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THE CRISIS IN AGRICULTURE * A NEBRASKA SOLUTION

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America is changing, and with it the rural farm economy. Unfortunately, many of the most recent changes have been negative, forcing a radical reassessment of how America's agricultural economy will exist in the next few years and beyond. The problems facing agriculture today have as their origins many different sources and circumstances. Common sense would thus indicate that any programs proposed as solutions to the agricultural crisis must also have a broad spectrum of alternatives to offer. Additionally, we must recognize that though we initially see crisis, there may be opportunity as well. Finding ways for families to survive on the family farms of America may well be the new frontier for us to explore as we enter the twenty-first century. Indeed, finding those ways might be critical to our own survival.

This paper will explore five major areas of the agricultural crisis: background on its extent; problems facing possible solutions; Nebraska's innovative response; the need for rural revitalization; and the outlook for the future.

The problems in agriculture affect nearly all aspects of American business in some way. If agriculture is experiencing difficulty chances are that the difficulty is felt in the steel mills of Ohio as well. In order to understand how this happens, we must first understand that all modern economies are interrelated. For example, the steel worker may find himself out of work because there is not enough demand for new tractors, combines, thrashers, or other farm machinery. As the demand for the machinery decreases, so does the need for people to supply the raw steel needed in its production. The Farm and Industrial Equipment Institute indicates that production of wheel tractors in the January through September period of 1986 is 7.1% below that of 1985. In Iowa there was a 22% decrease in the sale and distribution of farm machinery from July of 1985 to July of 1986.

These numbers become particularly significant in a state like Nebraska when you consider that 21% of all jobs are on farms, ranches, or other food related industries: 40% of all manufacturing jobs are agriculturally related: and 64 of 93 counties are highly dependent on farm income.

A study done by Wharton Econometric Associates estimates that approximately 175,000 jobs will be lost nationally if projected large scale losses in agriculture occur. They estimate additionally that the lower employment and reduced personal income will increase the federal debt by \$13.7 billion. A second study completed by University of Missouri economist Abner Womack indicates that fully 30% of American farmers are experiencing financial stress and that 15% of American farmers will find themselves out of farming within five years.

It is important to remember that a poor agriculture economy can exhibit its effects in various ways. Two common methods for determining the severity of the crisis we are currently experiencing are noting the number of bank closings and the number of farm and ranch foreclosures. In Nebraska in 1985, there were 13 bank closings. Through September 10 of this year, there have been 8. In 1985, Nebraska had 215 farm or ranch foreclosures. Through September 30 of this year that number had leaped to 268. From these statistics we can see that the problem is extensive and will likely stay as bad as it is or get worse before it gets better. In Nebraska, we estimate that the number of farms will continue to decrease from 4% to 6% annually. There are approximately 57,000 farms left.

The decline of the agricultural economy can be felt throughout an agricultural state. For example, total bankruptcies (not just those in farming) have increased from 1,711 in 1985 to 2,185 in 1986 for the January 1 - July 31 period. Not surprisingly, taxable retail sales have declined each year since 1981. The obvious impact of these two factors on state revenue is unquestionable.

One of the most difficult problems facing any solutions which are proposed is the acute lack of funding. But before any commitment to spending money can be made, a careful analysis of the crisis and its extent in a particular state must be available. Without such an analysis, it is difficult for the public to recognize the actual impact of a financially stressed farm economy, and the need for action. Once public perception of the crisis is heightened, public and private sector money must be made available and in large enough quantities to make a difference. Much like a fire, simply squirting a few dollars here and there will not stop the consumption of American farms by the burning agriculture economy.

A secondary problem encountered in serving displaced agriculture workers is the workers themselves. Many financially stressed farmers and ranchers entering a program neither see themselves as displaced nor expect that they will be in the future. The result of this grieving stage when they attempt to assimilate and address their situations, is that all a program can do is provide financial counseling on ways for them to remain in farming. Only later, usually four to six months, do the participants accept the reality of the crisis and begin to explore alternatives to farming. The result of this independence is that many of them must be left alone to decide for themselves how and when to make a career and lifestyle change. Unfortunately, many cannot or will not make that decision until there are no other alternatives available and they have no place else to go. They will fight making a final decision until they have exhausted all options which would allow them to remain in farming.

