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**Impacts of Rural Economic Restructuring:
Characteristics and Experiences of
Displaced Families in North Dakota**

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**Impacts of Rural Economic Restructuring:
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in North Dakota**

F. Larry Leistritz

The past decade has been a period of substantial economic stress and extensive restructuring for agriculture in the Midwestern United States. The underlying causes of this period of restructuring, often popularly termed "the farm crisis," have been discussed extensively (see, for example, Murdock and Leistritz 1988, McKinzie et al. 1987, Harrington and Carlin 1987). The reactions and adaptations of farmers and ranchers in response to the economic conditions of the 1980s also have been examined by a number of authors (Leistritz et al. 1988, Doye et al. 1987, Albrecht et al. 1987, Lasley 1987). For some producers, the ultimate adaptation has been the liquidation of the farming operation, which generally implies that household members must seek alternative employment and in some cases may choose to relocate to another area (Leistritz et al. 1987a, Otto 1985, Heffernan and Heffernan 1985). The economic restructuring of agriculture has affected not only producers and their families but also other segments of the rural community. Cash flow problems of farmers can have serious implications for suppliers and creditors, and the out-migration of some farm families together with reduced spending by those who remain could have major effects on a broad range of rural businesses, public services, and community organizations (Albrecht et al. 1987, Doeksen 1987, Henderson and Frank 1986, Leistritz and Ekstrom 1986, Murdock et al. 1987, Stone 1987).

While many have discussed the causes of the rural economic restructuring of the 1980s and some have also attempted to outline the general nature of the

effects of the restructuring on families and on rural communities, the number of empirically based studies that specifically address the characteristics and adjustment processes of farm families is quite limited. Even less frequent have been studies that address the effects of farm economic problems on nonfarm businesses and community organizations. The purpose of this paper is to examine the socioeconomic characteristics of North Dakota farm families that have left farming since 1985, to analyze the circumstances of their departure, and to describe their transition to new and, in most cases, different occupations. Specific characteristics and issues examined are

1. Demographic characteristics, such as age, education, marital status, household size, and current residence;
2. Farm characteristics, such as acreage operated, principal enterprises, year began farming, and year ceased;
3. Farm financial characteristics, such as levels of debt, assets, and income;
4. Circumstances of exit, including disposition of assets, repayment of debt, and contingent tax liabilities;
5. Circumstances of transition, such as agencies contacted, assistance programs utilized, time required to find employment, and effects of the farm financial situation on their personal lives;
6. Employment characteristics, such as employment status, industry, and occupation of respondent and spouse, satisfaction with current employment, and future plans for job search; and

7. Present family well-being, including current income, assets, debt, perception of present financial situation, and satisfaction.

In addition, selected characteristics of former business operators in six North Dakota communities are briefly examined. Finally, the implications of these findings for human service delivery and community development practitioners are discussed.

Study Procedures

Information concerning characteristics of displaced farm families was obtained from a telephone survey conducted during March 1989. Potential respondents were screened to determine if they (1) had quit operating a farm since 1985, (2) did not plan to operate a farm in 1989, (3) were less than 65 years old when they quit farming, (4) sold at least \$2,500 of farm products in the year prior to ceasing the farm operation, and (5) considered farming to be their main occupation prior to quitting. A list of 373 farm operators who had quit farming since 1985 for reasons other than retirement was compiled. Of the 253 who were contacted by phone, 151 qualified as former farmers and resulted in 122 useable questionnaires being completed. (A copy of the questionnaire is available on request.)

Information about characteristics of former business operators was drawn from a survey conducted in six North Dakota communities in 1986. The six communities selected for intensive analysis represented trade centers of different sizes, were located in different regions of the state, and ranged in population from about 1,700 to about 16,000 (Leistriz et al. 1987a).

The survey of former business operators was administered in 1986 to persons who had ceased to operate businesses in the communities after 1981. From preliminary informal interviews with community leaders, 128 such businesses were identified, and telephone interviews were completed with 68 of the operators for a response rate of 53 percent. The former business operators' questionnaires asked the operators to provide information on the financial and other characteristics of the business they formerly operated. Questions covered the number and types of employees, customers' areas of residence, inventory acquisition, and similar items. In addition, the respondents were asked about their perceptions of the major reasons for the farm financial crisis and the impacts of the crisis on their personal lives and on their own and other businesses in the community. The survey also obtained detailed information on the demographic and economic characteristics of the respondent and the respondent's household.

Where possible and appropriate, the survey responses of the former farm operators interviewed in 1989 were compared with the results of a similar survey conducted in 1986. These responses were compared with the results of the 1989 statewide survey of farmers who were continuing to operate their farms that was conducted in 1989. Responses from the 1986 survey of former business operators were compared with responses of more than 500 business operators from the same six towns where the former businesses had been located.

Characteristics of Former Farm Families

The characteristics of former farm operators responding to the 1989 survey are summarized in the following section. The summary is organized into seven

subsections that describe demographic characteristics, farm and financial characteristics, circumstances of exit and transition, current employment, and family well-being. Results of the 1989 former farmer survey are presented in conjunction (in most cases) with responses from the 1986 former farmer survey (Leistritz et al. 1987b) and with the 1984 survey of current farmers (Leistritz et al. 1989).

For purposes of clarity, in the remainder of the report the former farmers from the 1986 survey are referred to as previous former farmers, the former farmers from the 1989 survey are referred to as recent former farmers, and the farmers interviewed in 1989 who were still farming at that time are referred to as current farmers.

Demographic Characteristics

Selected demographic characteristics of former farm operators are summarized in Table 1. The average age of the recent former farmer respondents was 41.6 years, about 7 years younger on average than that of the current farmers. About 62 percent of the current former farmers were less than age 45. About 95 percent of these respondents were male, and nearly 88 percent were married. The average size of the current former farmers household was 3.5 persons, slightly less than the results reported in the previous former farmer survey.

The education level of both respondents and spouses of the recent former farmers varied somewhat from that of the previous former farmers. Over 15 percent of the recent former farmer respondents and only 1.0 percent of their

TABLE 1. SELECTED DEMOGRAPHIC CHARACTERISTICS OF NORTH DAKOTA FORMER FARM OPERATORS AND CURRNET FARMERS^a

Item	Previous Former Farmers	Recent Former Farmers	Current Farmers
Respondent age:			
Average age	41.1 yrs	41.6 yrs	49.0 yrs
	-----percent-----		
Distribution:			
Less than 35 years	29.3	28.7	13.9
35 to 44 years	35.3	36.1	24.2
45 to 54 years	22.2	18.9	22.2
55 to 64 years	13.2	16.4	39.6
Respondent sex:			
Male	95.8	94.9	98.7
Female	4.2	5.1	1.3
Spouse age:			
Average age	38.5 yrs	39.5 yrs	47.0 yrs
Marital status:			
Single	3.6	4.9	8.5
Married	89.8	87.7	89.4
Separated or divorced	6.6	6.6	1.3
Widowed	0.0	0.8	0.9
	-----number-----		
Household size:			
Average size	3.9	3.5	3.3
	-----percent-----		
Number in Household:			
One	6.0	9.8	5.2
Two	19.9	16.4	33.8
Three	12.7	22.1	20.3
Four	26.5	23.8	16.8
Five or more	20.5	27.9	23.9
Highest level of education completed by respondent:			
Did not complete high school	10.8	15.6	25.2
Completed high school	38.3	29.5	36.1
Attended college or postsecondary school	36.5	33.6	26.5
Completed college	14.4	21.3	12.2
Highest level of education completed by spouse:			
Did not complete high school	5.4	1.0	12.4
Completed high school	41.3	43.3	37.5
Attended college or postsecondary school	44.7	35.6	34.0
Completed college	8.6	20.2	16.1
Present residence of respondent:			
Same county	55.1	58.2	—
Relocated within state	31.7	28.7	—
Out of state	12.6	13.1	—

^aValues for current farmers are for 1989, values for previous former farmers are for 1986; and values for recent former farmers are for 1989.

spouses had not completed high school. However, a larger percentage of both respondents (21.3 percent) and spouses (20.2 percent) had completed college compared to respondents of the previous former farmer survey. This may indicate that the better-educated farmers have more options in selecting their life's work and are more willing and able to cease farming to pursue other occupations.

A slightly larger percentage (58.2 percent) of the recent former farmer respondents stayed in the same county after they quit farming compared to the previous former farmers (55.1 percent). Only about 13 percent of the recent respondents chose to move out-of-state, a number comparable to that of the previous former farmer group. In general, demographic characteristics are similar between the two groups of former farmers with the exception of education and household size. Compared to current farmers, former farmers are younger, better educated, and have larger households.

Farm Characteristics

Most respondents (64.8 percent) to the recent survey had ceased farming in 1986 or 1987 (Table 2). Nearly one-fourth had begun their farming operation during the 1970-1974 period; over 64 percent started after 1970. The majority of all former producers operated predominately crop-oriented farms; about one-fourth had livestock operations.

Recent survey respondents indicated that during their last full year of farm operation, they had operated an average of 1,463 acres or nearly the same as those from the previous survey (Table 2). Recent former farmers reported only about 6.7 percent fewer acres in their operation than current farmers. Former farmer respondents owned about half of the land they operated on average and rented the remainder. So, in respect to farm size and type, former farmers were similar to current farmers.

