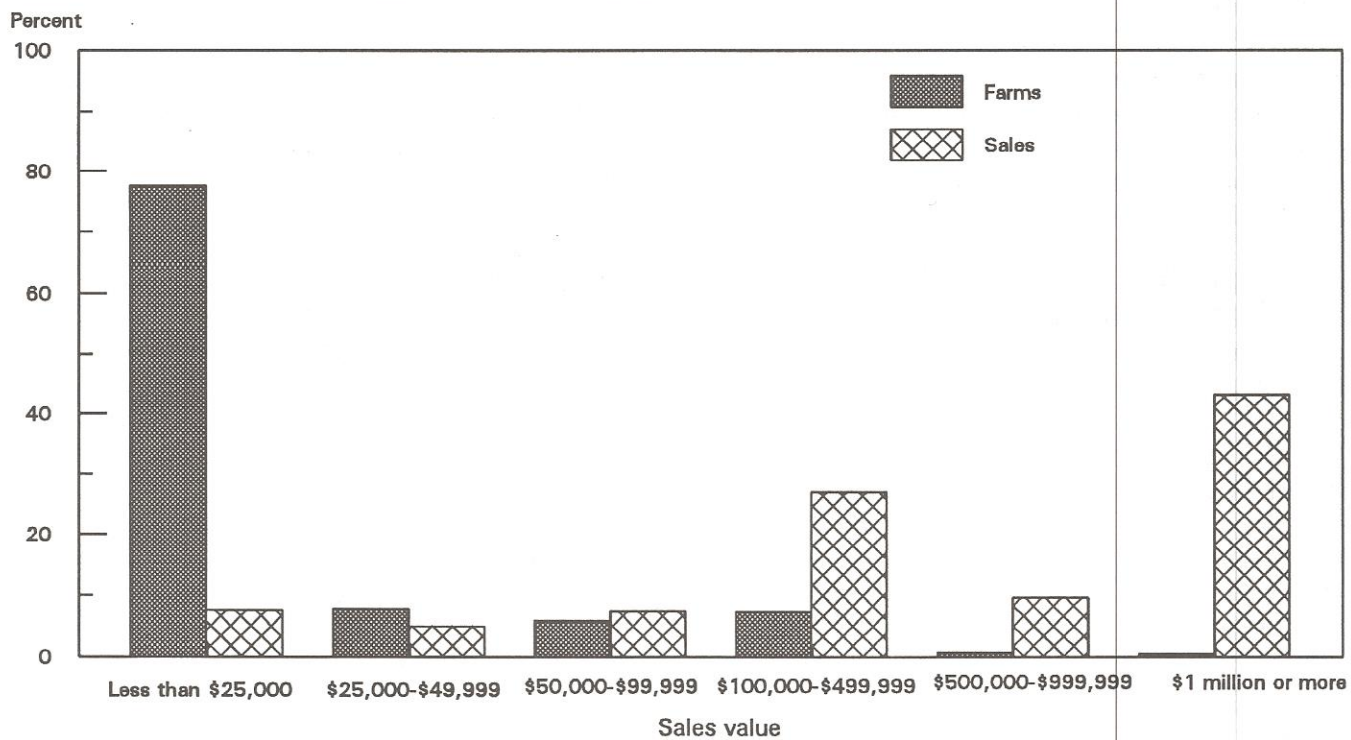
Source: Agricultural Economics and Land Ownership Survey (1988).



Figure 3

**Distribution of farms and sales by sales class for farms not receiving payments , 1988**

*The smaller farms had a small percentage of the sales.*



Source: Agricultural Economics and Land Ownership Survey (1988).

## Net Income

The two-thirds of all farms not receiving payments earned less than one-third of all farm net income in 1988.

The 1.2 million farms not receiving payments (1988 Agricultural Economics and Land Ownership Survey), nearly two-thirds of all farms, received \$9.7 billion in net income or less than one-third of the net income that went to farms in 1988 (table 7).

Over one-half of all farms had net income of less than \$10,000 from farming and received no program payments. This entire group lost money on average.

Farms with net incomes of \$10,000 to \$99,999 and the net income of those farms were proportionally distributed between farms with payments and farms without payments.