In Nebraska's approach to the needs of rural workers and communities, it was necessary to first decide what the thrust and intent of our program would be.

The Agriculture-In-Transition program was developed as a comprehensive solution to the comprehensive problem we faced. As we had intended, its main intent was to allow farmers and ranchers to stay on their farms while simultaneously exploring other options. Because we believe that the problems face not only the farmer but all of the members of the household, we utilize as many members as we can in the program. For example, off farm income is imperative for the farmers to continue paying debts while continuing to work the land. When you consider that the average cash income from farming last year was just \$7,000, it is easy to understand why it is important to have some other method of bill paying. For that reason, we encourage wives and children to find part time employment or participate in various employment and training programs.

Additionally, cottage industry development should not be overlooked as a legitimate method of maintaining income and community cohesiveness. Though we are addressing the needs of individuals, we cannot forget that the very existence of many rural towns is threatened. The University of Nebraska estimates that half of the Nebraska towns with populations under 500 will not exist by the year 2000. It will not do any good for us to provide a temporary means of support for the farmers to continue farming if the towns subsequently blow away. More importantly, if all we do is treat the symptoms of the problem we see, then there is nothing preventing a recurrence of a similar situation at a later time.

Cottage industry development can be seen when a farm wife starts a business to supply the husbands and field workers of other farm wives with food while the other wives are working at off farm employment. It can be seen when members of a farm family market for

sale a particular recipe. It is a vital element in an overall strategy of rural revitalization and economic development of small communities which are in turn crucial to ensuring that future farmers will not have the exclusive dependence on agriculture they now have. Additionally, the farm machinery and labor cooperatives utilized so successfully in the past can contribute toward the efficiency and successfulness of modern farm ventures.

To successfully address the problems facing agriculture, it is imperative that the solutions be as broad based and as comprehensive as the problems. Anything less than a full frontal assault on the problem will result in failure, not only for the programs we implement but for the individuals they are designed to help. The state and the private sector must work together to provide training programs and employment opportunities which will ultimately address the needs of the individuals, their communities, and the economy. Equally important as designing a comprehensive solution to the problem, is designing a program which involves as many of the agencies, both public and private, directly or indirectly associated with the situation. In addressing the crisis, Governor Kerrey directed that all state agencies work together to develop a program and a method of delivery which met the needs of stressed farmers and ranchers. It was this cooperative effort which was later named "Agriculture-In-Transition".

Regardless of what agencies are involved in the preparation and delivery of services to the dislocated individuals, any problems or disputes surrounding turf must be ignored. The crisis which needs to be addressed is of such severity that minor disputes over what agency delivers what program serve only to disrupt and endanger the successful delivery of the entire program. Nebraska recognized that resources were limited and that many different agencies had programs or expertise which would enhance the overall effectiveness of the The Agriculture-In-Transition program. For example, Nebraska's program was structured so that the state Department of Agriculture could act an initial spokesperson for the program as well as provide technical assistance and advice on what programs were needed. The Department on Aging provided training programs using displaced farmers to provide home health care for elderly citizens, which in turn created job opportunities in isolated communities. The Department of Labor provided extensive, innovative, and rurally accessible job training, job search, and job exchange services. The Department of Economic Development provided entrepreneurial training for dislocated farmers and provided workshops for local communities on economic development strategies. The Nebraska Association of Community Colleges was also utilized to provide locations where as many of these programs could be offered in one place as possible. These "one stop shops" are referred to as Ag Action Centers.

The major funding source of the Agriculture-In-Transition program is a Title III discretionary grant from the Secretary of Labor, under the Job Training Partnership Act. Because Title III funds were originally made available for massive layoffs in labor intensive industries, such as automotive, steel, and shipping, it took a special eligibility determination from the federal government to allow the funds to be used for agricultural workers.

