



Farm Sector Indicators

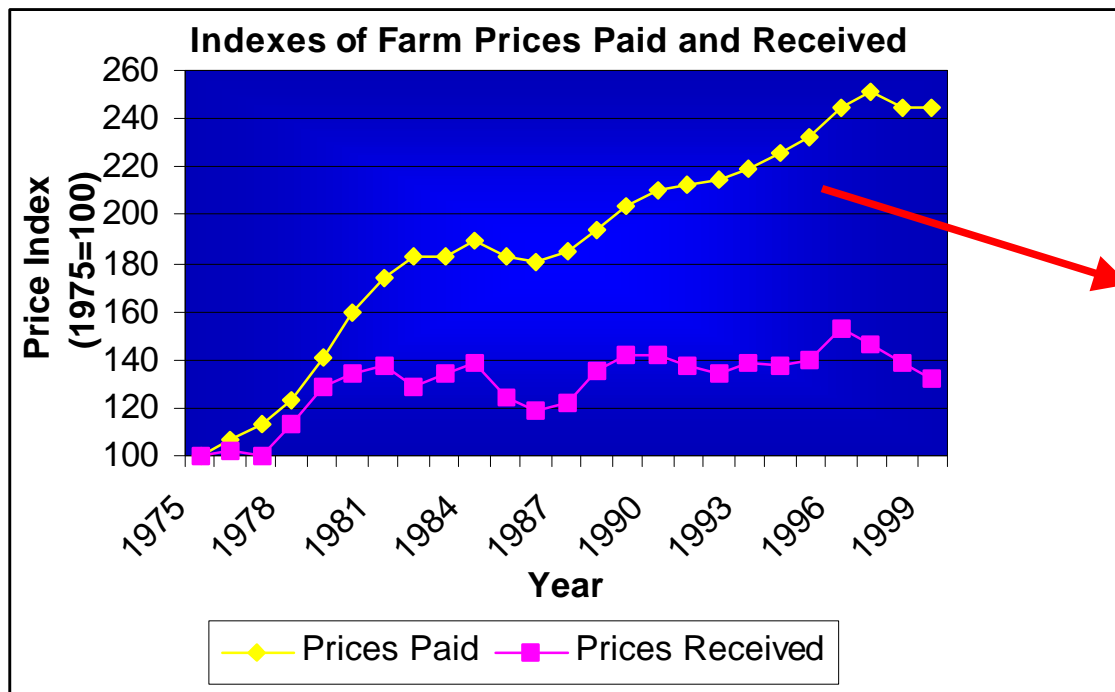
The Input-Output Price Squeeze on Farming...

Compared with 1975, in 1999, prices farmers paid for inputs were 145% higher. However, compared with 1975, prices received for farm products were only about 32% higher in 1999.

Year	Index of Farm Prices	
	Paid	Received
1975	100	100
1976	106	103
1977	113	100
1978	123	114
1979	140	129
1980	160	134
1981	174	137
1982	183	129
1983	183	134
1984	189	138
1985	183	125
1986	181	119
1987	185	122
1988	194	136
1989	204	142
1990	211	142
1991	213	137
1992	215	134
1993	219	138
1994	226	137
1995	232	140
1996	245	153
1997	251	147
1998	245	138
1999	245	132

Source: USDA/NASS

(The farm price indexes compare the price level paid for farm inputs and received for products with the level paid and received in 1975.)



Compared with 1990-92, in 1999,
 Prices of inputs were up by about 15%
 Prices of ag products were down by 4%
 Some drivers of input price increases:

	Up
Seed	21%
Chemicals	21%
Farm Machinery	36%
Building Materials	20%
Wage Rates	35%

Farming, Food, and the Consumer...

How much do families and individuals spend on food?

Food Expenditures by Families and Individuals as a Share of Disposable Personal Income

Year	Percent
1950	20.5
1960	17.5
1970	13.8
1980	13.2
1990	11.4
1999	10.4



Consumers spend about half the share of their income on food that they did in 1950.

Source: USDA, Economic Research Service

What is the farm share?

Farm Value Share of Retail Price for the Market Basket of Food

Year	Percent
1951	49
1960	39
1970	37
1980	37
1990	30
1996	25
1997	23
1998	22



Compared with 50 years ago, the farm share of the retail dollar is less than half the share. Of the dollar spent on food, only about 22 cents represents the farm share.

Source: USDA, Economic Research Service

Consumer Price Levels

The prices paid by consumers for goods and services were about 210% higher in 1999 than compared with 1975 (examples of particular goods/services-Housing prices up 223%, food and beverage prices up 173%, medical care services up 447%).

