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INVOLUNTARY FARM EXIT IN WISCONSIN

Longer Term Adjustments Were Less Negative

by Susan Bentley
and William Saupe

Southwestern Wisconsin, the area for the study reported in this article, is primarily rural. The 12,240 farms in the eight-county area emphasize forage production and feeding those crops to livestock enterprises, primarily dairy herds. Farms average close to 300 total acres with slightly more than half of these acres in crops.

This area like many other farm areas has experienced a loss of farmers. In many cases there are multiple, complex reasons for families to leave farming. Some have left voluntarily, others involuntarily. In our analysis, we classify "involuntary" farm exits as those that cited "very low farm income," "problems with debt repayment," and "the possibility of foreclosure" as important in their decision to leave farming. "Voluntary" farm exits generally left farming for reasons of health, age, or occupational mobility.

The rate of involuntary exit during the 1982-86 period was highest among operators with small farms—gross sales of farm products under \$40,000. Eleven percent of the operators in this group left farming involuntarily, compared to 6 percent of the midsize farms, and 3.3 percent of the larger farms (gross sales over \$100,000).

They Didn't Move Far

The average age of the farm operators who involuntarily exited farming in the four year time period was 47. Many had children at home. This factor probably influenced the decision to stay in the same communities. Family adjustments were possibly minimized. Two-thirds of the involuntary exit families stayed in their home communities (school districts), and 40 percent still lived in their 1982 farm residences. Over half of the families that moved away from their communities remained in Wisconsin.

After the transition, family income was nearly 50 percent higher, on average, for the families who left farming. The average total household income in 1986 was \$22,720, substantially more than the average of \$15,173 in 1982, a year in which all of the families were still farming (current year dollars). In 1986, 85 percent of the former farm operators had nonfarm employment. Sixty percent of these had full-time work, and their wages averaged \$8.40 per hour. Sixty-nine percent of the spouses had non-farm employment and less than half of these had full-time work. The spouses' wages averaged \$5.60.

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The drop in land values hurt the exit families as it did all owners of farm land. Average net worth was substantially lower in January 1987 than four years earlier, and averaged about \$36,500. The involuntary exit families experienced average equity losses of over \$130,000. One-fifth conveyed back land on land contract, one-fourth conveyed land to a mortgage holder, and one-fourth sold some land. About half of the former farmers retained ownership of some land (averaging 164 acres each). Farm rental income contributed to the household income for these families. For some exit families, remaining financial obligations from their farm business placed demands on household income. In 1987, over one-third still owed farm debt averaging \$120,490, while one-fifth owed past due property taxes on farmland, and one-fifth still owed legal fees associated with the farm exit.

Some Gains Too

Undoubtedly, the emotional cost of farm loss was high among the exit families. Debt loads for some remain heavy. However, the effects of leaving farming in the long run on average are less negative than presented at the time by the popular press. Most families who involuntarily left farming experienced increased incomes. And for a majority this was possible in their home counties. Some were able to retain their farm residence and all or some of their farmland.

Continuing Farmers

Comparisons with the seventy-six percent of the farmers in our sample that continued to farm in 1987 may be instructive. On average, their net worths had decreased \$43,852 during the four years and stood at \$221,407 in early 1987. Their average total household income in 1986 of \$31,165, was unchanged from 1982, but the composition had shifted to less farm income and more nonfarm income. But these financial means hide considerable diversity; 15.8 percent received total household income below federal poverty thresholds, and 2.9 percent held negative net worths. Adverse farm financial conditions still exist in southwestern Wisconsin that will require more farm family adjustments.

The Study:

Early in 1983, 529 farmers were interviewed. Four years later 76 percent were still operating farms, 13 percent had left farming voluntarily (generally for age or health related reasons), 7 percent had exited involuntarily (because of very low incomes, debt repayment, and the possibility of foreclosure), and 4 percent were no longer living.

In early 1987, we interviewed 434 of the original 529 farmers. We conducted a follow-up survey on the farm business, farm finances, farm and off-farm work, response to financial stress, and family characteristics of the farm households who continued to farm. For households that had left farming, the questionnaire was modified to include information about how the family had adjusted since leaving farming, including the employment status of adult family members, levels of income, debt, and assets, and the transition from farming.