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PUBLIC PROGRAMS FOR MULTIPLE JOB-HOLDING -  
FARM FAMILIES

by

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## PUBLIC PROGRAMS FOR MULTIPLE JOB-HOLDING - FARM FAMILIES

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### INTRODUCTION

Preparation for my part on this program suggested that I review current literature which focuses on rural development, Extension Programs, and the farm sector. As I became involved in the review process, I soon realized that many rural issues have changed since my last work in the rural development area in the mid 70's. Rural Development Programs also appear to be receiving increased attention, as do farmers and farm programs. I could not help concluding that the scope of the presentations today were greatly influenced by the symposium topic: "Multiple Job Holding Farm Families."

Conference planners selected three public programs for Multiple Job-Holdings Farm Families to review during the conference. Those topics are: Traditional Farm Programs, Rural Development Programs, and Extension Programs. Each in their own way have an impact on multiple job-holding farm families.

The authors generally share a common view on the following points: (1) the current organization, structure and composition of agriculture and rural areas is vastly different than in the teens and 1920's, and even the 1950's and 1960's; (2) the number of farms have declined and their average size increased; (3) there is a documented

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bimodal trend in farm size as measured by farm sales; (4) off-farm employment is essential in many instances for economic survival although there are a number of other reasons for off-farm employment. and, (5) part-time farming is no longer perceived as a temporary phenomenon and has become a permanent facet of American agriculture. Therefore, part-time farming cannot be ignored in the policy area.

Beyond these points, each author focused on a specific program area. Luther Tweeten focused on Traditional Farm Commodity Programs, Kenneth Deavers on Rural Development Programs and James Barron on Extension Programs. For the most part each paper begins with a current assessment or situational statement, identifies the role of off-farm employment and concludes with a number of issues that could have implications for rural development policy.

#### TRADITIONAL FARM COMMODITY PROGRAMS AND MULTIPLE-JOB HOLDING

Tweeten began his analyses with a theoretical model of multiple-job holding. Using his model, Tweeten points out that the marginal value product of non-farm work ( $MVP_n$ ) is not constant as often portrayed. Instead,  $MVP_n$  is increasing because full-time employment is associated with higher hourly wages than part-time employment. In fact, he argues that given sufficient economies of size, a well managed farm will return more to labor than off-farm employment. He also suggests that the asset requirement of (2,000,000 million dollars) is the primary reason that many farmers are not engaged in farming on a full-time basis.

A number of potential problems are associated with the above analyses. First, wage rates for off-farm work will be heavily dependent upon human capital and the demand for employment. If there

is imperfect mobility between farm and off-farm employment, devoting all labor resources to farming regardless of farm size may be optimal. Second, certain agricultural enterprises may not realize economies of scale benefits and may be very labor intensive. Labor intensive enterprises might be found to have a higher return to the labor resource than capital intensive enterprises.

Additional points from Tweeten's paper include the following:

- (1) Middle-size farms (farmers with sales of over \$40,000 but less than \$500,000) received a higher percentage of income from commodity programs and are relatively more dependent on them.
- (2) Small farms (farms with sales under \$40,000) tend not to be involved in commodity programs primarily because they are small and not because they are part-time. The rate of participation in commodity programs by operators of small farms is low because the enterprise mix on these farms are generally not covered by commodity programs. In addition, operators of small farms tend not to want to be bothered with commodity programs because of the high transaction costs associated with program participation.
- (3) Operators of small farms receive only a small percentage of their income from commodity programs and a very high percentage from off-farm employment.
- (4) Mid-size farms are relatively more dependent on government programs than large farms. Therefore, termination of commodity programs would hurt mid-size farms.
- (5) In the 1980's, off-farm income and, to a lesser extent commodity programs, play a major role in retaining people on

farms. The structure of agriculture would be quite different in the absence of off-farm employment and commodity programs.

(6) Dairy, grain, and soybean farms covered by commodity programs are relatively prominent among full-time operators, whereas beef and hog farms are most prominent among part-time operators who work 200 or more days off-farm.

(7) Multiple job-holding is an important means of helping farmers achieve current U.S. median income levels. Less than 300,000 of today's farms could earn a reasonable income from the farm alone.

While I can agree with many of the above points, I would tend to hold a different opinion relative to the importance of commodity programs to the incomes of large farms. Tweeten does not indicate which commodity programs are referenced in table one of his paper. The numbers used appear to be transfer payments. If benefits from other programs (e.g., marketing orders, subsidized irrigation), the percentage of government payments going to the very large farms would perhaps be greater.

I would also take issue with the statement that small farms (which represent 75 percent of the total farms) are neither helped or hurt much by commodity programs. There are a number of farm programs such as set asides, allotments and quotas which cannot be evaluated in terms of income received. While they in themselves may not constitute a large percentage of income, they may create incentives to farm or provide other supply control or demand enhancing benefits that may proportionally benefit small farms more than large farms. Small is also highly correlated with part-time farming, thus making this

difficult to separate. Although a farmer may not explicitly participate in a commodity program, he/she is an indirect recipient of any spill-over effects which have been documented. For example, to the extent that commodity price support programs prop up open market prices, the farmer may receive a higher price for his/her commodity than if there were no such programs. Further, the non-participating farmers can be free-riders and take advantage of market structure, organization and performance which leads to more efficient marketing. Although small farms may receive a small amount of income from commodity programs in both absolute and percentage terms, the marginal utility of that income may be enough to keep them involved in farming.

