Ohio Farm Household
Longitudinal Study*

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The Ohio State University
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OHIO FARM HOUSEHOLD NON-FARM INCOME 1986

This is the third in a series of reports portraying conditions in Ohio farm operator households, and the focus of this report is on the importance of non-farm income to these households. Nearly 1,000 Ohio farm families contributed information for this study, providing information about conditions on January 1, 1987 and sources of income for 1986.

Non-farm income is extremely important to Ohio farm households (Table 1). On the average, it comprises over three-fourths of their income. Since farm income fluctuates from year to year, non-farm income has a stabilizing effect on the farm family's income. In addition, those working in off-farm jobs typically receive benefits such as health and disability insurance, workers compensation, life insurance, unemployment insurance, and retirement plans.

The importance of off-farm income is evident for the smaller sales classes (less than $40,000 in annual sales). In fact, one could argue that the farm serves primarily as a residence for these families with farming furnishing, at most, a small proportion of their income. Even moderate size farms (annual sales totaling $40,000 to $100,000) show similar characteristics; non-farm income is crucial in meeting family living expenses and often allows the family to remain in farming.

On larger commercial farms (more than $100,000 annual sales), the farm business generates most of the household income. In previous reports in this series, we have pointed out some distinctive features of these larger commercial farms. They have a relatively large asset base, but

Table 1: Farm Operator Income per Household
U.S. and Ohio Estimates
January 1, 1987

Sales Class	U.S. Farm Operators			Ohio Farm Operators		
	Non-farm	Net Farm	Total	Non-farm	Net Farm	Total
	$1,000					
$9,999 or less	30.7	1.3	32.0	24.0	-2.1	21.9
$10,000 to 19,999	31.4	2.6	34.0	23.5	-2.6	20.9
$20,000 to 39,999	19.9	7.2	27.1	23.4	-1.2	22.2
$40,000 to 99,999	14.8	10.8	25.6	18.7	8.5	27.2
$100,000 to 249,999	14.4	24.4	38.8	18.0	26.0	44.0
$250,000 to 499,999	21.0	70.3	91.3	18.1	43.7	61.8
$500,000 or more	34.1	141.8	175.9	19.1	140.7	159.8
All farms	24.3	11.9	36.2	21.8	5.9	27.7

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also they have relatively high leverage (debt-to-asset) ratios. They have placed large amounts of their capital in farm real estate and especially in livestock and farm machinery. They have relatively few off-farm investments. In short, they have committed nearly all their financial assets to agriculture and have assumed financial risk by borrowing capital.

These larger farm operators also have committed their own labor and managerial resources to their farms (Figure 1). A low proportion of larger operators are employed in off-farm jobs. In contrast, most of the farm operators in the smaller sales classes are employed off the farm. On farms in the smallest sales class, more than 88 percent of the operators worked off the farm. Conversely, on farms with sales more than $100,000, very few operators work in off-farm jobs.

On the average, slightly over half the farm operators work off the farm; but obviously averages are misleading in this case. Operators of small farms tend to view off-farm jobs as their primary source of income; larger operators commit nearly all their time to the farm.

On the average, slightly more than half of the spouses of farm operators are employed in off-farm jobs, but here averages are not so misleading; about the same proportion of spouses in all farm sales classes work off the farm. Spouses and other family members contribute significantly to household income, regardless of farm size (Figure 2).

Spouses and other family members earnings are important on larger farm operations especially those with $100,000 to $500,000 annual sales. One could speculate that spouses earnings have become more important to larger commercial farm households during the 1980's when agriculture faced trying economic conditions.

Where do farm operators and spouses work in their off-farm jobs? Employment by industry is depicted in Figure 3 for farm operators, their spouses, and all Ohio workers. Farm operators tend to work in manufacturing (38 percent), services (20 percent) and transportation (11 percent). Spouses tend to work in services (55 percent), manufacturing (12 percent) and retailing (11 percent). Income from the service sector frequently comes from teaching and nursing.

Annual off-farm wages and salaries in 1986 averaged $20,000 for farm operators, which compares favorably with the average of $19,800 received by all Ohio wage earners. Farm spouses fare less well in their off-farm jobs receiving about $11,400 per year. The part-time and seasonal nature of many of their jobs may be a partial explanation for the lower earnings of spouses.

Besides off-farm jobs, farm families receive income from numerous non-farm sources, such as interest, dividends, rent, social security payments, and retirement accounts. These other sources are especially prevalent among the largest farm operator households (annual sales greater than $500,000).

Non-farm income is likely to remain crucial for all Ohio farm operator households. In the case of small farm operations, families depend on off-farm wages of both the farm operator and the spouse. On larger farms, the spouses' off-farm wages and other non-farm income become important. Not only does this income help pay for family essentials, but also it helps buffer year-to-year swings in farm income.

A stable or growing non-farm economy is critical to the financial well being of Ohio farm families. Manufacturing, service, and transportation sectors furnish the majority of off-farm jobs to farm families. In fact, for most Ohio farm families, off-farm jobs have enabled them to weather the disastrous economic climate in the farm economy during the 1980's. These opportunities are not as readily available in the western corn belt.

The next report in this series will take a closer look at farm operations. Issues such as sources of farm income, land tenure, crop yield, and costs will be discussed.

