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Farming and Farm Income

American agriculture and rural life underwent a tremendous transformation in the 20th century. Early 20th century agriculture was labor intensive, and it took place on many small, diversified farms in rural areas where more than half the U.S. population lived. Agricultural production in the 21st century, on the other hand, is concentrated on a smaller number of large, specialized farms in rural areas where less than a fourth of the U.S. population lives. The following material provides an overview of these trends, as well as trends in farm sector and farm household incomes.

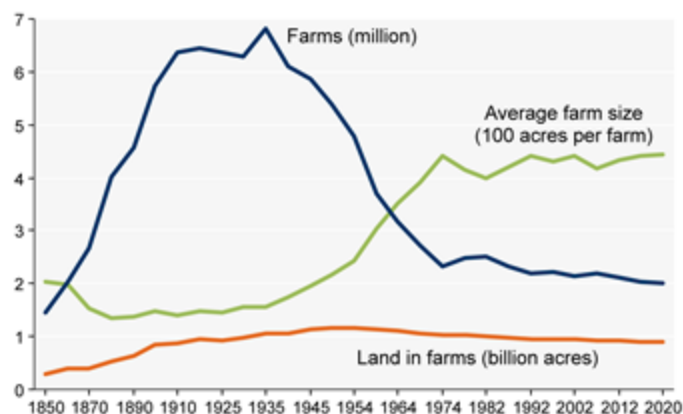
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The number of U.S. farms continues to decline slowly

After peaking at 6.8 million farms in 1935, the number of U.S. farms fell sharply until the early 1970s. Rapidly falling farm numbers during the earlier period reflected growing productivity in agriculture and increased nonfarm employment opportunities. Since then, the number of U.S. farms has continued to decline, but much more slowly. In the most recent survey, there were 2.02 million U.S. farms in 2020, down from 2.20 million in 2007. With 897 million acres of land in farms in 2020, the average farm size was 444 acres, only slightly greater than the 440 acres recorded in the early 1970s.

Farms, land in farms, and average acres per farm, 1850-2020
Million farms, billion acres, or 100 acres per farm

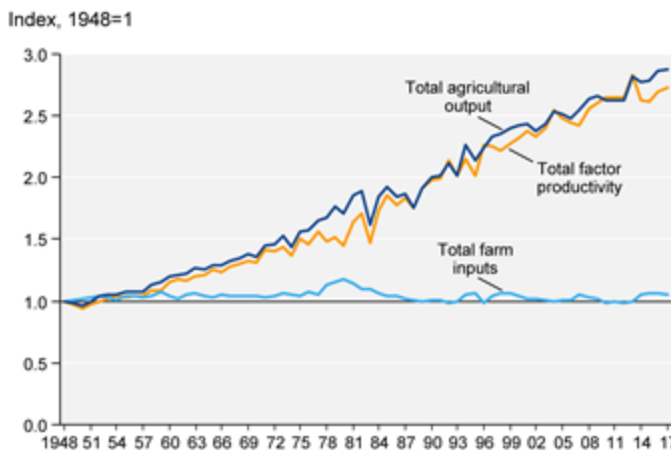


Source: USDA, Economic Research Service using data from USDA, National Agricultural Statistics Service, Census of Agriculture (through 2017) and *Farms and Land in Farms: 2020 Summary* (February 2021).

Productivity growth is still the major driver of U.S. agricultural growth

Technological developments in agriculture have been influential in driving changes in the farm sector. Innovations in animal and crop genetics, chemicals, equipment, and farm organization have enabled continuing output growth without adding much to inputs. As a result, even as the amount of land and labor used in farming declined, total farm output nearly tripled between 1948 and 2017.

U.S. agricultural output, inputs, and total factor productivity

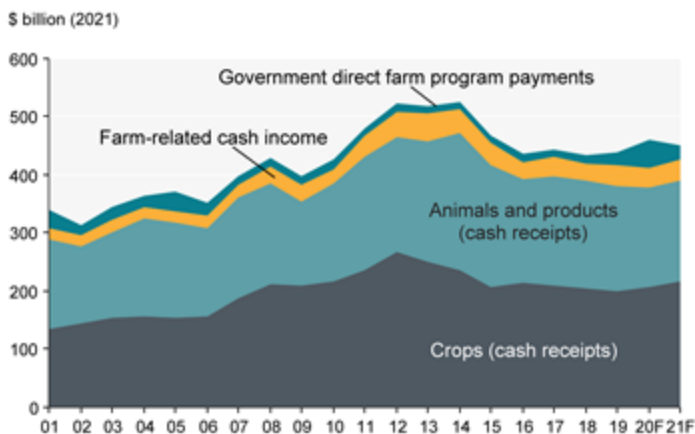


Source: USDA, Economic Research Service, *Agricultural Productivity in the U.S.* data series. Data as of January 2020.

