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FARM FAMILIES IN TRANSITION:
IMPLICATIONS FOR RURAL COMMUNITIES

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Implications for Rural Communities

Abstract

The purpose of this study is to assess the socioeconomic characteristics of North Dakota families leaving farming since 1980 by examining their (1) farm and farm financial characteristics, (2) circumstances of exit, (3) demographic characteristics, (4) circumstances of transition, (5) employment characteristics, and 6) present family well-being. Their attributes are compared with those of a cross section of households that were operating farms in the state in 1986. The results of the analysis provide one of the first empirical verifications of the effects of the depressed farm economy on rural communities. The findings clearly indicate that significant numbers of farm families are making the transition to other occupations, and in many cases, this transition involves migrating to urban areas. Migration of young adults from rural areas could further accentuate existing high rates of old-age dependency, contribute to declines in retail trade, and lower school enrollments.

Farm Families in Transition: Implications for Rural Communities

Introduction

Many areas of rural America have experienced economic stagnation and decline in the 1980s. Among the most hard-hit of these have been rural communities that are heavily dependent on agriculture (Petrulis et al., 1987). The causes of current economic conditions in the agricultural sector have been examined by many authors (for recent reviews, see Harrington and Carlin, 1987; Leistritz and Murdock, 1988), and some recent works have begun to examine the effects of the farm crisis on other segments of the rural economy (Doeksen, 1987; Murdock et al., 1987; Stone, 1987; Otto, 1986). Decreasing farm income has led many operators to postpone capital expenditures and reduce the costs of farm operation and family living (Leistritz et al., 1987c). The result has been reduced sales of agribusiness firms and main street businesses (Beck and Herr, 1986). At the same time falling land values have eroded local property tax bases, and some observers have expressed concern regarding the future viability of some public services (Stinson et al., 1986). Indeed, recent trends cast doubt on the very survival of many rural communities (Leistritz et al., 1987a; Braschler and Sieberling, 1986; Ekstrom and Leistritz, 1988).

One of the most dramatic impacts of the current conditions of economic stress in agriculture has been the involuntary displacement of many farm families. The plight of farm and ranch families who have been forced to leave agriculture has been extensively reported in the popular press, and it appears that a substantial percentage of farm families may be forced to seek alternative employment within the next few years. The displacement of a substantial number of farm families could pose serious adjustment problems not only for the affected operators and family members

but also for agricultural creditors, for agribusiness firms, for the entire trade and service sector of many agricultural trade centers, and for such public services as primary and secondary schools (Doeksen, 1987; Murdock and Leistritz, 1988).

The socioeconomic characteristics of the families that leave farming clearly will have a substantial influence on the adjustment problems associated with their exit. The age, education, and job skills of displaced operators and spouses will influence their ability to make the transition to nonfarm employment. Their tendency to remain within the local community or, alternatively, to relocate with their family will at least partially determine the effects on local services. The financial circumstances of their exit (e.g., their ability to repay their creditors) will have significant implications for agricultural lenders and agribusiness firms.

Unfortunately, little is known about the characteristics of families leaving farming in the 1980s, the circumstances of their exit, and their subsequent transition to new occupations or residential locations. Although several analyses have attempted to project the likely characteristics of farmers who may leave farming, based on balance sheet and cash flow characteristics of present farm operations (see, for example, Runge, 1986; Leholm et al., 1985; Johnson et al., 1987), only a few studies have focused on families who already have ceased farming due to financial pressure. Furthermore, the studies that have dealt directly with displaced farm families have been limited by relatively small sample sizes (Heffernan and Heffernan, 1985; Graham, 1986) or by reliance on secondary information (Otto, 1985; Henderson and Frank, 1986).

The purpose of this study is to examine the socioeconomic characteristics of North Dakota families leaving farming since 1980, to analyze the circumstances of their exit from agriculture, and to describe their transition to new occupations and/or residential locations. Specific characteristics and issues examined include (1) farm and farm financial characteristics, (2) circumstances of exit, (3) demographic characteristics, (4) circumstances of transition, (5) employment characteristics, and 6) present family well-being.

In addition, because the decision of farm families to remain in the community or to relocate is felt to be a significant determinant of a variety of secondary impacts, some of the characteristics mentioned above are analyzed in relation to the farm families' relocation status. Further, to place the characteristics of the displaced farm families in perspective, their attributes are compared with those of a cross section of households that were operating farms in the state in 1986 (Leistritz et al., 1987c).