About 84 percent of the recent former farmer respondents cited financial problems as the primary reason for their exit from farming (Table 3). Although the 1988 drought had only occurred the previous year, 14 percent cited weather as a reason for quitting. About one-half (49 percent) of the respondents indicated

TABLE 2. SELECTED FARM CHARACTERISTICS OF PREVIOUS FORMER FARMERS,
RECENT FORMER FARMERS, AND CURRENT FARMERS^a

Item	Previous Former Farmers ^b	Recent Former Farmers	Current Farmers
	percent		
Year started farming:			
Before 1945	7.1	4.1	7.3
1945-1949	5.9	2.5	9.7
1950-1954	3.0	5.8	11.1
1955-1959	7.1	3.3	11.4
1960-1964	8.9	9.9	11.1
1965-1969	11.2	9.9	9.8
1970-1974	22.5	24.8	14.8
1975-1979	29.0	19.0	15.7
1980-1984	5.3	19.0	8.9
After 1984	--	1.7	--
Year quit farming:			
1981	3.0	--	--
1982	7.7	--	--
1983	17.2	--	--
1984	26.0	--	--
1985	35.5	13.1	--
1986	10.7	36.1	--
1987	--	28.7	--
1988	--	22.1	--
number			
Total acres operated:			
Mean	1,466.0	1,463.4	1,560.2
Median	1,220.0	1,160.0	--
Acres owned:			
Mean	761.4	741.5	742.6
Median	600.0	500.0	--
Acres rented from others:			
Mean	988.4	806.2	848.2
Median	680.0	539.5	--
percent			
Farm type ^c :			
Crop	57.4	57.3	61.9
Livestock	26.1	24.8	26.8
Mixed	16.6	17.9	11.3
Type of business organization:			
Sole proprietorship	87.0	84.7	--
Partnership	8.9	11.9	--
Family-held corporation	4.1	3.4	--

^aValues for current farmers are for 1989, values for previous former farmers are for 1986; and values for recent former farmers are for 1989.

^bFarms were classified by type if more than 50 percent of gross farm income came from a particular source; farms were classified as mixed if no one source accounted for more than 50 percent of gross farm income.

they were still involved in farming in some capacity. Most involvement was through the ownership of land (35 percent), 30 percent were employed by another farmer, and about 8 percent had kept some livestock.

Interestingly, 41 percent of the respondents felt that there were changes that they could have made during their last two or three years of farming that would have made it possible for them to remain farming (Table 3). The possible change cited most frequently was reducing capital expenditures (37.6 percent). Other frequently cited changes involved seeking management training (14.0 percent), renegotiating loans (16.3 percent), and operating less land (11.0 percent).

Nearly 53 percent of the respondents indicated they would never return to farming. Equal percentages (12.7 percent) indicated that higher commodity prices, lower interest rates, or a more predictable future would entice them to return to farming.

Financial Characteristics

Recent former farmers were asked to respond to a number of questions regarding their financial condition during their last complete year of farming. Their average gross farm income was \$101,800, essentially the same as for the previous former farmers and about \$14,000 less than current farmers (Table 4). The distribution of gross farm income is similar for the three groups; about 80 percent had gross farm incomes of \$40,000 or over.

Net cash farm income was higher (\$8,901) for recent former farmers than for previous survey respondents (\$ -12,423) but still noticeably less than for farmers currently operating their farms (Table 4). This possibly indicates that the returns from farming have recently improved somewhat but not enough to enable the recent respondents to remain in farming.

The most apparent explanation for farmers ceasing to farm is the debt load they carry. The recent former farmers had a debt-to-asset ratio of 114.9 (technically insolvent) which is down slightly from that reported by the previous respondents but substantially greater than the 49 percent reported by current farmers.

TABLE 3. ISSUES RELATED TO CEASING FARMING OPERATION

	Recent Former Farmers
	- % -
Reasons why quit farming:	
Financial	84.3
Weather	14.0
Health	5.8
Retired	1.7
Other	16.5
Respondent still involved in farming in some way:	
Yes	49.2
In what way involved?	
Still own some land	35.0
Work for another farmer	30.0
Rent-out owned land	26.7
Kept some livestock	8.3
Other	6.5
Could changes have been made to be able to remain in farming?	
Yes	41.0
What type of changes?	
Reduced capital expenditures	32.6
Renegotiated loan for lower interest	16.3
Sought management training	14.0
Operated less land	11.6
Sold land	4.7
Sold livestock	4.7
Bought livestock	4.7
Sought financial counseling	2.3
Operated more land	2.3
Other	14.8
Under what conditions would return to farming?	
Would never return	52.5
Higher commodity prices	12.7
Lower interest rates	12.7
More predictable future	12.7
Win \$1,000,000	5.1
Less government involvement	1.7
Other	21.3

TABLE 4. SELECTED FINANCIAL CHARACTERISTICS OF NORTH DAKOTA PREVIOUS FORMER FARMERS AND RECENT FORMER FARMERS DURING LAST COMPLETE YEAR OF FARMING, AND OF CURRENT FARMERS^a

Item	Previous Former Farmers	Recent Former Farmers	Current Farmers ^a
Gross cash farm income ^b Average	\$101,045	\$101,800	\$115,559
	-----percent-----		
Distribution:			
Less than \$20,000	5.0	6.0	5.5
\$20,000 - \$39,999	14.9	14.0	13.0
\$40,000 - \$99,999	44.1	41.0	40.3
\$100,000 - \$249,999	26.1	31.0	32.1
\$250,000 and over	9.9	8.0	9.1
Net cash farm income ^b Average	\$-12,423	\$8,901	\$21,305
	-----percent-----		
Distribution:			
Less than \$-20,000	28.9	13.3	1.6
\$-19,999 - \$-10,000	15.8	5.6	2.4
\$-9,999 - \$0	17.1	25.5	7.2
\$1 - \$9,999	17.1	11.2	22.2
\$10,000 - \$19,999	11.2	13.3	24.8
\$20,000 - \$29,999	5.9	11.1	18.7
\$30,000 and over	4.0	20.0	23.1
Debt-to-asset ratio Average	120.8	114.9	49.0
	-----percent-----		
Distribution:			
Less than 40	21.2	19.3	58.9
40 to 70	15.8	12.8	25.4
70 to 100	22.4	27.5	10.0
Over 100	40.6	40.4	5.7
Total assets	\$328,596	\$266,894	\$391,025
Total debts	\$261,488	\$227,260	\$127,284

^aValues for current farmers are for 1989, values for previous former farmers are for 1986; and values for recent former farmers are for 1989.

^bValues reported on IRS form 1040F.

Loans

Fifty-seven percent of the respondents reported having an operating loan during their last year of farming (Table 5). Among the recent former farmers, over 51 percent of total operating loan dollars was in the form of commercial bank

TABLE 5. SOURCE AND UNPAID PORTION OF OPERATING LOANS OF NORTH DAKOTA FARMERS DURING LAST PRODUCTION YEAR

Item	Average Loan	Average Unpaid	Percentage of Operating Loans Unpaid to Source	Percentage of Total Loan Dollars	Percentage of Unpaid Total Dollars ^a	Number	
						Loans	Unpaid Loans
-----dollars-----			-----percent-----				
Banks							
Recent survey	46,074	13,875	3.5	51.5	7.7	34	4
Previous survey	61,908	26,692	12.3	37.6	21.1	42	12
PCAs							
Recent survey	39,000	65,000	23.8	9.0	9.0	7	1
Previous survey	62,654	32,297	17.4	18.8	14.9	23	7
FmHA							
Recent survey	38,490	29,950	50.2	39.3	83.3	31	20
Previous survey	43,908	31,747	30.1	38.1	52.2	60	25
Other							
Recent survey	6,000	ND	ND	0.2	ND	1	ND
Previous survey	48,500	ND	ND	5.5	ND	8	ND
Average							
Recent survey	43,410 ^b	28,780 ^c					
Previous survey	56,736 ^b	33,779 ^c					
Percentage reporting operating loans = 57.4% (recent survey)				Total number with operating loans:			
Percentage of total loans left unpaid:				Recent survey		73	25
Recent survey				Previous survey		133	44
Previous survey							

^aTotal from all sources.

^bAverage indebtedness from all sources for respondent with operating loan debt.

^cAverage indebtedness left unpaid from all sources for respondent with unpaid debt.

ND=not disclosable.

loans that averaged \$46,074. This compares to a 31.6 percent share from banks for previous former farmers. Farmers Home Administration (FmHA) accounted for over 39 percent of operating loans averaging \$38,490; a percentage similar to that reported in the previous survey. Production Credit Association's (PCAs, now known as Farm Credit Services) share of operating loans for former farmers decreased from 18.8 percent for previous former farmers to 9.0 percent for recent survey respondents. The average loan from PCA also decreased from \$62,654 for previous former farmers to \$39,000 for recent loans. In other words, the average operating loan decreased by about \$23,000 from one survey to the next.

About 24 percent of the recent former farmers were unable to pay their operating obligations in full when they quit farming (Table 5). While commercial banks accounted for over 51 percent of operating loans to these former farmers, they recorded only about 8 percent as unpaid (average of \$13,875). This compares to 21 percent unpaid (average of \$26,692) by farmers in the previous survey and may indicate a more cautious and secure approach to lending in recent years. Recent former farmer respondents reported a considerably larger percentage unpaid to FmHA; about 83 percent left loans unpaid of an average of nearly \$30,000. In addition, the average portion unpaid to FmHA was only about \$2,000 less than for previous former farmers. The average unpaid of all operating loans for the recent former farmers was \$28,780, down about \$5,000 from the average left unpaid for the previous former farmers.

