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# It Stands Still While Farm Economy Recovers

The farm sector is finally recovering from the prolonged recession of the early 1980's. This is welcome news to those with a stake in rural America. There will be increased economic activity in the larger rural communities and in some smaller rural communities linked to metro areas; consequently, this means higher incomes and some new jobs for farmers and nonfarmers.

There are also likely to be individual cases where processing of agricultural commodities can be successfully developed in smaller communities, particularly where unique market niches for specialty products are identified and exploited. However, the upturn in the agricultural economy does not portend significant growth in overall rural employment.

Rural employment in farming and agribusiness companies has declined over the past three decades. Although farming and agribusiness are still important employers in every farm production region, prospects for significant increases in farm and agribusiness jobs are dim even with the recovery apparently underway.

Substantial increases in farm and agribusiness jobs are not expected because:

- The growth in domestic markets for farm commodities will be slow.

- New, labor-saving farm technologies will lead to higher yields and larger farm output.

- Rates of farm exports will not likely equal those of the 1960's and 1970's.

## **Farm Employment Continues Down**

A lot less work is required to produce a lot more on farms today than was required at the end of World War II. In 1950, nearly 10 million workers (including both family and hired workers) worked on U.S. farms. By 1984, this number had dropped to 3.1 mil-

lion. Family workers on farms were down from 7.6 million to 2.0 million and hired workers had declined from 2.3 million to 1.0 million.

There is nothing on the horizon indicating a turnaround of these farm employment trends. Currently available labor-reducing technology will be adopted by more and more farmers and will lead to further drops in farm numbers and employment.

Over a longer period, the infusion of emerging biological, informational, and mechanical technologies may accelerate the decline in farm numbers. The U.S. Office of Technology Assessment projects significantly higher adoption rates of these technologies by the largest farms compared with smaller farms. These adoption rates would lead to further deterioration in the competitive position of smaller farms, hasten their decline, and reduce the number of operators and family members employed on farms. These declines will be particularly evident in areas with few nonfarm job opportunities for members of small farm households.

## **One Bright Spot**

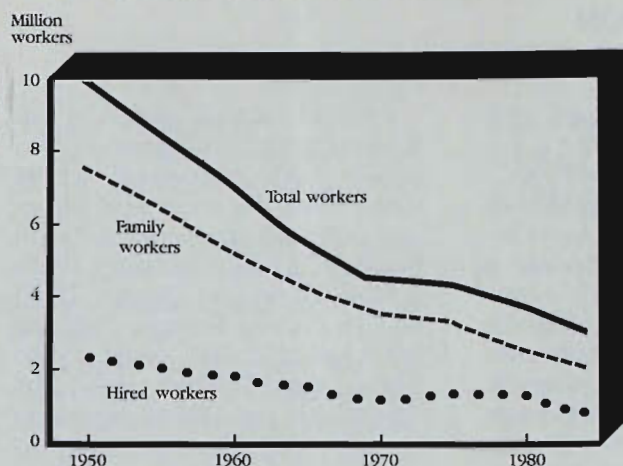
Agricultural production has always had strong downstream links (food transportation, processing, marketing) and upstream links (farm input suppliers) to local, regional, and national markets. While nearly two-thirds of the jobs in the farm sector are located in rural areas, three-quarters of the jobs in farm-related agribusinesses are concentrated in metro areas. Even so, agribusiness employment is important to rural areas. In fact, more people work in rural agribusiness jobs than work on farms.

The food and fiber system is an important source of rural jobs in every farm production region. This is particularly the case in the rural economies of the Northern Plains. But even there, the farm sector and agriculture-related industries account for less than 40 percent of employment. This percentage is as low as 24 percent in New England.

Of the three categories of agribusi-



## U.S. Farm Employment Declining



## Importance of Agricultural Employment

Million	Metro	Non-metro
Total 1984 U.S. employment	80.6	20.2
Agricultural employment	13.4	6.2
Farming	1.5	2.7
Farm input industries	.2	.2
Agricultural processing and marketing industries	2.1	1.2
Wholesale and retail trade of agricultural products	.8	1.7
Other agribusiness	1.8	.4

ness—inputs, processing and marketing, wholesaling and retailing—employment prospects are bright for wholesaling and retailing. Unfortunately for rural communities, the increases in wholesaling and retailing will be largely located in metro communities simply because that is where people are located.

### Input Industries

Overall employment in the agricultural input industries will remain close to current levels. Major structural changes in the farm machinery and equipment industry are essentially complete.

However, plant closures in the fertilizer industry are expected to continue because of depressed prices of ammonia and urea. Continued incentives to divert farm acreage from crop production will generally dampen the demand for purchased inputs and any consequent employment expansion in these industries.

### Processing and Marketing Industries

Demand for food and kindred products, as well as natural fibers, is expected to rise during the coming five years at about the 0.9 percent growth rate projected for the general population—or faster. But no great employment increases are expected in the agricultural processing and marketing industries because of continued improvements in industry efficiency through automation and increased productivity.

### Wholesale and Retail Trade

The wholesale and retail trade area is the only bright prospect in the food and fiber system. This sector faces demand factors markedly different from

those faced by the other parts of the food and fiber system.

The market for food and fiber retail and wholesale trade is primarily the private household. Therefore, wholesaling and retailing has and will benefit (expand) from favorable trends in consumer purchasing power (continued low agricultural commodity prices and increased real per capita income). Population growth and the increased participation of women in the labor force will also expand demands for wholesaling and retailing.

Many services formerly produced in the home, such as food and meal preparations, have shifted to the market economy where they are reflected in increased employment in the food and fiber retail trade. As a result, this sector comprises some of the fastest growing industries in the economy. These employment effects, however, will be largely felt in urban areas. Even so, rural jobs in these industries will continue to grow and account for an increasing share of total rural employment.

### Diversity Means Less Vulnerability

During the past 30 years, the economic structure of rural America has become more diversified, significantly diminishing its overall vulnerability to changes in natural resource markets, commodity prices, and farm conditions. The economic future of many rural residents is now tied more to the overall national economic growth and to global economic factors than to the success or failure of any one business sector.

Nevertheless, the food and fiber system is still one of the predominant em-

ployers in rural America, though it comprises many slow-growth industries in terms of employment. These industries tend to moderate national expansions in economic activity and exacerbate economic downturns, making rural America more vulnerable to business cycle vagaries.

Although national employment data indicate that growth in the food and fiber system tends to move counter cyclically, this is not the case in rural areas where employment in these industries tends to increase more slowly than total U.S. employment during business cycle upturns, and decrease more rapidly during downturns. The divergence between rural and metro employment growth appears to be the result of continuing restructuring within the food and fiber system. During the 1980's, there has been substantial conglomeration in the agricultural services, processing, and marketing industries with a resulting concentration of production facilities in urban areas. **C**

## More Information

An assessment of current and prospective rural economic conditions is included in *Rural Economic Development in the 1980's: Preparing for the Future*, a report prepared by the Economic Research Service of the U.S. Department of Agriculture. For a copy, write to Information Division, ERS, USDA, 1301 New York Avenue, NW., Washington, DC, 20005-4783. Ask for ERS Staff Report No. AGES870724, July 1987. It is free.