The article first briefly describes study procedures then examines specific characteristics of displaced farm families before drawing conclusions and discussing future implications.

Study Procedures

Information concerning characteristics of displaced farm families was obtained from a statewide telephone survey conducted during September 1986. The survey incorporated a series of screening questions to determine if the respondents (1) no longer operated a farm, (2) did not plan to put in a crop in 1987, (3) had ceased to farm in 1981 or later, (4) were less than 65 years old when ceasing to farm, (5) sold more than \$2,500 of farm products in the year prior to terminating the farm operation, and (6) considered farming to be their primary occupation prior to quitting.

A list of 432 farm operators who had ceased operation since 1980 for reasons other than retirement was compiled. Of these, 260 were contacted by phone, and the remainder received questionnaires in the mail. Altogether, 169 useable questionnaires were completed; 87 percent were from respondents still living in North Dakota, and 13 percent were from operators who had relocated out of state. (Copies of the questionnaire are available on request from the authors.)

A concern in conducting a survey of displaced families is the extent to which the families that have relocated may be undersampled. In examining this question, it was determined that 38 of the 432 entries on the original list showed out-of-state addresses, and 5 more were believed to be out of state (no address given). Thus, the out-of-state group represented 10 percent of the original list and 13 percent of the completed surveys.

Findings

The characteristics of displaced farm operators who responded to the survey are summarized in this section. The summary is organized into subsections that describe the following: farm and farm financial characteristics, circumstances of exit, demographic characteristics, circumstances of transition, current employment, and family well-being.

Farm Characteristics

Selected characteristics of the farms previously operated by survey respondents are summarized in Table 1. Most of the respondents had ceased farming in 1983, 1984, or 1985. When asked when they had started farming, more than half reported starting during the 1970s and another 20.1 percent started during the 1960s. The survey respondents reported that, during

TABLE 1. SELECTED FARM CHARACTERISTICS OF NORTH DAKOTA FORMER AND CURRENT FARM OPERATORS

| Item | Unit | Former Farmers | Current Farmers ^a |
|---|---------|----------------|------------------------------|
| Year quit farming: | | | |
| 1981 | Percent | 3.0 | -- |
| 1982 | Percent | 7.7 | -- |
| 1983 | Percent | 17.2 | -- |
| 1984 | Percent | 26.0 | -- |
| 1985 | Percent | 35.5 | -- |
| 1986 | Percent | 10.7 | -- |
| Year started farming: | | | |
| Before 1965 | Percent | 32.0 | 50.6 |
| 1965-1969 | Percent | 11.2 | 9.8 |
| 1970-1974 | Percent | 22.5 | 14.8 |
| 1975-1979 | Percent | 29.0 | 15.7 |
| 1980-1984 | Percent | 5.3 | 8.9 |
| Total acres operated: | | | |
| Mean | Number | 1,466.0 | 1,556.9 |
| Median | Number | 1,220.0 | 1,200.0 |
| Farm type: ^b | | | |
| Crop | Percent | 57.4 | 68.3 |
| Beef | Percent | 15.4 | 13.5 |
| Dairy | Percent | 10.7 | 5.5 |
| Diversified | Percent | 16.6 | 12.7 |
| Type of business organization: | | | |
| Sole proprietorship | Percent | 87.0 | 80.3 |
| Partnership | Percent | 8.9 | 16.6 |
| Family-held corporation | Percent | 4.1 | 2.7 |
| Other | Percent | 0.0 | 0.4 |
| Gross cash farm income (during last complete year of farming) | | | |
| Average | Dollars | 101,045 | 110,266 |
| Distribution: | | | |
| Less than \$19,999 | Percent | 5.0 | 5.1 |
| \$20,000 - \$39,999 | Percent | 14.9 | 16.1 |
| \$40,000 - \$99,999 | Percent | 44.1 | 41.2 |
| \$100,000 - \$249,999 | Percent | 26.1 | 30.4 |
| \$250,000 and over | Percent | 9.9 | 7.4 |
| Net cash farm income (during last complete year of farming) | | | |
| Average | Dollars | -12,423 | 15,958 |
| Distribution: | | | |
| Negative | Percent | 61.8 | 23.8 |
| \$1 to \$9,999 | Percent | 17.1 | 23.8 |
| \$10,000 to \$19,999 | Percent | 11.2 | 24.9 |
| \$20,000 and over | Percent | 9.9 | 27.5 |

^aSource: Leistritz et al., 1987c.