About 61 percent of 122 recent former farmers had an average of \$54,378 in intermediate-term loans at the time they quit farming (Table 6). This was nearly \$10,000 less on average compared to the former farmers previously surveyed. The average loan from commercial banks and FmHA (\$42,566 and \$61,378, respectively) was down about 25 percent from the previous former farmers. However, the average loan from PCA increased to \$60,520, up from \$45,382.

Nearly 34 percent of intermediate-term loans were left unpaid by the recently surveyed farmers (Table 6). This is nearly twice as much as the total percentage unpaid (18.0%) reported by previous former farmers. Commercial banks accounted for about 47 percent, and FmHA accounted for nearly 52 percent of the

TABLE 6. SOURCE AND UNPAID PORTION OF INTERMEDIATE-TERM LOANS OF NORTH DAKOTA FARMERS DURING LAST PRODUCTION YEAR

Item	Average Loan	Average Unpaid	Percentage of Intermediate Loans Unpaid to Source	Percentage of Total Loan Dollars	Percentage of Unpaid Total Dollars ^a	Number	
						Loans	Unpaid Loans
		-----dollars-----		-----percent-----			
Banks							
Recent survey	42,566	58,631	38.9	41.3	47.5	39	11
Previous survey	60,026	28,548	13.3	44.2	32.5	43	12
PCAs							
Recent survey	60,520	--	--	7.5	--	5	0
Previous survey	45,382	--	--	8.6	--	11	0
FmHA							
Recent survey	61,378	44,035	39.6	44.2	51.9	29	16
Previous survey	80,712	43,118	28.8	35.9	57.4	26	14
Other							
Recent survey	46,795	ND	ND	7.0	ND	6	ND
Previous survey	55,408	ND	ND	11.4	ND	24	ND
Average							
Recent survey	54,378 ^b	52,192 ^c					
Previous survey	64,902 ^b	37,594 ^c					
Percentage reporting intermediate loans =		60.7%		Total number of with intermediate-term loans:			
Percentage of total loans left unpaid:				Recent survey		79	27
Recent survey		33.7%		Previous survey		104	26
Previous survey		18.0%					

^aTotal from all sources.

^bAverage indebtedness from all sources for respondent with intermediate-term loan debt.

^cAverage indebtedness left unpaid from all sources for respondent with unpaid debt.

ND=not disclosable.

total unpaid loans in this category for the recent former farmers. The average amount left unpaid was \$52,192, up from \$37,594 for previous former farmers.

Over two-thirds of recently surveyed former farmers had borrowed money for long-term purposes (Table 7). The average loan from all sources was \$214,287, down about \$5,000 from that for previous former farmers. The Federal Land Bank and FmHA accounted for 32.9 percent and 47.2 percent of the total loan volume of the recent former farmers, respectively. The average loan from the Federal Land Bank was \$186,480, up from the \$168,241 reported in the previous survey. The average loan amount of \$165,932 from FmHA was virtually the same as that reported earlier.

While the average unpaid loan from Federal Land Bank was up about \$23,000 from the earlier survey, the percentage of unpaid total dollars was 18.7 percent, down from the 30.1 percent reported by previous former farmers. FmHA carried the largest portion of unpaid long-term debt (67.3 percent of the total with an average of \$157,666) for the recent former farmers. The overall average of unpaid loans was essentially unchanged at about \$184,000, but the percentage of total loans left unpaid was 44 percent, up from 31.1 percent previously reported.

The average debt to unsecured creditors was \$16,568, down about \$9,000 from the previous survey (Table 8). The percentage of unsecured debt left unpaid was 68.2 percent or nearly \$12,000, about one-half of what was reported by previous former farmers.

Disposition of Assets

Respondents to the 1989 survey of former farmers were asked how they disposed of their assets when they quit farming. Nearly 60 percent deeded land back to either a financial institution or to an individual (Figure 1). About 25 percent sold land, and over 15 percent disposed of it by either a combination of means or retained all or part of it. By comparison, nearly 27 percent of the previous former farmers had retained their land at the time of the earlier survey. Nearly 87 percent of recent former farmers sold their livestock either publicly or

TABLE 7. SOURCE AND UNPAID PORTION OF LONG-TERM LOANS OF NORTH DAKOTA FARMERS DURING LAST PRODUCTION YEAR

Item	Average Loan	Average Unpaid	Percentage of Long-term Loans Unpaid to Source	Percentage of Total Loan Dollars	Percentage of Unpaid Total Dollars ^a	Number	
						Loans	Unpaid Loans
	dollars		percent				
Federal Land Bank							
Recent survey	186,480	180,355	24.9	32.9	18.7	31	8
Previous survey	168,241	156,991	32.4	28.9	30.1	49	17
Contract for Deed							
Recent survey	104,089	ND	ND	4.1	ND	7	ND
Previous survey	141,632	ND	ND	8.0	ND	16	ND
FmHA							
Recent survey	165,932	157,666	62.7	47.2	67.3	50	33
Previous survey	165,716	144,721	40.3	45.3	58.8	78	36
Commercial Banks							
Recent survey	106,205	57,203	26.9	9.7	5.9	16	8
Previous survey	72,184	77,142	31.4	5.2	5.2	20	6
Other							
Recent survey	118,147 ^b	184,023 ^c	ND	6.1	ND	9	ND
Previous survey	144,072 ^b	184,722 ^c	ND	12.6	ND	25	ND
Average							
Recent survey	214,287	184,023					
Previous survey	219,307	184,722					
Percentage reporting long-term loans =		67.2% (recent survey)				Total number with long-term loans:	
Percentage of total loans left unpaid:						Recent survey	113 39
Recent survey		44.0%				Previous survey	188 59
Previous survey		31.1%					

^aTotal from all sources.

^bAverage indebtedness from all sources for respondent with long-term loan debt.

^cAverage indebtedness left unpaid from all sources for respondent with unpaid debt.

ND=not disclosable.

**TABLE 8. OUTSTANDING DEBTS WITH UNSECURED CREDITORS
OF FORMER NORTH DAKOTA FARMERS**

Item	Previous Survey	Recent Survey
Average debt	\$25,653	\$16,568
Average debt left unpaid	\$24,702	\$11,838
Average percentage of total left unpaid	73.9%	68.2%

privately; and only 1.6 percent conveyed them to a lender. About 72 percent sold machinery either publicly or privately, and 6.0 percent conveyed to a lender. Nearly 13 percent retained their machinery when they quit farming.

Contingent Tax Liability

Contingent tax liabilities continue to be a concern in farm liquidations (Saxowsky et al. 1987). Selling assets by liquidation can result in the following contingent tax liabilities:

- recapture of investment credits
- recapture of depreciation
- capital gains tax
- income tax arising from debt forgiveness
- other

Over 46 percent of the recent former farmer respondents reported having additional tax liability as a result of ceasing to farm (Table 9). This is up only about 4 percent from the previous former farmers. Apparently a larger percentage of recent former farmers are aware of the possibility of additional tax consequences, since only 4.1 percent indicated they did not know if ceasing to farm would result in additional taxes compared to nearly 15 percent of previous former farmers who responded in the same manner.

Among the recent former farmers, respondents reported an average additional tax liability of \$11,707, or slightly more than half the average reported in the previous survey. Over 47 percent of these had tax liabilities under \$5,000,

