PolicyPennings by Dr. Daryll E. Ray

Economic viability of the farm sector: Should it include spouses' paycheck?

"Women school teachers don't need to be paid as large a salary as men teachers because the men have families to support, while women teachers are either single and don't require as large an income, or have husbands and thus their income is a bonus."

This is the explanation that we heard many times when we were growing up in the 1950s when female teachers often earned less than their male counterparts teaching the same grade or subject. This argument was made by school board members and citizens alike as they resisted the pressure to pay all teachers according to a common scale: be they male or female, high school or elementary.

While this sort of argument has died out in teacher salary negotiations – we know of no US public school system that pays male and female teachers according to a different scale – but now, in a sense, the tables have been turned. Farmers are routinely asked how much their school teacher spouses earn. This amount then turns up in calculations made to measure the economic viability of the farm sector.

The inclusion of "non–farm income in analyses of farm programs" is one of the problems Timothy Wise, Deputy Director, Global Development and Environment Institute, Tufts University, points out in his paper "Understanding the Farm Problem: Six Common Errors in Presenting Farm Statistics" http://www.ase.tufts.edu/gdae/publications/working_papers/index.html.

Wise provides a table that shows that, for the 368,000 USDA, low sales, full-time-family-farmers, farming income (including government payments) provided $2,209 compared to off-farm income of $47,226 for 2003, a relatively good year. With this group government payments averaged $3,552 an amount greater than farm income.

For farm households in the higher sales group ($100,000-$250,000), farm income (including government payments) was $29,390 while off-farm income was $31,195 per year. Government payments for this group averaged $17,965.

Without government payments the low sales farms would have lost $1,143 on their farming operation while the higher sales farms would have earned only $11,423 from farming. Off-farm earnings provided six more times income for these farm households than government payments.

For the half-million farmers in these two groups, off-farm earnings provided 82 percent of household income. Together they constitute 77% of the households for whom farming is a household livelihood strategy. When one adds in the commercial farms with sales in excess of $250,000, off-farm income still provides only 59 percent of household income.

Often one does not see these figures in articles that criticize farm programs and farm program payments. Instead what one reads is the fact that farm household income is 118 percent of the average US household income. The conclusion in those articles is often, "If farmers are earning above average incomes, then why are we subsidizing them?" The authors of these articles conveniently ignore the fact that this number includes 1.4 million rural residence lifestyle farms, most of whom do not list farming as their primary occupation.

It has always bothered us that off-farm income is included when we talk about the adequacy of farm income. To our knowledge, government or private enterprise analyses of no other sector make use of data from relatives to calculate economic indicators. Since commodity programs address an aggregate market problem caused by small response to prices in both demand and supply, farm programs are not designed to address household income issues.

Maybe farmers should demand that the compensation of government employees - from metro transit operators to agency heads - be considered in light of their spouses' salaries as teachers, lawyers, doctors, etc.

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