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

their last full production year prior to ceasing operation, they had operated an average of about 1,466 acres, only 6 percent less than that reported by current operators. A majority of both groups also reported that more than 50 percent of their income came from the sale of crops.

Sole proprietorship is the predominant form of farm business organization in North Dakota, and 87 percent of the respondents fell into this category. About 9 percent reported a partnership organization, and 4 percent had been part of a family corporation. This information, together with the fact that 96 percent of the respondents reported that their family provided at least 50 percent of the labor for the farm operation, suggests that almost all of the respondents can be appropriately described as having operated "family farms."

The former farmers were asked a number of questions involving their financial position during the last complete year that they operated their farm. The average gross cash farm income¹ of the former farmers was \$101,045 (Table 1). This compares very closely with incomes of operators still operating their farms; these farmers reported gross farm incomes of \$105,347 in 1984 and \$110,266 in 1985 (Leistritz et al., 1987b). Nearly 45 percent of all former farmers had gross incomes between \$40,000 and \$99,999, and 26 percent had gross incomes between \$100,000 and \$249,999. Thus, most of the respondents appear to have been operating commercial-scale family farms. There also appears to be very little difference between the distribution of gross farm incomes of former farmers and of currently operating farmers.

Net cash farm incomes of the two groups, however, are dramatically different. The average net cash farm income² of former farmers was \$-12,423 (Table 1), whereas the average net cash farm income for operating

farmers was \$15,958 in 1985. Over 60 percent of all the former farmers had a negative net cash farm income in their last year of farming.

Additionally, 61 percent of all former farmers indicated their last production year was a typical one. The average net cash farm income of those who said it was a typical year was \$-6,960 (the median amount was \$-5,000), and 59 percent of them reported negative net cash income.

Circumstances of Exit

The former farmers were asked how they disposed of their assets. Only 14 percent of 142 former farmers who owned land sold all their land, 44 percent deeded their land back to a private individual or a financial institution, and another 27 percent retained ownership of all of their land (Figure 1). Several respondents reported that a combination of means were used. Over 75 percent of the former farmers sold their machinery either publicly or privately, just over 5 percent conveyed it back to a creditor, and about 6 percent retained it. Similarly, over 77 percent of those who had breeding livestock sold them either publicly or privately, 6 percent conveyed them to a creditor, and 6 percent retained them.

Overall, the former farmers had an average total debt of about \$263,000 at the time they liquidated. About 38 percent of these individuals were able to satisfy all of their obligations to their creditors. The remaining producers were not able to fully meet all their obligations. On average, these persons left about \$123,300 in unpaid claims when they ceased farming (the median amount was \$65,000). Of the total dollar amount owed by the former farmers surveyed, about 30 percent was reported to have been unpaid (Table 2). Nevertheless, only 11 percent of the respondents had filed for protection under bankruptcy laws.

farmers was \$17,928 in 1988. Over 60 percent of all the former farmers had a negative net cash farm income in their last year of farming. The majority of former farmers who were asked to provide information on their production year was a typical one. The average net cash farm income for those who said it was a typical year was \$-6,000 (the median amount was \$-5,000) and 57 percent had a negative net cash income.

Circumstances of exit

The former farmers were asked how they disposed of their assets. 64 percent of the former farmers who owned land sold all of their land. 44 percent decided their land back to a private individual or a kind of institution, and another 24 percent retained ownership of all of their land. Several responses indicated that a disposition of land was used. Over 75 percent of the former farmers sold their machinery either publicly or privately. Just over 5 percent conveyed it back to a family member and about 6 percent retained it. Similarly, over 75 percent of their land was sold to a private individual or a kind of institution, 6 percent conveyed them to a creditor, and 6 percent retained them.

Overall, the former farmers had an average total debt of \$258,000 at the time they liquidated. About 74 percent of the individuals were able to satisfy all of their obligations to their creditors. The remaining creditors were not able to collect on their obligations. On average, these creditors lost \$11,333 in claims which a typical farmer (the median amount was \$11,000) lost. Total dollar amount owed by the former farmers was about \$1.5 million. It was noted to have been noted (p. 12) that the majority of the respondents had filed for bankruptcy.