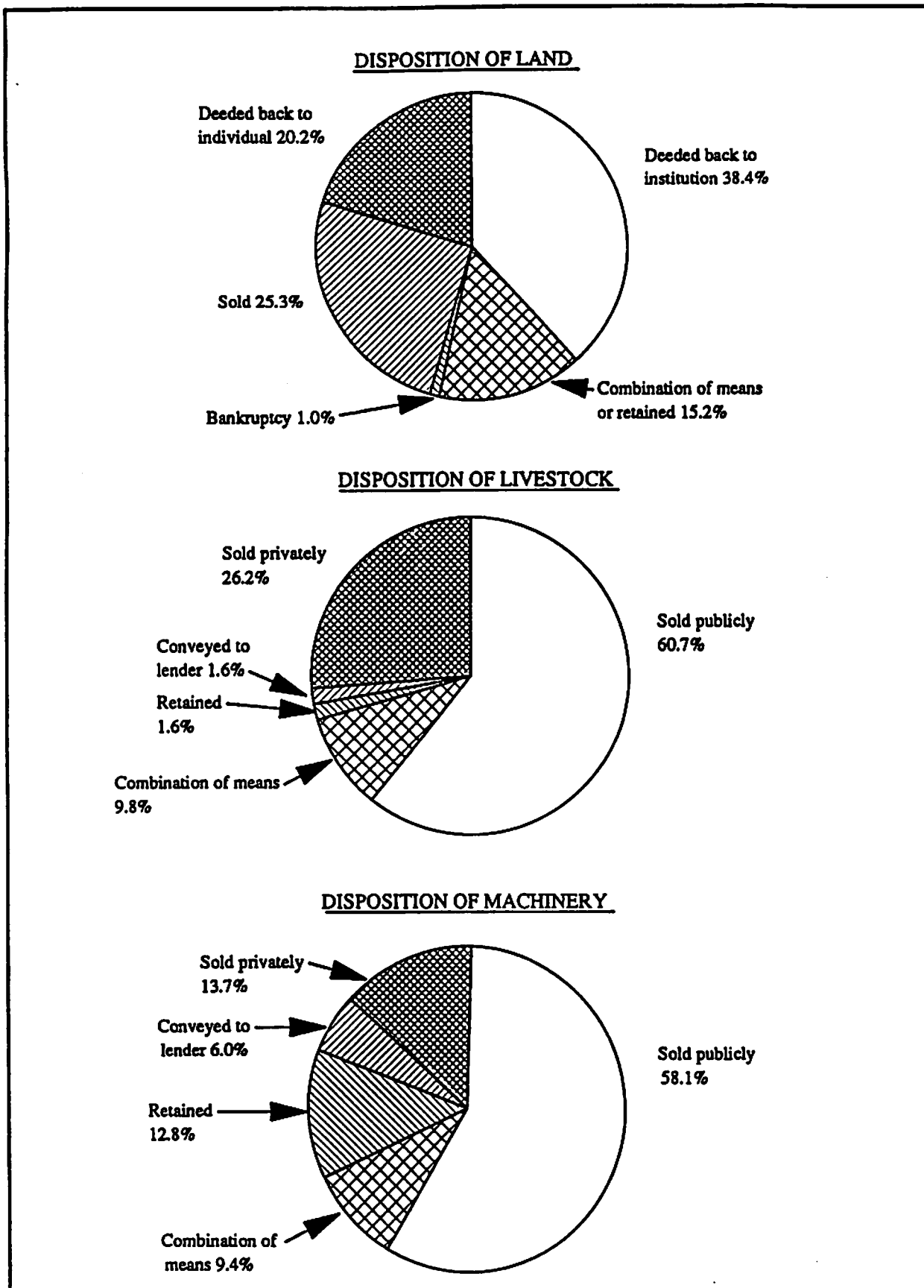


Figure 1. Disposition of Assets After Ceasing to Farm

TABLE 9. BANKRUPTCY STATUS AND CONTINGENT TAX LIABILITIES OF FORMER NORTH DAKOTA FARMERS

Item	Previous Former Farmers	Recent Former Farmers
	-----percent-----	
Did ceasing to farm result in additional income tax liabilities?		
No	42.9	49.6
Yes	42.2	46.3
Don't know	14.9	4.1
Total additional tax liability:		
Average	\$20,117	\$11,707
	-----percent-----	
Distribution:		
\$0-\$4,999	27.4	47.6
\$5,000 - \$9,999	12.9	14.3
\$10,000 - \$14,999	16.1	2.4
\$15,000 - \$19,999	11.3	11.9
\$20,000 - \$29,999	9.6	9.5
\$30,000 - \$39,999	12.9	14.3
\$40,000 and over	9.7	0.0
Factors believed to contribute to additional tax liabilities:		
Recapture of investment credits	52.2	32.7
Recapture of depreciation	48.9	36.4
Additional capital gains taxes	52.2	69.1
Debt forgiveness	25.0	22.6
Other	6.6	6.6
Filed for bankruptcy in the year quit farming?		
No	--	87.5
Yes	--	12.5
Have since filed for bankruptcy		
No	--	93.4
Yes	--	6.6

and over 14 percent had liabilities between \$30,000 and \$39,999. About one-third of the recent former farmers reported that recapture of investment credit and depreciation added to their tax liability, and nearly 70 percent reported additional taxes due to capital gains. About 23 percent reported additional taxes arising from debt forgiveness.

Filing bankruptcy continues to be a means used by former farmers to eliminate farm-related financial obligations. About 12 percent (15 farmers) of the

recent former farmers reported filing bankruptcy in the year they quit farming. An additional six farmers have since filed bankruptcy for a total bankruptcy reporting rate of 17.5 percent.

Transition

The decision to leave farming can be a traumatic experience for farm families. Over 35 percent of the respondents to the recent farm survey indicated that the farm situation had affected their personal life "a great deal" (Figure 2) compared to nearly twice that percentage (69 percent) of previous former farmers responding to the same question. Of the recent former farmers, 23 percent said the farm situation had "no" effect on their personal lives compared to 3 percent of the previous former farmers. This may be an indication that some of the social stigma attached to "going broke" has eased.

Among the recent former farmers respondents who indicated "a great deal" or "some" effect on their personal life, 73.9 percent indicated they felt an "increased level of stress" (Figure 3), and about 40 percent felt they were "getting along on less money." Other specific effects were on their "overall attitude" (8.2 percent) and "no or less vacation" (4.6 percent).

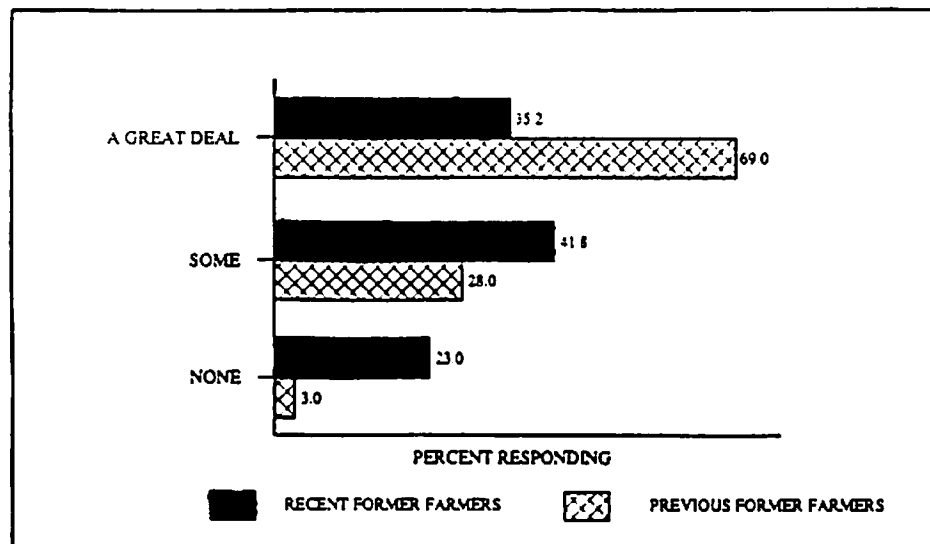


Figure 2. Effect of Farm Situation on Personal Life

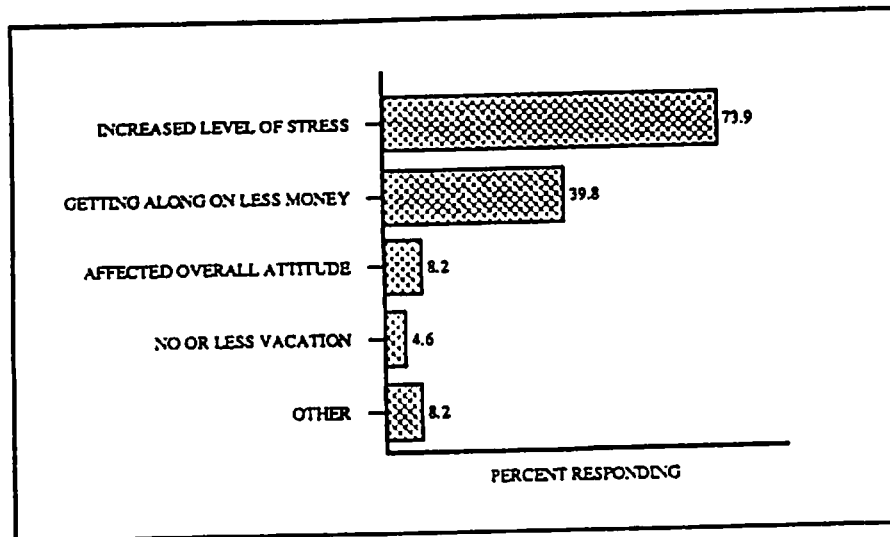


Figure 3. Specific Farm Situation Effects on Personal Life

Coinciding with reduced effects of the farm situation on their personal lives (between the previous group and the recent former farmers) were reduced frequencies of stressful events. Thirty-two percent of the recent former farmers indicated that they suffered from depression or other emotional problems compared to over 48 percent of the previous group (Table 10). Fewer recent former farmers experienced unusual marital or other family stress or had been divorced than farmers in the previous study. However, similarly high percentages of former farmers in both study groups felt these events were agriculturally related.

TABLE 10. EVENTS EXPERIENCED BY RECENT AND PREVIOUS FORMER FARMERS DURING LAST TWO YEARS OF FARMING

Item	Previous Former Farmers		Recent Former Farmers	
	a	b	a	b
	-----percent-----			
Suffered depression or other emotional problems	48.5	91.5	32.0	94.6
Experienced unusual marital or other family stress or conflict	42.0	91.5	36.1	95.3
Been divorced	13.6	65.2	8.3	77.8

a = Percentage that experienced event.

b = Percentage who felt event was agriculturally related.

