

Find the full report at www.ers.usda.gov/publications/eib-economic-information-bulletin/eib-123.aspx

Working the Land With 10 Acres: Small Acreage Farming in the United States

Doris J. Newton

What Is the Issue?

Roughly 13 percent of U.S. farms (294,000) operated on 10 acres or less in 2007, and while most of these small acreage (SA) farms generated very little, if any, farm production, some managed to attain sizeable sales despite their limited land base. Given strong and growing empirical evidence that larger farms are more efficient at producing most farm products, what factors account for the apparent continuing financial viability of some small acreage farms? This report looks at small acreage farms having gross sales of \$10,000 or more in a given year to better understand the product choices and strategies used by small acreage farms that appear to be operating profitably.

What Did the Study Find?

Almost one-sixth of all U.S. farms in 2007 were SA farms with 10 or fewer acres. These operations controlled approximately 1.7 million acres of farmland (only 0.18 percent of the 922.1 million total acres of U.S. farmland in 2007). However, total sales of all SA farms were approximately \$9 billion in 2007, or 3 percent of total U.S. farm sales.

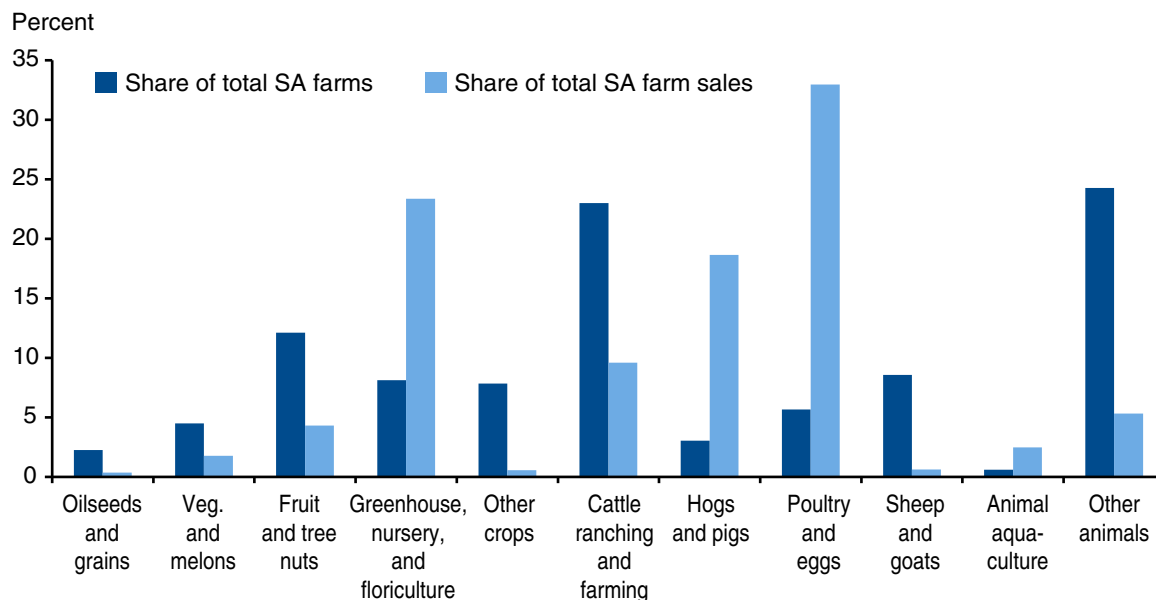
Most SA farms in 2007 produced very little, if any, farm products; yet, 17 percent of SA farms (50,000) had gross sales of at least \$10,000. Approximately 122,000 operations, or 42 percent of all SA farms, reported sales under \$1,000 in 2007, while 41 percent reported sales between \$1,000 and just under \$10,000.

Small acreage does not necessarily mean small sales. Over 30,000 SA farms had sales between \$10,000 and \$50,000 in 2007, while 6,000 SA farms grossed over \$250,000 and 3,600 had sales of at least \$500,000. These farms tended to specialize in a single stage of the production process when raising livestock, or they produced high-value crops. They produced very little or no field crops, which require large acreages.

Product specializations varied with the size of the farm. The 3,600 farms in the largest SA sales class, at least \$500,000 in sales in 2007, consisted primarily of confined hog and poultry operations. But the 46,000 farms with sales between \$10,000 and \$500,000 in 2007 focused primarily on high-value crops like floriculture, tree nurseries, orchards, and vegetables.

ERS is a primary source of economic research and analysis from the U.S. Department of Agriculture, providing timely information on economic and policy issues related to agriculture, food, the environment, and rural America.

Small acreage (SA) farms and sales share by product specialization group, 2007



Sources: USDA, Economic Research Service using data from U.S. Census of Agriculture, 2007, and North American Industry Classification System.

Most SA farms with sales greater than \$10,000 in 2007 had positive net farm income. The majority of SA farms with sales greater than \$10,000 in 2007 realized gross income in excess of cash expenses, and the share with positive returns increased with sales class, except for farms with sales of at least \$500,000. Cash expenses include the expense of hired labor but do not account for family-provided labor.

Rates of return on equity for SA farms varied widely among sales classes. ERS estimates of the rate of return on equity account for the costs of family-provided labor. Farms with sales of less than \$100,000 in 2007 had negative rates of return, while farms with sales of \$100,000 or more had positive rates of return.

The share of women principal operators is higher for SA farms than for all farms. Women were principal operators of 24 percent of all SA farms in 2007, compared with 14 percent of all farms. They were the principal operator on 19 percent of SA farms with sales of \$10,000 or more, compared with 8 percent of all farms with sales that high.

How Was the Study Conducted?

This report uses data from both the 2007 U.S. Census of Agriculture and USDA's 2007 Agricultural Resource Management Survey (ARMS) to examine the socioeconomic characteristics of the farming and ranching population whose production is on 10 acres or less. Every 5 years, the agricultural census collects information from farm operators on acres operated, product sales and volumes, operator characteristics, and farm finances. The 2007 census contains the latest available data on all farms at the time this research was completed, and it provides comprehensive details on production by SA farms. ARMS, an annual survey sponsored by USDA's Economic Research Service and National Agricultural Statistics Service, generates a representative national sample of 20,000-22,000 farms and provides additional farm and farm household financial information that is not collected in the census.