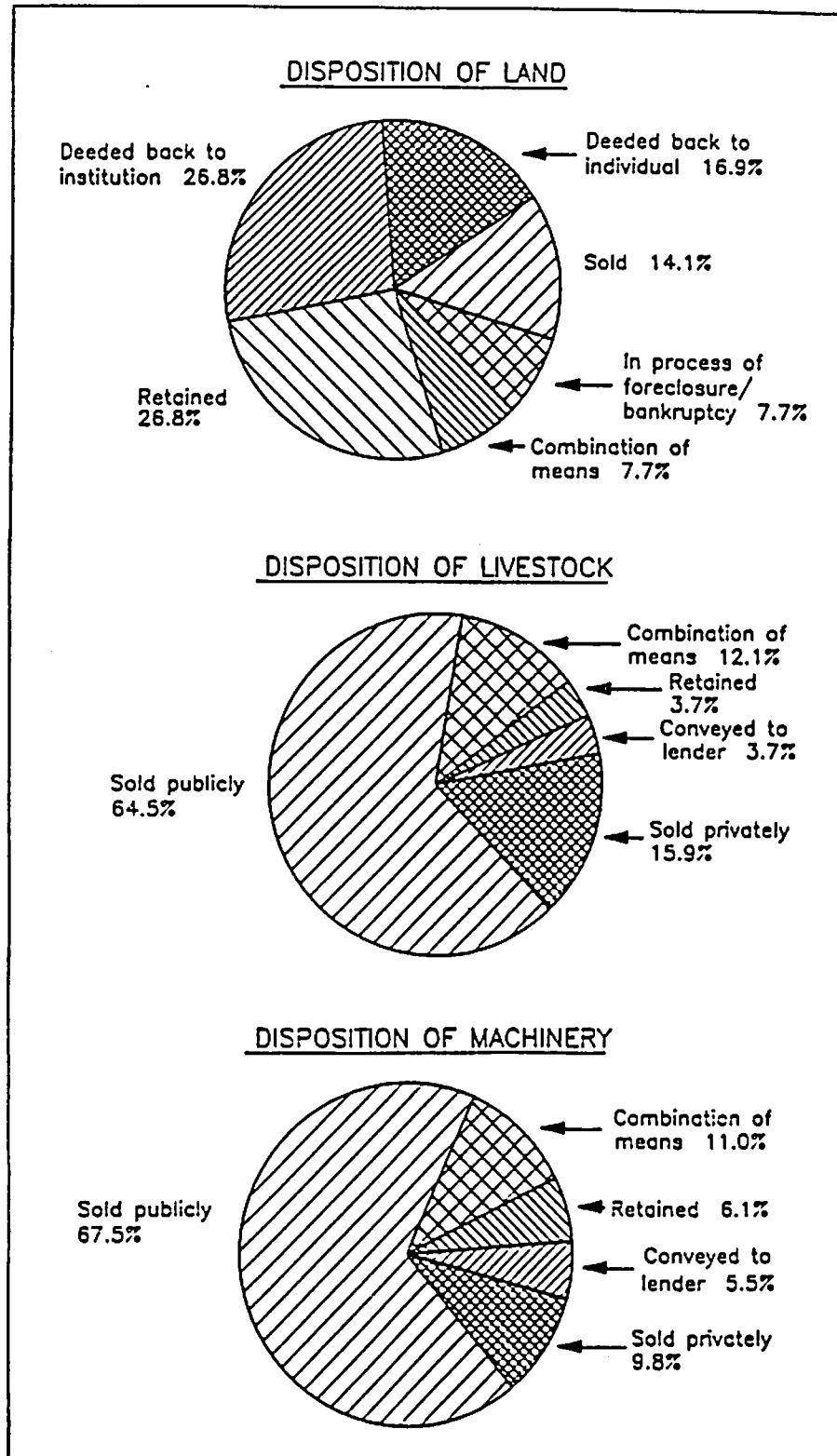


Figure 1. Method of Asset Liquidation for Land, Livestock, and Machinery for Former North Dakota Farmers