Numerous state and local agencies, both public and private, are available to assist the public. Respondents were asked to indicate which agencies they had contacted and which specific programs they had utilized during their transition out of farming. The state Job Service was contacted most frequently and was considered most useful by recent former farmers, which coincides with responses from the previous former farmers (Table 11). The Credit Review Board and the North Dakota Department of Agriculture were the next two agencies most frequently contacted. These agencies had programs and staff to aid farmers in dealing with their financial situation. Nevertheless, 51.6 percent had not contacted any of the agencies listed.

Regarding the actual programs utilized, recent former farmers took advantage of programs to enhance their marketability in the job market. Nearly one-fourth used educational grants and loans to further their education (Table 12). Job retraining and job placement programs were utilized by 14.9 percent and 11.5 percent of the recent former farmer respondents, respectively. Credit counseling was another popular program and was used by over 20 percent of the respondents. Direct assistance programs such as fuel assistance and food stamps were used by a noticeably lower percentage of recent former farmers than was indicated in the

TABLE 11. AGENCIES CONTACTED DURING TRANSITION OUT OF FARMING

Item	Previous Former Farmers	Recent Former Farmers
	-----%	
State Job Service	33.7	28.7
Credit Review Board	11.2	16.4
ND Department of Agriculture	7.7	13.1
County social services	18.3	4.9
A church	15.4	4.9
Extension Service	12.4	4.9
State or regional human services	7.1	2.5
Veterans Administration	2.4	1.6
Other organizations	1.2	1.6
Private employment service	7.7	0.0
Private mental health organization	2.9	0.0
Organization sponsored by religious group	2.4	0.0
None	30.8	51.6

TABLE 12. PROGRAMS AND SERVICES USED DURING TRANSITION OUT OF FARMING

Item	Previous Former Farmers	Recent Former Farmers
	-----%	
Educational grants & loans	22.8	23.8
Credit counseling	14.9	20.5
Job retraining program	11.1	14.9
Job placement program	11.9	11.5
Fuel assistance	23.6	9.0
Food stamps	18.5	8.2
Legal assistance	10.6	3.3
Medical assistance	2.5	3.3
Emotional, drug, and alcohol counseling	9.9	2.5
Rent assistance	3.1	2.5
Elderly assistance program	0.6	0.0
Other	0.8	1.2
None	43.2	48.4

previous survey. Respondents from the recent former farmer survey indicated that credit counseling, educational grants and loans, and job retraining were the most useful in making their transition, but 48.4 percent had not used any of the programs listed.

Employment

The transition from farming is associated with the respondent and/or spouse finding suitable employment. Nearly 92 percent of recently surveyed former farmers were employed at the time of the survey, about 9 percent more than for previous former farmers (Table 13). A lower percentage of recent former farmers were either unemployed or students (2.5 percent for each). Over 90 percent of the respondents worked full-time. Spouses were employed in 75 percent of the households recently surveyed compared to about 57 percent in the previous survey. Sixty-one percent of the spouses were employed full-time.

Recent former farmer respondents were asked the duration of their search for a job. Fifty-six percent of the recent respondents reported a search of less than two months, and nearly two-thirds searched for less than 3 months (Table 13). Respondents searched an average of 2.8 months for employment. Spouses reported similar experiences and searched for an average of 2.2 months. The duration of job search reported by recent former farmers was slightly less than for previous former farmers.

Recent respondents' satisfaction with their job was higher (83.3 percent) than that for respondents to the previous former survey (71.2 percent). A similar percentage of spouses were satisfied or completely satisfied with their present employment. However, about 24 percent of the respondents and over 20 percent of their spouses will seek alternative employment in 1989.

Relocation is sometimes a requirement for finding suitable employment during the transition from farming. Thirty-five percent of the recent former farmers surveyed had to move to another city to find employment, and nearly 40 percent of these would have preferred to stay in their hometown.

TABLE 13. SELECTED EMPLOYMENT CHARACTERISTICS OF NORTH DAKOTA PREVIOUS AND RECENT FORMER FARM OPERATORS

Item	Unit	Previous Former Farmers	Recent Former Farmers
Employment status of respondent:			
Employed	Percent	82.7	91.7
Unemployed	Percent	8.0	2.5
Student	Percent	6.0	2.5
Retired	Percent	3.3	3.3
Employment status of spouse:			
Not employed	Percent	42.7	25.0
Employed	Percent	57.3	75.0
Respondent's work is:			
Full-time	Percent	--	90.1
Part-time	Percent	--	9.9
Spouse's work is:			
Full-time	Percent	--	61.0
Part-time	Percent	--	39.0
Respondent months to find employment?			
Mean	Number	3.1	2.8
Median	Number	2.0	1.0
Less than 1	Percent	27.5	27.4
1 to 2	Percent	18.3	28.6
2 to 3	Percent	15.6	9.5
3 to 6	Percent	15.6	16.7
6 or more	Percent	22.9	17.9
Spouse months to find employment:			
Mean	Number	NA	2.2
Median	Number	NA	1.0
Less than 1	Percent	NA	31.4
1 to 2	Percent	NA	25.0
2 to 3	Percent	NA	17.2
3 to 6	Percent	NA	14.1
6 more more	Percent	NA	12.6
Respondent's satisfaction with present employment:			
Satisfied	Percent	71.2	83.3
Neutral	Percent	16.5	9.8
Dissatisfied	Percent	12.3	6.9
Spouse's satisfaction with present employment:			
Satisfied	Percent	NA	84.0
Neutral	Percent	NA	7.4
Dissatisfied	Percent	NA	8.6
Respondent will look for another job within the year			
	Percent	39.0	23.8
Spouse will look for another job within the year			
	Percent	30.5	20.4
Had to move to another city/state to find employment			
	Percent	41.2	35.0
Preferred to stay in hometown			
	Percent	58.1	39.5

The current occupations of recent former farmers and spouses are shown in Table 14. Over 20 percent of the respondents and 42 percent of spouses are employed in technical, sales, or administrative jobs. Twenty percent of the respondents are employed as equipment operators or laborers, and about one-third of the spouses are employed in service jobs.

The average hourly wage reported by recent former farmer respondents was \$7.46 (Table 15). Spouses earned 60 cents less per hour than the respondents on average. Nearly 38 percent of the respondents and 48.6 percent of the spouses earned less than \$6.00 per hour.

TABLE 14. CURRENT OCCUPATION OF RECENT FORMER FARMERS AND SPOUSES

Occupation	Respondent	Spouse
	-----%-----	
Technical, sales, or administrative	22.5	42.0
Equipment operators/laborers	20.0	0.0
Student	12.5	1.2
Service jobs	10.8	32.1
Precision production/craft/repair	11.7	3.7
Professional/management	8.3	21.0
Farming	8.3	0.0

TABLE 15. HOURLY WAGE RATES OF RECENT FORMER FARMERS AND THEIR SPOUSES

Item	Respondent	Spouse
	-----\$/hr-----	
Range	3.35 - 18.70	1.00 - 23.40
Mean	7.46	6.86
Median	6.63	5.96
	-----%-----	
Distribution:		
Less than \$4.00/hr	6.1	11.8
\$4.00 to \$5.99/hr	31.8	36.8
\$6.00 to \$7.99/hr	25.8	17.6
\$8.00 to \$9.99/hr	16.7	11.8
\$10.00 to \$11.99/hr	7.6	11.8
\$12.00/hr and over	12.1	8.8

Nearly one-half (47.6 percent) of the spouses and 43.3 percent of the respondents had an off-farm job before ceasing to farm (Table 16). Respondents and spouses each had worked off the farm an average of about 6.5 years and over one-fourth had worked for 10 years or more. Nearly 80 percent of the spouses and 57.4 percent of respondents reported that their off-farm work experience helped them to find employment after ceasing to farm.

Current Financial Status

Recent former farmers have apparently fared somewhat better, at least initially, than previous former farmers. Recent respondents reported a mean family income of about \$36,000, nearly \$7,000 higher than previous former farmers (Table 17). This could be due to higher education levels attained by recent former farmers; over 20 percent of the respondents and spouses had completed college. Recent respondents also reported fewer total assets and total debts than those previously surveyed, but recent former farmers' net worth was substantially greater (\$28,729) than the negative amount (-\$3,148) reported by the previous group. This may indicate that recent former farmers made the decision to quit before their asset and debt values reached unmanageable levels.

TABLE 16. OFF-FARM WORK EXPERIENCE OF RECENT FORMER FARMERS AND SPOUSES

Item	Unit	Respondent	Spouse
Worked off-farm before quitting? Yes	Percent	43.3	47.6
Years worked at job:			
Mean	Number	6.6	6.4
Median	Number	4.0	5.5
Distribution:			
Less than 1	Percent	13.7	2.4
1 to 3	Percent	29.4	38.1
4 to 6	Percent	17.6	23.8
7 to 9	Percent	13.7	9.5
10 and over	Percent	27.4	26.2
Did work experience help find employment after ceasing to farm? Yes	Percent	57.4	80.0

TABLE 17. FAMILY INCOME AND FINANCIAL RESOURCES OF PREVIOUS FORMER, RECENT FORMER, AND CURRENT FARM OPERATORS

Item	Previous Former Farmers	Recent Former Farmers	Current Farmers
-----dollars-----			
Total family income:			
Mean	29,411	36,062	29,024
Median	18,000	28,000	--
Total assets:			
Mean	164,221	100,269	391,025
Median	65,000	50,000	283,000
Total debts:			
Mean	165,825	70,490	127,284
Median	60,000	21,000	80,000
Net worth:			
Mean	-3,148	28,729	123,182
Median	11,000	20,000	177,000

Over two-thirds of the recently surveyed former farmers indicated they were better off financially today than when they were farming (Figure 4). The most frequently cited reasons for being financially better off were "less stress" (58.9 percent) and "more stability" (55.6 percent).