Initially, we found that many farmers are reluctant to be seen entering a local social service agency because they view it as a first admission of failure. As a result, many farmers would not even attempt to enter a program, no matter how innovative or helpful, if they had to be seen by members of their community in an office which had a negative stigma. This is why we chose to use community colleges as the location of our Ag Action Centers. Participants are free to walk in and talk with a counselor about any of their problems. At these Ag Action Centers, they have the opportunity to decide for themselves if they have a problem with their farm or ranch, and if so, whether they want or need outside help.

Financial evaluation programs are offered on an individualized basis so participants can discuss their situations with counselors and help arrive at a realistic assessment of where they are financially. Financial counseling programs including advice on Chapter 12 bankruptcy and alternative financing programs are made available as well. Legal assistance counseling and advice on supplemental, off farm income opportunities are also provided.

Secondly, the Agriculture-In-Transition program provides a variety of counseling and educational opportunities for participants. Recognizing that the face of rural America is changing and that future farming will be done much differently than it is now, farm and ranch management courses are offered to prepare participants for the more difficult economic farming which lies ahead.

Because many participant have never had a job off a farm or have been out of the job market for long periods of time, they often enter the program with low self esteem and the belief that most of their skills are nontransferrable. This problem with low self esteem is compounded by the feeling that they have failed in their farms and are consequently personal failures as well. They walk into the program actually believing they are "just a dumb farmer". We address this need by offering career exploration and assessment programs which help participants come to the realization that they do indeed have marketable skills.

Additionally, we offer classroom training for those individuals who choose to enter entirely different fields of employment. For these people we can pay for up to a year of classroom training and books in a community college setting. Included in this program is On The Job Training, where we will reimburse an employer for 50% of an employees wages during a training period to hire and train a dislocated farmer.

While job training programs help the agricultural workers to develop new skills, that only addresses half to the problem. Employers must be made aware of the availability of these individuals and must be encouraged to utilize them. Where possible, employers should be asked to adjust their employment or manufacturing schedules around the seasonal employment nature of the agriculture industry.

The intent of the program is to offer such a variety of services that an individualized plan can be made for every participant who enters the program. Because each participant has a different background and different problems, individualized programs are necessary to help each person. More importantly, the more individualized the program is, the more a farmer or rancher will believe that the program is actually designed to help him, and that there can be real benefits to participation. Through this process of individualizing, each person has the opportunity to work with program staff people to find solutions to his own problems; he recognizes that he has taken an active role in helping to solve his own problems, and that proves to be invaluable in restoring his self-esteem.

To be successful, a program must allow a large number of individuals to explore its offerings. For example, Nebraska's program had 2,010 individuals contact the Ag Action Centers. Of them, 53% or 1,066 became enrolled in financial management programs and educational workshops. Of these individuals 733 decided to leave farming and learn a new skill through job training programs.

The return on the investment thus far has been remarkable. Since the program began in October of 1985, 418 people have completed it, and we have placed 322 of them for a 77% success rate. The average wage they can expect to receive in Nebraska upon successful completion of the program is \$5.57. Each person placed near that wage generates approximately \$911 in state taxes and \$1508 in federal taxes for a combined total of \$2,419. In addition, that individual generates \$8,864 in retail sales annually. Equally as important, these people leave the program with a marketable job skill and realistic hopes for future employment. Contrast these statistics with the cost of traditional social service programs: AFDC at \$6,000 per family, Food Stamps at \$1,380, and Unemployment Insurance at \$1,560.

For the future, we must begin to examine where the agriculture problems begin in order to try to prevent their reoccurrence. However, utilizing innovative programs such as the one in Nebraska can help to alleviate the symptoms and can in fact go a long way toward preventing repetition. We need to identify and then take positive steps toward solving the problems we encounter in rural economies and communities. We must also recognize that small farms and communities are an integral and vital component of America, and that their preservation is critical to our ultimately productive survival.