Financial Structure

Farm income, off-farm income, and government farm program payments constitute the major components of net income per farm (app. table 1). As would be expected, large farms had a considerably larger amount of net farm income, government farm program payments, and capital gains on farm physical assets than small farms. Although the significant reduction in Federal farm program payments in 1974 made the differences proportionally less obvious, a recent ESCS study reaffirms what is widely known about the programs—that benefits are closely proportional to production volume: the larger farms, although few in numbers, have the highest production and thus receive a disproportionate share of the program benefits (24). Of $2 billion in program payments in 1978, almost half the payments went to only 10 percent of the participants, those with the largest farms. By contrast, 50 percent of the farms—the smaller units—received only 10 percent of the payments.

In 1969, the amount of off-farm income per farm for farms with sales of more than $100,000 and less than $2,500 were about the same. This changed drastically, however, in 1974. Off-farm income per farm in sales classes of less than $2,500 almost doubled, while no significant change occurred in the top sales classes. In fact, farmers in sales classes of less than $40,000 all increased their off-farm income significantly. Preliminary data indicate that this trend continued into 1978. This suggests that small farmers are supplementing their family income through off-farm employment and investment, and that off-farm income has become more important as a source of farm family income.

Another characteristic of agriculture is the increasing ratio of debts to assets as farm size increases. In 1969, farms with sales of $20,000 or less had a ratio of 13.2 (13.2 cents of debts for each $1 of assets); farms with $100,000 or more of sales had a ratio of 24.6. By 1974, the ratio for small farms had decreased, while the ratio increased to 30.2 for the largest farms.