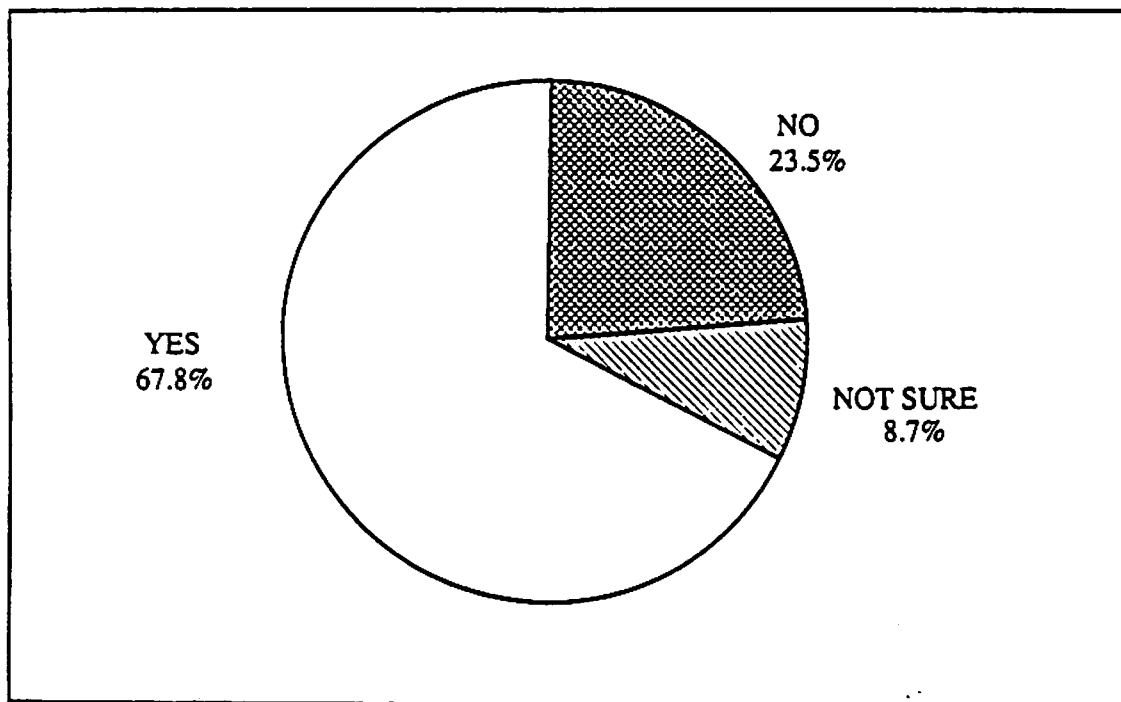


Figure 4. Former Farmers Better-off Financially Today

Characteristics of Former Business Operators

The characteristics of the former business operators who responded to the 1986 survey are summarized in this section. The summary is organized into sections which describe the following characteristics: business organization and history; business financial attributes; demographic, financial, and employment characteristics; and relocation status.

Business Organization and History

As noted previously, sample selection criteria limited this survey to businesses that had ceased operation since 1981. Of 128 former business operators initially identified, some proved very difficult to contact, and a few were reluctant to discuss their former business. However, 68 of these persons ultimately completed useable questionnaires.

The year the respondent had ceased to operate the business ranged from 1982 to 1986 (Table 18). The higher percentages of closures occurring during the more recent years may reflect rising failure rates but also could merely indicate that recent closures were more likely to be reported and their proprietors easier to locate.

Almost two-thirds of the businesses had been organized as sole proprietorships, a substantially higher percentage than was found for current businesses in the same communities. Among the other types of firms, the percentages of former businesses that were owned by a relative or organized as a partnership were higher than for current businesses. The respondent had been involved in the business an average of 8.3 years, and in more than half of the cases the period of involvement was five years or less. The business had been established in the town for an average of 13.6 years, but 20 percent had an operating life of one year or less. Both the businesses' operational period and the operator's span of involvement were considerably shorter for former than for current businesses. On the other hand, former businesses reported patterns of sales distribution and inventory purchases which were quite similar to those of the current businesses (Leistriz et al. 1987).

TABLE 18. SELECTED BUSINESS CHARACTERISTICS OF FORMER BUSINESSES IN NORTH DAKOTA, 1986 (CHARACTERISTICS AS OF TIME OF CLOSING)

Item	Units	Value
Year ceased:		
1982	Percent	10.3
1983	Percent	19.1
1984	Percent	22.1
1985	Percent	26.5
1986	Percent	22.1
Respondent status:		
Sole Proprietor	Percent	62.7
Part-owner or partner	Percent	23.9
Hired manager	Percent	13.4
Type of business organization: ^a		
Partnership	Percent	30.8
Family-held corporation	Percent	38.5
Nonfamily-held corporation	Percent	23.1
Owned by relative	Percent	23.1
Number of years respondent had been involved in this business:		
Mean	Years	8.3
Distribution:		
5 years or less	Percent	57.6
6 to 10 years	Percent	18.2
11 to 20 years	Percent	16.6
More than 20 years	Percent	7.6
Number of years business had been established in this town:		
Mean	Years	13.6
Distribution:		
5 years or less	Percent	46.2
6 to 10 years	Percent	9.2
11 to 20 years	Percent	24.6
More than 20 years	Percent	20.0
Number of full-time workers employed at time of closing:		
Mean	Number	2.8
Distribution:		
None	Percent	14.1
1	Percent	32.8
2 - 3	Percent	29.7
4 - 5	Percent	9.4
6 - 10	Percent	9.4
11 - 20	Percent	4.7
21 or more	Percent	0.0
Number of part-time workers employed at time of closing:		
Mean	Number	1.6
Distribution:		
None	Percent	33.9
1	Percent	22.6
2 - 3	Percent	32.3
4 or more	Percent	11.3

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TABLE 18. SELECTED BUSINESS CHARACTERISTICS OF FORMER BUSINESSES IN NORTH DAKOTA, 1986 (CHARACTERISTICS AS OF TIME OF CLOSING)

Item	Units	Value
Number of full-time workers employed one year prior to closing:		
Mean	Number	3.2
Distribution:		
None	Percent	10.0
1	Percent	36.7
2 - 3	Percent	23.3
4 - 5	Percent	15.0
6 - 10	Percent	10.1
11 - 20	Percent	3.4
21 or more	Percent	1.7
Number of part-time workers employed one year prior to closing:		
Mean	Number	1.6
Distribution:		
None	Percent	29.3
1	Percent	29.3
2 - 3	Percent	20.7
4 or more	Percent	20.7
Number of full-time workers employed five years prior to closing:		
Mean	Number	3.9
Number of part-time workers employed five years prior to closing:		
Mean	Number	1.3
Percent of sales made to:^b		
Farmers (residing either within or outside the city limits)	Percent	40.8
Residents of this town	Percent	37.2
Residents of neighboring towns	Percent	19.9
Rural nonfarm residents	Percent	1.1
Percent of sales made to persons who live:^b		
In this town	Percent	38.7
Outside town but within 10 miles	Percent	20.3
10 to 20 miles from this town	Percent	16.4
21 to 30 miles from this town	Percent	9.8
More than 30 miles from this town	Percent	14.4
Percent of inventory purchased from firms located:^b		
Within this town	Percent	17.5
Elsewhere within this county	Percent	10.1
Elsewhere in the state	Percent	25.2
Out of state	Percent	46.1

^aExcludes sole proprietorship.

^bMay not add to 100 percent as these values represent the average of the percentages reported by each respondent.

Former businesses also had employed fewer workers on average than current businesses. The average number of workers employed at the time of closing was 2.8 full-time and 1.6 part-time workers. By contrast, current businesses employed an average of 5.5 full-time and 3.2 part-time workers. When the number of workers employed by these former businesses at time of closing is compared to their employment one year and five years prior to closing, a modest decrease in the number of full-time workers is noted prior to closing. No change was reported for the last year, on average, in the number of part-time workers, although this category had registered some growth during the period of one to five years prior to closure.

Business Financial Characteristics

Selected financial characteristics of the former businesses are summarized in Table 19. These firms had average assets of \$101,655 and average debt of \$71,022, but a few large values affected these averages substantially. The median values for assets and debt, respectively, were \$40,000 and \$20,000. As in previous

TABLE 19. FINANCIAL CHARACTERISTICS OF NORTH DAKOTA FORMER BUSINESSES, FOR LAST YEAR OF OPERATION

Item	Units	Value
Total assets:		
Mean	Dollars	101,655
Median	Dollars	40,000
Total debt:		
Mean	Dollars	71,022
Median	Dollars	20,000
Net worth:		
Mean	Dollars	31,751
Median	Dollars	10,000
Gross profit:		
Mean	Dollars	4,895
Median	Dollars	1,000
Gross income:		
Mean	Dollars	33,994
Median	Dollars	16,000
Debt-to-asset ratio:		
Mean	Percent	52.7

tables, average assets less average debt does not necessarily equal average net worth because some respondents reported the value of only their assets or only their debt but not both.