About 28 percent of farms having \$100,000 or more in net income did not receive payments. This group, however, earned over 40 percent of the net income of all farms with sales exceeding \$100,000.

Table 7--Farms by net farm income class, 1988

*Farms not receiving payments got relatively little net income.*

Item	All farms		Farms not receiving payments <sup>1</sup>			
	Farms	Net income	Farms	Share of farms	Net income	Share of net income
	<i>Number</i>	<i>\$1,000</i>	<i>Number</i>	<i>Percent</i>	<i>\$1,000</i>	<i>Percent</i>
All farms	1,879,567	31,320,200	1,186,894	63.6	9,662,321	30.8
Farms with net income of:						
Less than \$10,000	1,279,816	-4,098,820	987,904	77.2	-2,984,632	70.8
\$10,000-\$24,999	248,841	4,133,475	100,266	40.3	1,794,024	43.4
\$25,000-\$49,999	175,610	6,190,883	55,167	31.4	1,921,980	31.0
\$50,000-\$99,999	108,082	7,606,750	24,982	23.1	1,777,849	23.4
\$100,000 or more	67,218	17,487,911	18,575	27.6	7,153,100	40.9

<sup>1</sup>Number of farms not receiving payments may not agree exactly among tables because the numbers are estimates based on expansions of survey data.

Source: Agricultural Economics and Land Ownership Survey (1988).



## Off-Farm Income

Farms that received no payments in 1988 accounted for 71 percent of off-farm earnings but only 62 percent of all farms that earned off-farm income.

Of the 1,398,820 farms with off-farm income, 872,459 farms, or about 62 percent, received no payments in 1988 (table 8).

Of the 1.2 million farms not receiving payments (1988 Agricultural Economics and Land Ownership Survey), 314,432 earned no off-farm income. These farms depended completely on agricultural markets for their revenue.

Off-farm income totaled \$41.9 billion in 1988. About \$29.7 billion, or 71 percent of this income,

went to 872,459 farms that did not receive payments.

The bulk of the nonfarm income received by all farmers, whether or not they received payments, was in the form of cash wages. One-half of the farms not receiving payments received cash wages for off-farm work, one-third received interest on investments, one-fourth had retirement income, and one-tenth were self-employed in nonfarm activities.

**Table 8--Off-farm income by source, 1988**

*Off-farm income was concentrated on farms that did not receive payments.*

Item	All farms		Farms not receiving payments <sup>1</sup>			
	Farms	Amount of off-farm income	Farms receiving off-farm income	Share of farms	Amount of off-farm income	Share of off-farm income
	<i>Number</i>	<i>\$1,000</i>	<i>Number</i>	<i>Percent</i>	<i>\$1,000</i>	<i>Percent</i>
Farms receiving off-farm income:	1,398,820 <sup>2</sup>	41,933,156	872,459 <sup>2</sup>	62.4	29,688,799	70.8
Cash wages	981,675	26,223,390	614,854	62.6	18,828,285	71.8
Self-employment	166,921	3,721,412	112,397	67.3	2,687,614	72.2
Retirement income	458,073	4,678,581	310,141	67.7	3,310,380	70.7
Public assistance	38,142	186,199	24,245	63.6	159,178	85.5
Interest and dividends	757,801	3,787,131	435,815	57.5	2,482,278	65.5
Other income	<sup>2</sup>	3,336,443	<sup>2</sup>	NA	2,221,064	66.6

NA = Not applicable.

<sup>1</sup>Number of farms not receiving payments may not agree exactly among tables because the numbers are estimates based on expansions of survey data.

<sup>2</sup>Farms are counted for each source of other income, thus the number of farms receiving other income is not shown and the number of farms for each source does not add to the total number for all sources.

Source: Agricultural Economics and Land Ownership Survey (1988).

## References

- (1) Reinsel, Robert D. *The Distribution of Farm Program Payments, 1987*. AIB-607. U.S. Dept. Agr., Econ. Res. Serv., June 1990.
- (2) U.S. Department of Commerce, Bureau of the Census. *Government Payments and Market Value of Agricultural Products Sold*, Vol. 2, Part 5, 1987 Census of Agriculture, Sept. 1990.
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