U.S. gross cash farm income to fall slightly in 2021

Gross cash farm income is annual income before expenses and includes cash receipts, farm-related income, and Government farm program payments. Gross cash farm income is forecast at \$451 billion in 2021, versus \$341 billion (inflation-adjusted 2021 dollars) in 2001, with the increase across time largely because of higher cash receipts. If forecasts are realized, gross cash farm income would fall 1.8 percent in 2021, after increasing 4.6 percent in 2020.

U.S. gross cash farm income components, 2001–21F



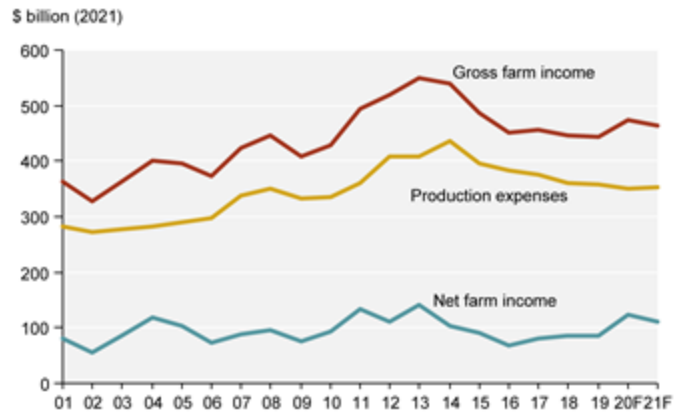
Note: F = forecast. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.
Source: USDA, Economic Research Service, *Farm Income and Wealth Statistics*. Data as of February 5, 2021.

U.S. net farm income forecast to decline in 2021

Gross farm income reflects the total value of agricultural output plus Government farm program payments. Net farm income reflects income after expenses from production in the current year and is calculated by subtracting farm expenses from gross farm income. Net farm income considers both cash and noncash income and expenses. Inflation-adjusted net farm income is forecast to decrease 9.7 percent in 2021, to \$111.4 billion. Inflation-adjusted farm

production expenses are projected to increase 0.6 percent in 2021.

U.S. gross farm income, production expenses, and net farm income, inflation adjusted, 2001–21F

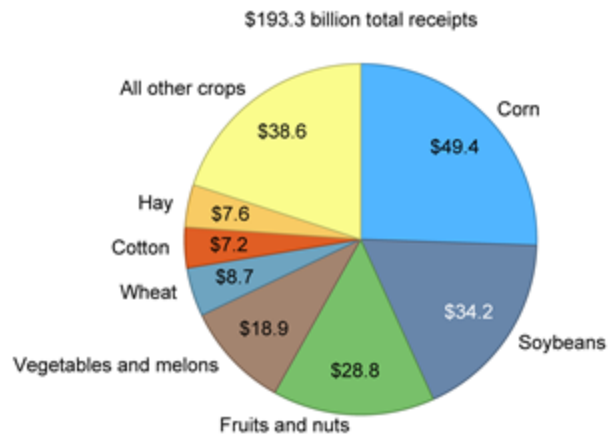


Note: F = forecast. Values are adjusted for inflation using the Gross Domestic Product chain-type price index, 2021=100.
 Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of February 5, 2021.

Corn and soybeans accounted for over 40 percent of all U.S. crop cash receipts in 2019

Crop cash receipts totaled \$193.3 billion in 2019. Receipts from corn and soybeans accounted for 43.2 percent of the total.

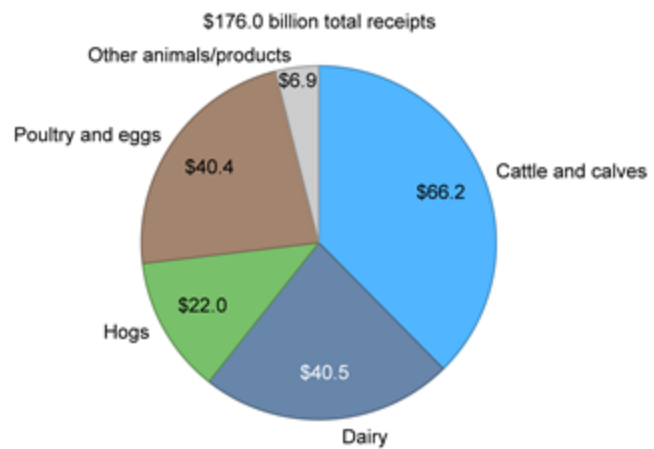
2019 U.S. crop cash receipts (\$ billion)