FIGURE 1

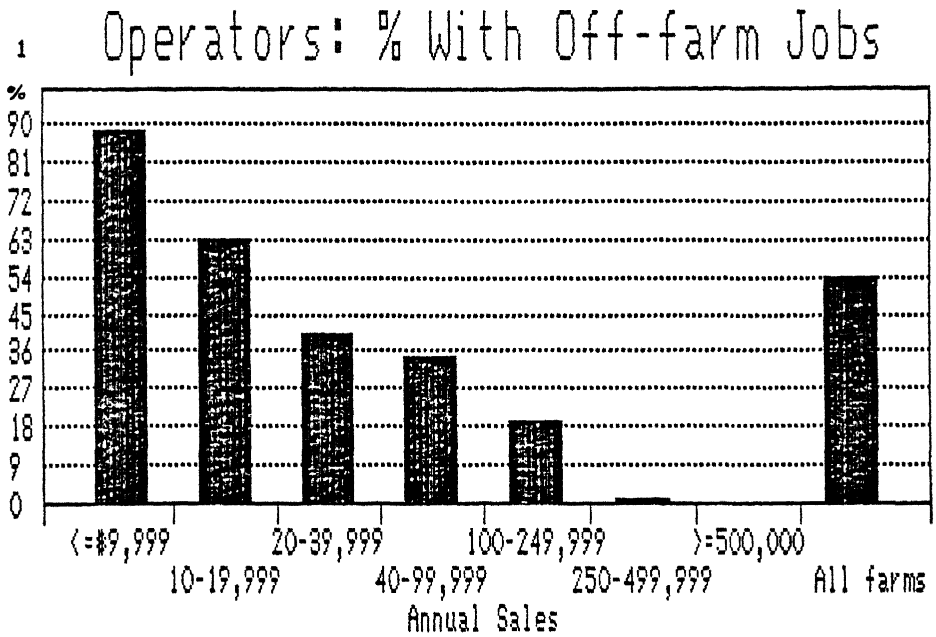


FIGURE 2

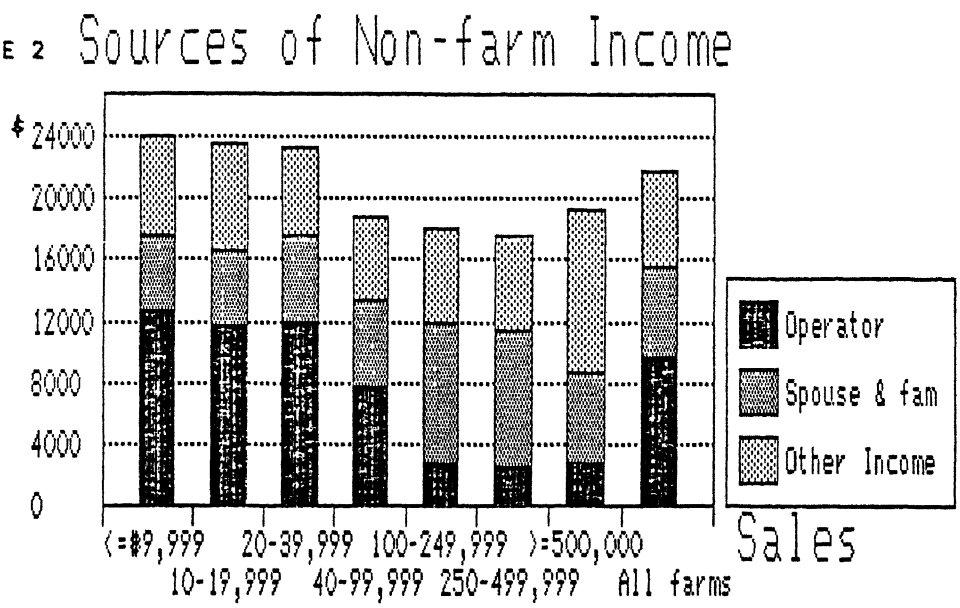
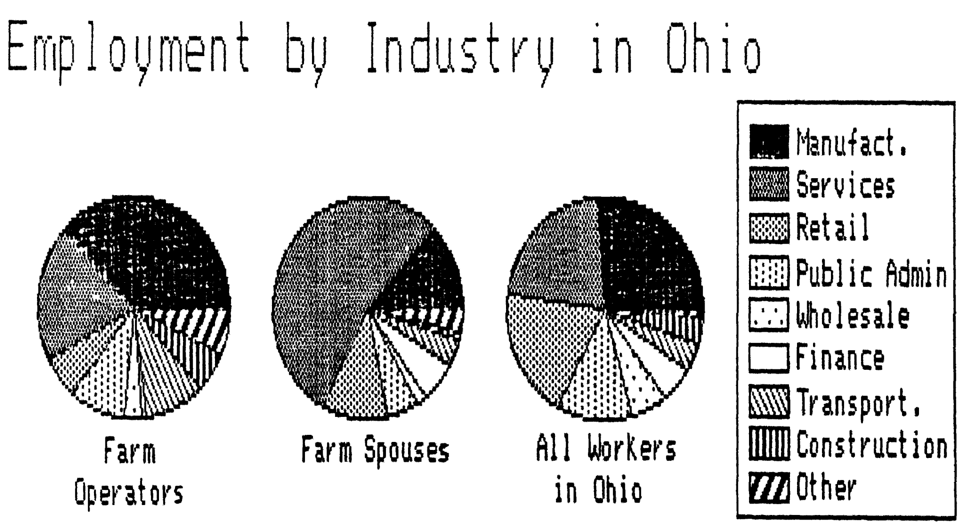


FIGURE 3



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