The debt-to-asset ratios of these businesses averaged about 53 percent but covered a wide range. About 22 percent of respondents reported no debt. Interestingly, only about 9 percent had debt ratios exceeding 70 percent, in contrast to the 19 percent of current businesses in that debt category.

Many of these businesses appear to have experienced substantial income problems during their final year of operation. Their gross income averaged only about \$34,000, and more than 40 percent had gross incomes of \$10,000 or less.

Demographic and Financial Characteristics

Selected demographic attributes of the respondents are summarized in Table 20. The average age and educational level of the former business proprietors were almost identical to that of the current operators. The percentage of females and the percentage who were separated or divorced were substantially higher for this group, however.

TABLE 20. SELECTED DEMOGRAPHIC CHARACTERISTICS
OF FORMER BUSINESS OPERATORS

Item	Units	Value
Respondent age:		
Average age	Years	42.7
Distribution		
Less than 25	Percent	6.1
25 to 34	Percent	19.7
35 to 44	Percent	30.3
45 to 54	Percent	22.7
55 to 64	Percent	21.2
Respondent sex:		
Male	Percent	64.2
Female	Percent	35.8
Respondent race:		
White	Percent	100.0
Other	Percent	0.0
Ethnic background:		
German	Percent	44.6
German Russian	Percent	6.2
Norwegian	Percent	20.0
British Isles	Percent	15.4
Other	Percent	13.8

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TABLE 20. SELECTED DEMOGRAPHIC CHARACTERISTICS
OF FORMER BUSINESS OPERATORS, CONTINUED

Item	Units	Value
Marital Status:		
Single	Percent	4.5
Married	Percent	80.3
Separated or divorced	Percent	12.1
Widowed	Percent	3.0
Spouse age:		
Average age	Years	41.3
Household size:		
Average	Number	3.1
Number in household:		
One	Percent	13.6
Two	Percent	27.3
Three	Percent	13.6
Four	Percent	30.3
Five	Percent	12.1
Six or more	Percent	3.0
Children under age 19:		
Average	Number	1.2
Number of children:		
None	Percent	39.4
One	Percent	15.2
Two	Percent	33.3
Three	Percent	9.1
Four or more	Percent	3.0
Highest level of education completed by respondent:		
Eighth grade or less	Percent	4.5
Some high school	Percent	7.5
Completed high school	Percent	28.4
Attended college or other postsecondary school	Percent	37.3
Completed college	Percent	22.4
Highest level of education completed by spouse:		
Eighth grade or less	Percent	3.7
Some high school	Percent	0.0
Completed high school	Percent	37.0
Attended college or other postsecondary school	Percent	33.3
Completed college	Percent	25.9

The average total family income (adjusted gross income) of former business operators in 1985 was \$28,596 (about \$8,000 less than current business operators), and 54 percent had incomes less than \$20,000 (compared to 27 percent of current businesses) (Table 21). Reflecting these conditions, 58 percent said they were not better off financially than when they ceased to operate their businesses.

Employment Characteristics

Selected employment characteristics of the former business operators are reported in Table 22. At the time of the survey, about 70 percent of the respondents were employed, 9 percent reported that they had retired, and 3 percent said they were students. About 4.5 percent of the respondents had become full-time housewives, and 13.6 percent were currently unemployed. When these statistics are compared with the experience of displaced workers nationwide, it appears that the former business operators have been slightly more successful in obtaining employment and also slightly more prone to leave the labor force. A national survey of workers who had lost their jobs after a tenure of three or more years revealed that 62.6 percent of all white workers had found new jobs, 13.9 percent had left the labor force, and 23.4 percent were unemployed (Flaim and Sehgal 1985).

TABLE 21. FINANCIAL CHARACTERISTICS OF FORMER BUSINESS OPERATORS

Item	Units	Value
Gross family income:		
Average	Dollars	28,596
Median	Dollars	20,000
Distribution:		
Negative	Percent	6.0
\$0 - \$10,000	Percent	16.0
\$10,001 - \$20,000	Percent	32.0
\$20,001 - \$30,000	Percent	20.0
\$30,001 - \$40,000	Percent	10.0
More than \$40,000	Percent	16.0
Are you better off financially today than when you were operating your former business?		
Yes	Percent	42.4
No	Percent	57.6

TABLE 22. SELECTED EMPLOYMENT CHARACTERISTICS OF NORTH DAKOTA FORMER BUSINESS OPERATORS

Item	Percentage
Current employment status:	
Employed	69.7
Not employed, total:	30.3
Retired	9.1
Student	3.0
Housewife	4.5
Unemployed	13.6
Occupation in which employed:	
Executive or managerial	22.2
Professional specialty	31.1
Technicians and repair services	a
Sales	15.6
Administrative specialties	a
Farming, forestry	a
Mechanics and repair services	a
Construction	a
Transportation	a
Handlers and lab	a
Industry in which employed:	
Agriculture	10.9
Mining	a
Construction	a
Manufacturing, nondurable	a
Manufacturing, durable	13.0
Wholesale, nondurable	a
Retail trade	28.3
Finance, insurance, and real estate	a
Entertainment	a
Professional and related services	a
Government	a
Respondents' satisfaction with present employment:	
Very satisfied	42.4
Satisfied	30.5
Neither satisfied nor dissatisfied	11.9
Dissatisfied	8.5
Very dissatisfied	6.8
Likelihood that respondent will look for work in next 12 months:	
Very likely	22.7
Likely	4.5
Unlikely	9.1
Very unlikely	56.1
Don't Know	7.6

^ap < 5.

Survey respondents were distributed among a number of industries with retail trade and durable goods manufacturing being the most important. Male respondents were particularly likely to be employed in retail trade, while women respondents were more likely to be employed in the finance, insurance, and real estate industry (Table 22). The respondents also were distributed among a number of occupations; professional specialties and executive or managerial occupations were most common. Women were found in sales and administrative services in higher proportions than men.

Respondents generally were quite satisfied with their present employment (Table 22). About 73 percent indicated they were either satisfied or very satisfied with their present job; only about 15 percent were dissatisfied or very dissatisfied. However, about 27 percent of the respondents indicated they were either likely or very likely to look for a different job in the next 12 months.

Relocation of Former Business Operators

A point of special interest was whether a substantial proportion of the former business operators had moved away from the community after closing their business. At the time of the survey, 63 percent of the respondents were found to be living in the same community where their business had been located, 29 percent had moved to another county within the state, and 7 percent (five individuals) had moved out of state (Table 23). In subsequent analyses, characteristics of the group who had relocated from the county (about 37 percent) are compared to those of the respondents who had remained in the county.

Examination of Table 23 indicates that the age and sex of the respondents appears to have been associated with relocation; more than half of those 35 to 44 age bracket had relocated. Interestingly, however, only 26 percent of those less than age 35 had relocated. Furthermore, the percentage who had relocated was more than twice as high among the male respondents. Note, however, that the relatively small size of these groups indicates that these results should be interpreted with caution.

The propensity for these former business operators to relocate also can be compared with that of displaced workers nationwide. Of all workers surveyed, only 13.6 percent had relocated (Flaim and Sehgal 1985). The frequency of relocation was substantially less for women (9.2 percent) than for men (15.6 percent).

**TABLE 23. PRESENT RESIDENCE OF NORTH DAKOTA
FORMER BUSINESS OPERATORS**

Item	Percentage
Present residence:	
Same county where business was located	63.2
Another county in North Dakota	29.4
Out of state	7.4
Percent relocating by age:	
Less than 35	26.3
35 - 44	55.0
45 - 54	33.3
55 and over	28.6
Total	36.8
Percent relocating by sex:	
Males	44.2
Females	20.8
Total	35.8
Percent relocating by education:	
High school or less	29.6
Some post-secondary	36.0
Completed college	45.5
Completed graduate degree	50.0
Total	35.8
Percent relocating by marital status:	
Married	39.6
Not married	18.2

The percentage of respondents who had relocated appears related to their educational attainment (Table 23). One-half of those who had completed post-graduate degrees and 46 percent of those who were college graduates had relocated compared to less than 30 percent of those whose education had ceased at or before high school graduation.

Other relationships were explored but found not to be significant. In particular, satisfaction with current employment, satisfaction with the community's quality of life, and present level of family income did not appear to be related to relocation status. Relocation status did appear to be related to the respondent's current occupation, however. Relocating respondents were much more likely to be employed in executive or managerial positions, professional specialties, and administrative support specialties than their counterparts who had not left the area.

A final relationship of interest concerns the proportion of each group who felt they were better off financially in 1986 than when they were operating their

business. Of the relocating group, 50 percent indicated they were better off compared to 38 percent for the nonrelocating group.

Comparison of salient characteristics of current and former businesses provides several insights. Current and former business operators reported similar reasons for establishing their businesses (Table 24). When the types of businesses are compared, the former businesses were found to be dominated by retail establishments. Fewer former businesses than current establishments were found in the finance, insurance and real estate, and professional services categories. Former business operators had been involved in their businesses for a substantially shorter period than their counterparts who were currently operating businesses, and their businesses had been established for a much shorter period. There was little difference in the types of customers they served, but the former businesses had fewer employees. They also had substantially lower levels of financial resources.