#### EXTENSION PROGRAMS AND POLICIES FOR PART-TIME FARMERS

James Barron begins his discussion by tracing the evolution of the Cooperative Extension Service since its inception in 1914 to the present. He notes that early Extension Programs were geared to commercial and/or middle size farms, with very few resources devoted by Extension to work on small farms. In the 1970's the number of farmers in many states and locales increased. Nearly all were small and many were part-time. In the 1980's many failures were occurring among the farmers that had traditionally been Extension's clientele. Many large-acreage farmers are turning away from Extension and searching for more specialized and highly technical information and assistance. Many other operators of large farms continue to use the Extension Service as an information source; however, these farmers are by-passing County Extension Agents and seeking advise directly from State Extension Specialists. While Extension appears to be losing its traditional commercial farm audience, small and part-time



farmers are seeking help from Extension in larger numbers.

Barron importantly identifies the new Extension audience (small and part-time farmers) as being diverse relative to information needs and therefore suggests that Extension must formulate and implement a comprehensive program to respond to those needs. To illustrate the diversity that exist, Barron points out that for many part-time farmers, farming represents a permanent situation. For others it represents a transition into full-time farming and the off-farm job, and for some individuals it is a way-station for exiting agriculture and finding full-time, off-farm employment. That diversity in goals and objectives of part-time farmers suggests the need for flexible Extension programs and approaches.

Early Extension Programs were geared to commercial farmers and profit maximization was the major objective. Therefore, Extension Programs were geared to help farmers reach this objective. Barron suggests that part-time farmers may not be engaged in farming entirely for profits. Other important objectives may include: (1) farming as a hobby to get away from stress and strains of other employment, (2) to provide food for home consumption, (3) to escape back to the land from a "modern" society and (4) to supplement income from off-farm employment.

Barron suggests that the Cooperative Extension Service should respond to the information needs of small and part-time farmers via a number of program adjustments, including: (1) changing the work-week for selected Extension staff; (2) instituting a four-day work-week with longer hours; (3) using electronic technology, such as video tapes; (4) using electronic bulletin boards; (5) using master

volunteers or master farmers to provide educational programs; (6) using para-professionals to provide one-on-one education to farmers; and (7) emphasizing an overall systems approach.

Most, if not all, of the program adjustments suggested by Barron are not new. Many State Cooperative Extension Services currently employ the program approaches suggested either on a formal or informal basis, with varying degrees of success. In tailoring future Extension Programs to small and part-time farmers, we need to keep in mind that commercial farmers who are looking to County Extension Personnel and in some cases State Extension Specialists are also going to agribusiness marketing and management firms. There appears to be a need to further define and identify our emerging Extension audience as a means of tailoring programs and delivery systems to their needs.

Barron fails to advocate the involvement of Extension in other rural development options but instead continues to focus on agricultural programs. I would suggest that Extension has the responsibility and expertise to work with a larger segment of rural America, a segment which involves many part-time farmers.

Within the Land-Grant University System there appears to be need for an increased level of communication between Research and Extension. Do we need more Research and Extension programs that are scale neutral and/or structure neutral? Is a "farming systems approach" or "holistic approach" needed? If so, what organizational changes do we need to make in the Land-Grant system? Are there disadvantages to the Extension team approach?

## RURAL DEVELOPMENT PROGRAMS

Kenneth Deavers is no stranger in the rural development arena. Recent articles in "Choosing a Rural Development Policy for the 1980's", (1979)<sup>a</sup> and "Rural Economic Conditions and Development Policy for the 1980s and 1990s", (1979)<sup>b</sup> provide a picture of rural America that is painful to digest but no doubt accurate. Deavers sees a rural America that suffers from a number of problems including: limited rural job opportunities and high unemployment, and reduced population growth and underemployment of human resources.

Slow rural job growth and high unemployment is documented by Deavers through the use of several statistics<sup>b</sup>: (1) rural employment growth since 1979 has been slower than urban employment (4% versus 13%); overall employment in farming dependent counties has been stagnant (no growth) for a number of years; (3) more than 1,000 rural counties had unemployment rates of 9 percent or higher in 1986; (4) high unemployment rates are concentrated in the manufacturing counties of the South and East, and the mining and energy counties of Appalachia, the Gulf Coast and scattered areas of the Northeast.

Reduced population growth is evidenced by the following<sup>b</sup>: (1) between 1983-1985, almost half (1,160) of all non-metro counties lost population primarily through out-migration; (2) between 1985-1986, some 632,000 people moved out of non-metro areas; and (3) population decline and out-migration are concentrated in the Plains and Western Corn Belt, but recently spread to the lower Great Lakes region and parts of the South.