Year	Index of Consumer Prices Urban Consumers
1975	100
1976	106
1977	113
1978	121
1979	135
1980	153
1981	169
1982	179
1983	185
1984	193
1985	200
1986	204
1987	211
1988	220
1989	230
1990	243
1991	253
1992	261
1993	269
1994	275
1995	283
1996	292
1997	298
1998	303
1999	310

Source: Bureau of Labor Statistics

(The consumer price index represents the price level for an average urban consumer's expenditure bundle on goods and services compared with the 1975 price level.)

Farm Income...

1998 Average Farm Operator Household Income (All farms)

Net cash farm business income	\$14,357
Less depreciation	\$7,409
Less wages paid to operator and gross farmland income	\$1,180
Less adjusted farm business income due to other households	\$1,332
Adjusted farm business income	\$4,436
Plus wages paid to operator, net farmland rental income, and other farm related earnings	\$2,670
Operator household earnings from farming activities	\$7,106
Earnings from off-farm sources	\$52,628
Average farm operator household income	\$59,734

(Source: USDA, Economic Research Service)

In 1998, average farm household income was \$59,734, however, off-farm earnings comprised 88 percent of operator's household incomes. On average only \$7,106 was from farm earnings.

Projections for 1999 and 2000:

USDA projects that earnings from farming activities for 1999 will be \$6,359 and \$4,589 for the year 2000 (this reflects the input-output price squeeze shown with the indexes of farm prices paid and received). While U.S. farm household incomes are projected to rise in 1999 (\$64,347) and 2000 (\$64,645), the increases will come from off-farm earnings.

Incomes...Small vs. Large

Smaller farms:

Based on 1998 estimates, the majority of farms (82%) are small and rely on the majority of their income from off-farm sources (limited-resource, retirement, residential/lifestyle, and lower-sales farms). Most of these farms lose money on farming, but supplement their household incomes with the off-farm earnings. Lower sales small farms (less than \$100,000 in sales) where farming is considered the primary source of income have household incomes of only about \$34,773 (1998). Limited resource farms only have household incomes of \$9,924 (1998). These two types of farm households are just over 28% of all farm households.

Larger farms:

If the smallest farms are excluded, then average earnings from farming for 1998 were about \$61,300 (1998). These larger farms constitute about 84% of the value of agricultural production in the U.S. Even the farm households in these larger groups rely significantly on off-farm income (16% for the very large family farms up to 43% for the higher-sales small farms). (Source: USDA, Economic Research Service).

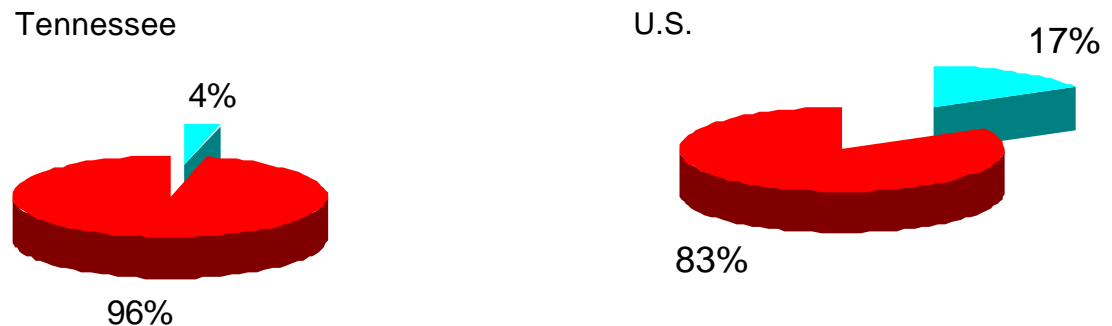
How does this compare with the average U.S. household?

The average household money income in the U.S. for 1998 was \$51,855. The lowest 2/5 or 40% earned an average of \$30,408. (Source: U.S. Census Bureau).

Sales per Farm-Tennessee vs. U.S.?

Percent of Farms Having at Least \$100,000 in Sales

While about 17% of U.S. farms have at least \$100,000 in sales, only about 4% of farms in Tennessee are as large.



(Source: USDA/NASS)

Between 1998 and 1999, Tennessee experienced one of largest percentage decreases in state total net farm income in the U.S. (52.8%). Tennessee's statewide net farm income for 1999 dropped to \$141,430,000 (Source: USDA/NASS). In 1999, Tennessee had about 4% of the farms in the U.S., but less than 1/3 of 1% of the net farm income. (Sources: USDA/NASS and TASS).