TABLE 2. SUMMARY OF UNPAID LIABILITIES BY TYPE OF LENDER

| Lender | Percent of Obligations Not Fully Satisfied to Source | Percent of Obligation Dollars Not Paid to Source | Percent of Total Loan Volume (Dollars) | Percent of Total Loan Dollars Not Paid |
|---------------------|---|--|--|--|
| Banks | 28.6 | 16.9 | 15.4 | 8.8 |
| PCA | 23.5 | 14.0 | 4.2 | 2.0 |
| FmHA | 45.7 | 37.4 | 40.9 | 51.5 |
| Private individuals | 20.0 | 29.9 | 0.4 | 0.4 |
| Machinery companies | 30.0 | 9.3 | 0.7 | 0.2 |
| Federal Land Bank | 34.7 | 32.4 | 19.1 | 20.8 |
| Contract for deed | 12.5 | 23.2 | 5.3 | 4.1 |
| Other | 2.4 | 4.3 | 9.7 | 1.4 |
| Unsecured creditors | 76.7 | 73.9 | 4.3 | 10.8 |
| Total | 38.8 | 29.7 | 100.0 | 100.0 |

Some creditors of this group of liquidating farmers suffered substantial losses. The operators surveyed reported a total of 425 loans, of which 31 percent were operating loans, 24 percent were intermediate-term loans, and the remainder were long-term loans secured by real estate. Overall, 39 percent of all loans and unsecured debts were not paid in full when the farming operation was liquidated.

The percentages varied substantially among lenders (Table 2). About 28 percent of the total value of the displaced farmers' total operating, intermediate-term, and long-term loans were not repaid when the farm operation was liquidated. Among secured creditors percentage losses were highest specifically on long-term loans and, overall, for the FmHA and Federal Land Bank. Unsecured creditors suffered very high percentage losses (74 percent of the total value of their claims.)

Demographic Characteristics

Selected demographic characteristics of the former farm operators surveyed are summarized in Table 3. The average age of the respondents was 40.8 years, and 65 percent were less than age 45. Of the respondents, 96 percent were male, and about 90 percent were married. Average household size was 3.9 persons. About 51 percent of the respondents and 53 percent of their spouses had received some postsecondary education. About 56 percent of the respondents were still living in the county where their farm had been located, 32 percent had relocated to another county in the state, and 13 percent had moved out of state.

Respondents under age 45 were more likely to have moved from their home county. Similarly, those with completed college degrees were much more likely to have moved from their home county, although there were no marked differences in relocation in the other educational levels. Relocation status did not seem to be consistently related to the year that the operator ceased farming. However, there was a slight tendency for respondents with higher levels of net worth to remain in the community while those with lower levels of equity chose to relocate.

In general, the percentage of respondents relocating from their home counties is somewhat higher than those reported in recent studies by Heffernan and Heffernan (1985), Otto (1985), and Henderson and Frank (1986). One likely explanation for the difference would be the sparse population and small number of nonfarm job opportunities in many of North Dakota's more agriculturally dependent counties (as defined by Bender et al., 1985). The percentage of former farmers who have relocated from their home counties also appears to be higher than those reported by earlier

TABLE 3. SELECTED DEMOGRAPHIC CHARACTERISTICS OF NORTH DAKOTA FORMER FARM OPERATORS

| Item | Unit | Former Farmers | Current Farmers ^a |
|---|---------|----------------|------------------------------|
| Respondent age: | | | |
| Average age | Years | 41.1 | 45.1 |
| Distribution: | | | |
| Less than 35 years | Percent | 29.3 | 23.5 |
| 35 to 44 years | Percent | 35.3 | 23.4 |
| 45 to 54 years | Percent | 22.2 | 25.6 |
| 55 to 64 years | Percent | 13.2 | 27.6 |
| Respondent sex: | | | |
| Male | Percent | 95.8 | 98.7 |
| Female | Percent | 4.2 | 1.3 |
| Spouse age: | | | |
| Average age | Years | 38.5 | 42.7 |
| Marital status: | | | |
| Single | Percent | 3.6 | 12.2 |
| Married | Percent | 89.8 | 85.7 |
| Separated or divorced | Percent | 6.6 | 1.3 |
| Widowed | Percent | 0.0 | 0.8 |
| Household size: | | | |
| Average size | Number | 3.9 | 3.4 |
| Distribution: | | | |
| One | Percent | 6.0 | 4.9 |
| Two | Percent | 19.9 | 27.1 |
| Three | Percent | 12.7 | 21.2 |
| Four | Percent | 26.5 | 22.7 |
| Five | Percent | 20.5 | 16.3 |
| Six or more | Percent | 14.4 | 7.7 |
| Highest level of education completed by respondent: | | | |
| Eighth grade or less | Percent | 7.8 | 16.1 |
| Some high school | Percent | 3.0 | 9.1 |
| Completed high school | Percent | 38.3 | 36.1 |
| Attended college or postsecondary school | Percent | 36.5 | 26.5 |
| Completed college | Percent | 14.4 | 12.2 |
| Highest level of education completed by spouse: | | | |
| Eighth grade or less | Percent | 2.7 | 6.7 |
| Some high school | Percent | 2.7 | 5.7 |
| Completed high school | Percent | 41.3 | 37.5 |
| Attended college or postsecondary school | Percent | 44.7 | 34.0 |
| Completed college | Percent | 8.6 | 16.1 |
| Present residence of respondent: | | | |
| Same county | Percent | 55.7 | -- |
| Relocated within state | Percent | 31.7 | -- |
| Out of state | Percent | 12.6 | -- |