Underdeveloped human resources is supported by the following findings by Deavers<sup>b</sup>: (1) the 1985 poverty rate of the non-metro population was 18.3 percent compared with 12.7 percent of the metro

population, (2) the metro poverty rate has been falling during the recovery from the recession of the early 1980's, but the non-metro rate has not; (3) non-metro poor are more likely to be elderly, white, and reside in the South; and (4) non-metro residents continue to lag behind metro residents in education. The gap for high school completion has persisted at about 10 percentage points since 1960, and the gap for college completion has widened since then. Furthermore, low educational attainment and high illiteracy and school dropout rates are especially common in the South; and low spending for public schooling in the South suggests that little progress is being made in reducing the region's educational disadvantage.

Deavers points out, as do many others, that rural development policy and farm policy are no longer synonymous. The farm population now makes up only 9 percent of the rural U.S. population. He suggests that other economic influences, besides those related to farming, now exert more important effects on the rural economy. He further suggests that the rural economy is no longer insulated from national and global economies, but has become an integral part of them. As a result, national rural policy will encompass a variety of policy elements. Deavers offers several policy choices<sup>a</sup>:

1. Policies that facilitate a smooth and rapid movement of capital and labor from less to more competitive industries and/or locations.
2. Policies to protect certain industries as they become more competitive.
3. Policies that recognize the differences in interests of the farm sector and the territorial needs of rural areas.

4. Federal programs to improve the human capital endowments of rural youth and the rural work force as a means to overcome chronic underinvestment in rural human resources.
5. Regional rural development policies that recognize possible economies of scale, and offer the attractiveness of larger and more varied labor markets.
6. Public policy to facilitate the development of new rural enterprises by reducing information and transactions costs for private venture capitalists.
7. Public policy that builds the capacity of local institutions to access their comparative economic advantage, identify competitive opportunities, and obtain the public and private resources needed to exploit these opportunities.

Deavers correctly identifies a number of problems which current rural development programs may have very little potential in alleviating. For example, he asks "Can rural development programs ease the financial stress associated with agriculture?" He noted that while many farmers under stress may be retrainable, the employment opportunities do not exist. Can these programs decrease the poverty rate among small farm households? Again, he suggests addressing increasing employment opportunities to ease either social or financial stress of farm families.

Deavers doesn't believe that current rural development programs will significantly affect the structure or organization of economic development. He identifies the need for infrastructure and communications to move ideas and information rather than moving people as a means of economic development.

The problems of rural communities include unemployment,

underemployment, school drop-out rates, unskilled/uneducated labor force, poor infrastructure, few social and cultural opportunities and a need for an economic development plan. These problems are similar in many ways to those in urban areas. Perhaps urban development is an appropriate thrust as part-time farmers increasingly turn to these areas for their economic and social needs.

#### SUMMARY AND CONCLUSIONS

The survival of rural America, both the farms and smaller communities, is dependent upon the expansion of income and employment opportunities in rural areas. A policy that focuses only on the farm sector is not likely to improve the income and quality of life of the rural masses. After all the farm sector represents only 5.6 million of the over 63 million people who reside in rural areas.

Within the farm sector, off-farm employment, and to a lesser extent commodity programs, is essential to the economic viability of mid-size and small farms. In terms of numbers these farms represent over 75 percent of all U.S. farms. While off-farm employment is essential we must not assume that such employment opportunities will always exist in the absence of rural development policies that encourages competitiveness both on the farm and in rural based industry as well.

The Cooperative Extension System has played and will continue to play an important role in rural revitalization. Extension recognizes the need to continuously review its programs and delivery methods based on the changing needs of its clientele. The most recent example of Extension's flexibility can be seen in "The Cooperative Extension System National Initiatives," which identifies several national

initiatives which, when implemented, will address a number of critical issues important to rural residents regardless of whether they are farm or non-farm. Those initiatives are listed here in alphabetical order: (1) Alternative Agricultural Opportunities; (2) Building Human Capital; (3) Competitiveness and Profitability of American Agriculture; (4) Conservation and Management of Natural Resources; (5) Family and Economic Well-Being; (6) Improving Nutrition, Diet and Health; (7) Water Quality. The identification of these initiatives by the Extension Service/USDA, and the Extension Committee on Organization and Policy (ECOP) is in itself evidence that Extension recognizes that it's clientele and their information needs undergo continuous to change.

Several critical issues identified under the National Initiatives provide some insight as to who Extension considers it's current and future clientele and to some extent the types of programs needed. A few of those critical issues are: exploring non-farm income sources; preparation and transition; preparing youth for responsibility; strengthening business and commodity support systems; developing long-term agricultural policy that considers both national needs and global realities and ensuring that the agricultural system has an adequate supply of competent professionals; dependence on too few income sources; growing service demands accompanied by diminishing resources; adjusting to the impact of change; and need for skilled community leadership, just to list a few.

Multiple Job-holding farm families are important to rural and urban America. Their future depends on a rural development policy that takes into account both the farm and non-farm sectors of rural America.

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