The two groups also were asked about specific types of stressful events they might have experienced. Former business operators reported experiencing emotional problems, marital or family stress, and divorce at rates about twice those of their counterparts who were still operating businesses (Table 24). More than 80 percent of former business operators who reported emotional problems or family stress also indicated that these problems were either directly or indirectly a result of farm financial conditions.

Conclusions and Implications

The continuation of challenging economic conditions in the agricultural sector coupled with severe drought conditions that have been experienced during the period 1988-90 have placed farm operators and rural communities under substantial economic pressure. This study examines the characteristics of farmers who made the transition from farming in North Dakota since 1985. The most salient of these results are summarized as follows:

- Recent former farmers were seven years younger, on average, than farmers currently in operation. Recent former farmers apparently have a higher education level compared to respondents of a previous study who had quit farming during 1985. Over 20 percent of both the farmers and their spouses had completed a college education compared to 14.4 percent and 8.6 percent of previous former farmer respondents and spouses, respectively.

TABLE 24. CHARACTERISTICS OF CURRENT AND FORMER BUSINESS OPERATIONS IN SIX STUDY COMMUNITIES, NORTH DAKOTA, 1986

Item	Units	Current Operations	Former Operations
Factors in the decision to establish the business:			
Business opportunity (i.e., business was available or in demand)	Percent	35.8	44.7
Town's <u>economic</u> attributes (i.e., location, size, progressiveness, economy)	Percent	26.2	22.5
Town's <u>social</u> attributes (i.e., hometown, relatives lived there, good place for children)	Percent	20.0	13.4
Job transfer (i.e., company moved respondent to the town)	Percent	9.6	4.5
Desire to be own boss	Percent	2.5	9.0
Other	Percent	5.9	5.0
Type of business (industry):			
Agricultural services	Percent	2.2	0.0
Mining	Percent	0.2	0.0
Construction	Percent	4.6	6.1
Manufacturing, nondurable	Percent	1.3	1.5
Manufacturing, durable	Percent	6.6	7.6
Wholesale, nondurable	Percent	5.9	3.0
Wholesale, durable	Percent	2.2	0.0
Retail trade	Percent	37.1	59.1
Finance, insurance, and real estate	Percent	12.5	3.0
Business and repair services	Percent	5.7	7.6
Personal services	Percent	7.9	6.1
Entertainment	Percent	1.5	4.5
Professional services	Percent	12.0	1.5
Government	Percent	0.2	0.0
Years of involvement in business:	Years	12.7	8.3
Years business established in community:	Years	24.9	13.6
Type of customers:			
Farmers	Percent	41.5	40.8
Town residents	Percent	34.4	37.2
Residents of neighboring towns	Percent	18.1	19.9
Rural nonfarm residents	Percent	6.0	1.1
Number of employees (current for current businesses or one year before closing for former businesses):			
Full-time	Number	5.5	3.2
Part-time	Number	3.2	1.6

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TABLE 24. CHARACTERISTICS OF CURRENT AND FORMER BUSINESS OPERATIONS IN SIX STUDY COMMUNITIES, NORTH DAKOTA, 1986

Item	Units	Current Operations	Former Operations
Business assets (as of January 1, 1986 or at time of closing):			
Mean	Dollars	1,389,378	101,655
Median	Dollars	126,483	40,000
Business debt:			
Mean	Dollars	390,514	71,022
Median	Dollars	21,000	20,000
Business net worth:			
Mean	Dollars	882,300	31,751
Median	Dollars	75,000	10,000
Business debt-to-asset ratio:			
Mean	Percent	39.0	52.7
Distribution:			
No debt	Percent	32.8	22.2
1 - 40	Percent	30.4	20.0
41 - 70	Percent	17.9	20.0
71 - 100	Percent	15.2	28.9
> 100	Percent	3.7	8.9
Gross income:			
Mean	Dollars	489,254	33,994
Median	Dollars	116,831	16,000
Gross profit:			
Mean	Dollars	167,507	4,895
Median	Dollars	66,302	1,000
Total family income, 1985:			
Mean	Dollars	36,421	28,596
Median	Dollars	30,000	20,000
Distribution			
Less than \$10,000	Percent	8.8	22.0
\$10,001 - \$20,000	Percent	18.4	32.0
\$20,001 - \$30,000	Percent	24.3	20.0
\$30,001 - \$40,000	Percent	18.1	10.0
More than \$40,000	Percent	30.4	16.0
Events experienced by respondents (i.e., those who experienced event within last two years):			
Suffered depression or other emotional problems	Percent	14.4	39.7
Experienced unusual marital or other family stress or conflict	Percent	16.3	32.3
Been divorced	Percent	7.7	13.2

- A majority had started farming after 1970 and operated predominately crop-oriented farms. Comparison of gross cash farm income to that of current farmers indicates that former farmers' operations were similar, on average, to current farm operators. Recent former farmers reported considerably higher net cash farm income than previous former farmers, but still 58 percent less than that of current farm operators. This indicates a continued inability to meet financial obligations even at a higher level of profit. Their average debt-to-asset ratio was 114.9 percent.
- Not surprisingly, 83 percent cited financial problems as the reason they quit farming. However, 41 percent said they could have made changes in their operation that would have enabled them to continue farming. The most frequently cited change was reducing capital expenditures.
- Over one-half of the recent former farmers indicated they would never return to farming. The remainder indicated they would return in response to higher commodity prices, lower interest rates or a more predictable future.
- Overall, operating loans had decreased on average from the previous survey. The percentage left unpaid to commercial banks and PCAs decreased, but FmHA's share of unpaid dollars increased from 52 percent to 83 percent of the total unpaid debt. This may indicate a more cautious approach by commercial and quasi-governmental lenders in light of past farm failures. However, it may also indicate a lessened need for operating capital due to advance government program payments, which were in place during that time period.
- Over 60 percent of the recent former farmer respondents reported an average of \$54,378 in intermediate-term loans. The average amount left unpaid increased from over \$37,000 for previous former farmers to about \$52,000 for recent former farmers. Commercial banks and FmHA had similar shares of total loan dollars with PCAs holding only 7.5 percent. About one-half of loans made by banks and FmHA were left unpaid.
- FmHA carried about one-half of the long-term debt reported by recent former farmers. About two-thirds of this debt was left unpaid to FmHA.
- Contingent tax liability was a concern for 46 percent of the recent former farmer respondents. The average tax liability incurred was \$11,707, down from over \$20,000 for previous former farmers.

- Fewer recent former farmer respondents indicated the farm situation had "a great deal" of effect on their personal lives compared to the previous former farmer study. This may indicate that some of the social stigma associated with "going broke" has eased. The decision to quit and the means to do so may have also become easier as lessons were learned from neighbors who quit before them. Fewer stress-related events also were reported by recent former farmers.
- About 25 percent of the recent former farmer used educational loans and grants to enhance their marketability for employment. Other programs frequently cited were job retraining and placement services.
- Nearly 92 percent of the recent former farmer respondents and 75 percent of their spouses were employed at the time of the survey. Only 2.5 percent of these respondents indicated they were unemployed. This is less than the 1988 state average unemployment rate of 4.9 percent and indicates that most former farmers have marketable job skills. About 56 percent reported a job search of less than two months, and over 83 percent were satisfied with their present job.
- Transition from farming sometimes involved relocation from their hometown to find employment. Thirty-five percent of recent former farmers relocated compared to over 41 percent of respondents to the previous former farmer survey. Nearly 40 percent of the recent former farmers relocating would have preferred to stay in their hometown.
- Over two-thirds of the recent former farmers indicated they were financially better-off at the time of the survey. "Less stress" and "more stability" were reasons cited for better financial well-being. Respondents reported a mean family income of \$36,000, about \$7,000 higher than that reported by previous former farmers.

These findings raise a number of concerns for community development practitioners and human service providers. For example, the findings indicate that displaced producers continue to be heavily concentrated in the younger age groups. Further, among former farmers, the younger and better-educated ones are the most likely to leave their home communities in search of better opportunities elsewhere. This finding raises concerns for community development practitioners because a reduction in the number of young families will directly affect various

community institutions, particularly schools (Leistritz et al. 1989). In addition, disproportionate losses of the younger and better educated farm families from a community may reduce the pool of volunteers and diminish the number of persons with the ability to assume leadership roles.

From a human services perspective, the results of the recent former farmer survey are encouraging in that fewer respondents indicated major effects on their personal lives. This may indicate that the social stigma associated with "going broke" or "losing the farm" may have eased, but it also may indicate that the various programs initiated during the mid-1980s to assist farm families in coping with economic stress and transition problems have been effective. It is also encouraging to note that the majority of these farm families have been relatively successful in making the transition to an alternative career, as evidenced by the substantial majority that indicate they are "better off" than when they were farming. The results of the recent survey and the events of the past few years (e.g., drought, low grain prices), however, indicate that problems of financial stress in the farm sector are still prevalent. Human services providers and their organizations will likely face continuing demands for their services.

The effects of economic stress in the agricultural sector are not confined to farm families. The effects of the farm crisis have been felt by all parts of the rural community and particularly by the business sector. Moreover, our survey results indicate that the personal, social, and psychological problems being experienced by farm families are also being experienced by other residents of rural communities, and particularly by those who have experienced the failure of an economic

enterprise. Both human services providers and community development practitioners should be aware of these effects of rural economic restructuring and the needs they imply.

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