^aValues for current farmers are for 1986.

studies of families leaving agriculture in the 1950s and 1960s (see, for example, Hill 1962; Guither 1963; and Kaldor and Edwards 1975). Some possible explanations for these differences are the higher levels of general unemployment prevailing in the 1980s, the fact that the level of skills required for a successful transition to nonfarm employment is likely to be higher than in earlier decades, and the decline in nonfarm job opportunities in many agriculturally dependent rural areas. In North Dakota's 39 agriculturally dependent counties for example, total employment declined 6.2 percent from 1980 to 1985.

Transition

Survey respondents also were queried concerning the agencies or organizations they had contacted and the assistance programs they had utilized during their transition out of farming. The North Dakota Job Service was the agency contacted most frequently, followed by the County Social Services, churches, the Cooperative Extension Service, and the State Credit Review Board (Figure 2). These percentages are substantially greater than those reported by other researchers (Heffernan and Heffernan 1985), suggesting that some of the new and expanded programs offered by various agencies are reaching a substantial number of farm families. Perhaps the most revealing statistic, however, is that 31 percent of the respondents had not contacted any of the agencies listed.

Specific governmental assistance programs and services utilized by the respondents are illustrated in Figure 3. Fuel assistance was the program most frequently utilized, followed by educational grants, food stamps, and credit counseling. Again, it is interesting to note that 43 percent of the respondents had not utilized any of the programs listed.