Note: Components may not sum to total because of rounding. Data as of February 5, 2021.
 Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Cattle/calf receipts comprised the largest portion of U.S. animal/animal product receipts in 2019

Cash receipts for animals and animal products totaled \$176.0 billion in 2019. Cattle/calf receipts accounted for 37.6 percent of that total, dairy receipts accounted for 23.0 percent, and poultry/eggs receipts accounted for 22.9 percent.

2019 U.S. animal and animal product cash receipts (\$ billion)

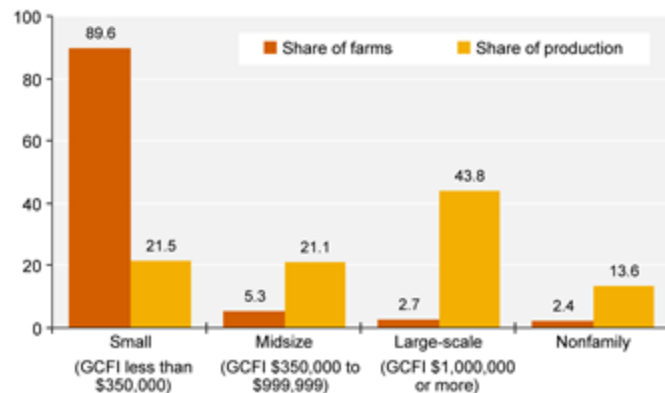
Note: Components may not sum to total because of rounding. Data as of February 5, 2021.
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Most farms are small, but most production is on large farms

Gross cash farm income (GCFI) includes income from commodity cash receipts, farm-related income, and Government payments. Family farms (where the majority of the business is owned by the operator and individuals related to the operator) of various types together accounted for nearly 98 percent of U.S. farms in 2019. Small family farms (less than \$350,000 in GCFI) accounted for 90 percent of all U.S. farms. Large-scale family farms (\$1 million or more in GCFI) make up about 3 percent of farms but 44 percent of the value of production.

Farms and their value of production by farm type, 2019

Percent of U.S. farms or production



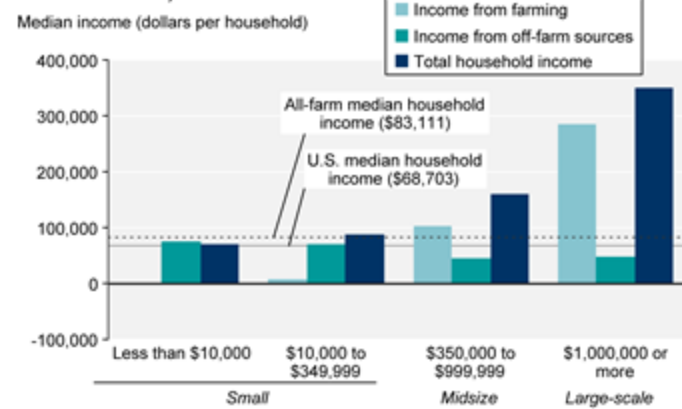
Note: GCFI = annual gross cash farm income before expenses. Nonfamily farms are those where the principal operator and their relatives do not own a majority of the business.
Source: USDA, Economic Research Service and National Agricultural Statistics Service, Agricultural Resource Management Survey. Data as of December 2, 2020.

Most farmers receive off-farm income, but small-scale operators depend on it

Median total household income among all farm households (\$83,111) exceeded the median for all U.S. households (\$68,703) in 2019. Median household income and income from farming increase with farm size and most households earn some income from off-farm employment. About half of U.S. farms are very small, with annual farm sales under \$10,000; the households operating these farms typically rely on off-farm sources for most of their household income. In

contrast, the median household operating large-scale farms earned \$350,373 in 2019 with most of that from farming.

Median household income of principal farm operators by source and sales class, 2019



Note: Sales class reflects annual gross cash farm income before expenses (the sum of the farm's crop and livestock sales, Government payments, and other cash farm-related income). Source: USDA, Economic Research Service and National Agricultural Statistics Service, Agricultural Resource Management Survey and U.S. Department of Commerce, Bureau of the Census, *Current Population Reports*. Data as of December 2, 2020.

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