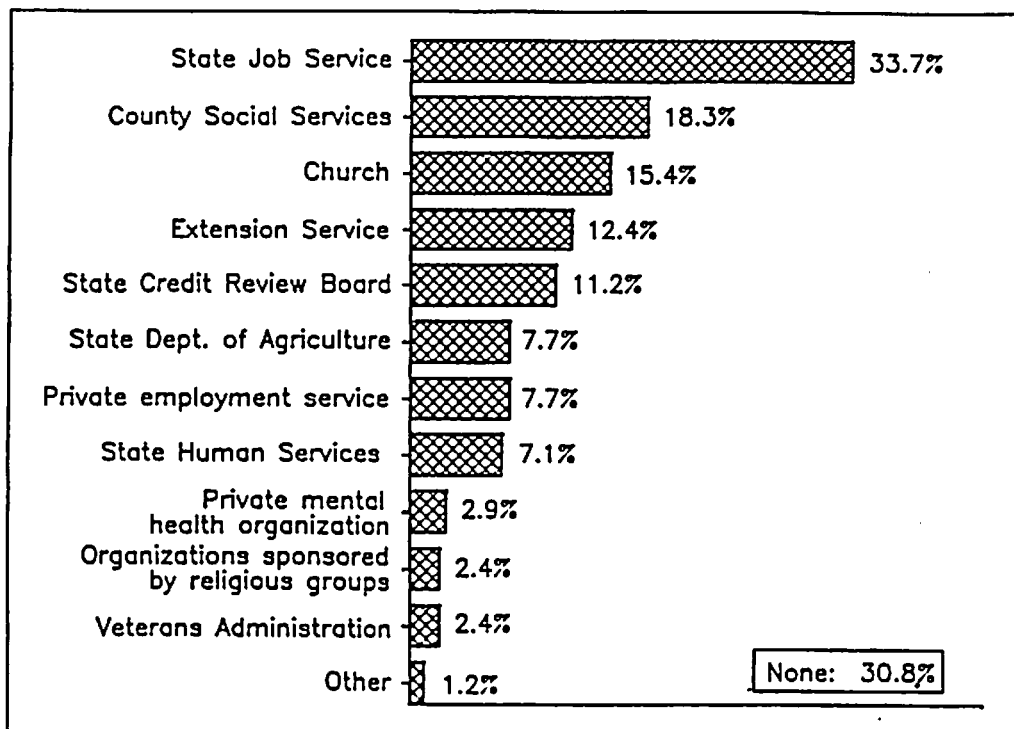


Figure 2. Agencies Contacted During Transition Out of Farming

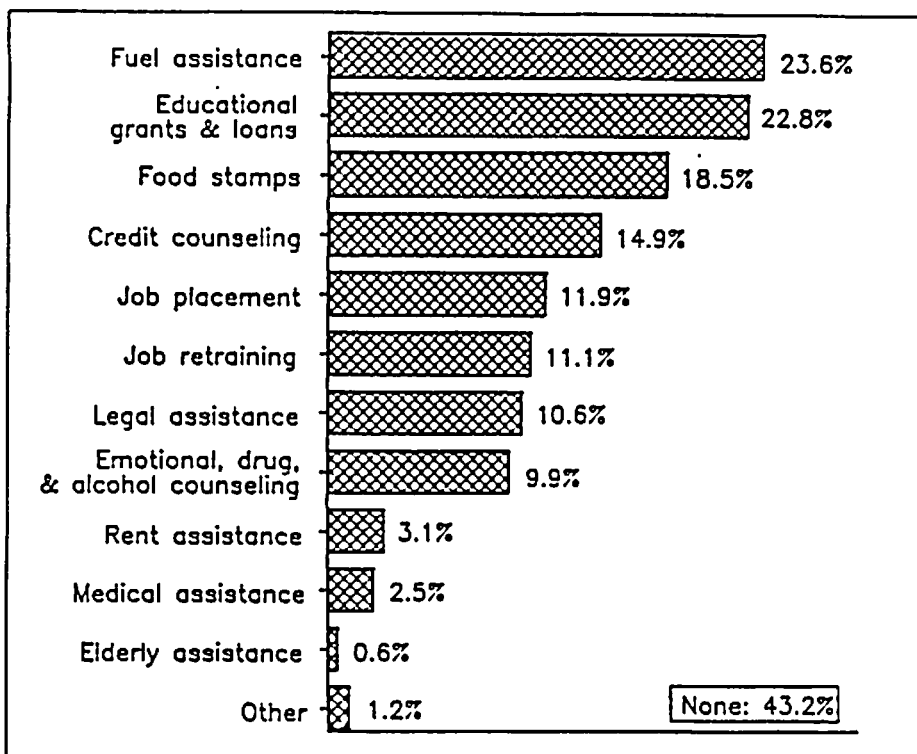


Figure 3. Programs and Services Utilized During Transition Out of Farming

Finding suitable employment has been identified as one of the most frequently encountered problems associated with the transition out of farming (Graham, 1986; Hill, 1962). The survey respondents were asked how many months it had taken to find employment. About 46 percent of the respondents reported a search of two months or less, and slightly over 60 percent searched for less than three months. About 41 percent indicated that they had to move to another city to find employment, but about 58 percent of these would have preferred to stay in or near their hometown.

The experience of these displaced farm operators in seeking alternative employment can be compared to that of displaced workers nationwide. A 1984 survey of more than five million workers who had lost their job after a tenure of three or more years revealed that, of the 60 percent who had found new employment at the time of the survey, the median period without work had been six months and 14 percent had relocated to find work (Flaim and Sehgal, 1985). In contrast, about 83 percent of the displaced North Dakota farmers had found employment, the median period without work had been slightly over two months, but 41 percent of these had to move to find a job.

Current Employment Characteristics

About 83 percent of the respondents were employed at the time of the survey, 8 percent were unemployed, 6 percent were full-time students, and about 3 percent were retired. The percentage of former farmers who were currently employed was highest (95 percent) for those who were under age 45 and had no education beyond high school. For those over age 45 with no education beyond high school, however, the unemployment rate was nearly 23 percent. Of their spouses, 57 percent were currently employed; of those

who were under age 45 and had completed college, 83 percent were employed. On the other hand, one half of the spouses with no education beyond high school were employed. The occupations most frequently reported by respondents were farm work (17.8 percent), sales (15.5 percent), transportation (14.0 percent), and construction crafts (12.4 percent), while their spouses were most often employed in administrative support (36.0 percent), professional specialties (19.8 percent), services (16.3 percent), or sales (10.5 percent).

About 71 percent of the employed respondents indicated that they were satisfied with their present employment. Nevertheless, 39 percent of the respondents (including those who were not currently employed) indicated that they were likely to look for different employment in 1986, and about 31 percent of all spouses were described as likely to look for different employment. The respondents would most often seek employment as truck drivers or farm workers, and spouses were most likely to seek jobs as bookkeepers, registered nurses, and secretaries.

Among the households where the respondent and/or the spouse were likely to look for a different job, about 70 percent indicated that they were willing to move to another community to find employment. Those who indicated a willingness to move were asked where, in particular, they would look for employment. About 53 percent indicated a location within North Dakota as their first choice. Towns most frequently mentioned were the state's three largest cities.

The characteristics of the households where the respondent and/or the spouse were likely to seek alternative employment and were willing to relocate were felt to be particularly significant. The fact that about 27 percent of all survey respondents fell into this category suggests that the

transition process may not yet be complete for many displaced farm families. Understanding the characteristics of this group may provide insights concerning their prospects and the possible assistance that public agencies could provide.

When compared to the overall sample, this group was found to be slightly younger; the respondents' mean age was 41.1, and 64.6 percent were less than age 45. The respondents' educational levels were very similar to those of the overall sample; 51 percent of respondents had received some postsecondary education. Interestingly, about 41 percent of this group had already relocated from the county where their farm was located.

Family Well-Being

The respondents also were asked about their family income for 1985 and the value of their assets and level of debt as of December 31, 1985. The respondents reported that their total family income (adjusted gross income) for 1985 averaged \$29,411. A few very large values greatly influenced the average. The median, or midpoint, was \$18,000 and may more accurately reflect the typical respondent's gross income (Table 4). It is interesting to note that both mean and median values for total family income were higher than those for the current farmers. Wages and salaries were the largest component of total income, averaging about 56 percent, followed by farm profit or loss and income from farmland rental.

Overall, almost 29 percent of the former farmers had incomes below the poverty level in 1985. The percentage of households in poverty was higher than average for households in which the respondent was less than 45 and had no education past high school, for those who remained in their home county, and for those who had quit farming in 1985 or 1986. At the other

TABLE 4. FAMILY INCOME AND FINANCIAL RESOURCES OF
NORTH DAKOTA FORMER AND CURRENT FARM OPERATORS,
DECEMBER 31, 1985

| Item | Former Farmers | Current Farmers |
|----------------------|-------------------|--------------------|
| | -----dollars----- | |
| Total family income: | | |
| Mean | 29,411 | 24,683 |
| Median | 18,000 | 15,400 |
| Total assets: | | |
| Mean | 164,221 | 413,396 |
| Median | 65,000 | 300,000 |
| Total debts: | | |
| Mean | 165,825 | 141,409 |
| Median | 60,000 | 76,000 |
| Net worth: | | |
| Mean | -3,148 | 267,445 |
| Median | 11,000 | 164,000 |

extreme, about 18 percent had incomes greater than \$40,000. The respondents indicated that the value of their assets as of December 31, 1985, averaged about \$164,000 and their total debt averaged nearly \$166,000. Again, the medians, or midpoints, fell somewhat lower. The median value was \$65,000 for assets and \$60,000 for debts. About one-third indicated a negative net worth, while another 17 percent reported a positive net worth of less than \$10,000. At the other extreme, about 17 percent had a net worth of more than \$100,000.

Respondents were also asked whether they felt they were better off financially since they quit farming. About 63 percent felt they were better off. Reasons frequently given by those who believed they were better off were that they had less or no debt (43.6 percent) and more income (39.4 percent).

TABLE A. FAMILY INCOME AND FINANCIAL RESOURCES OF
NORTH DAKOTA FARMERS AND CURRENT FARM OPERATORS
December 31, 1955

| Family Income | Assets | Debts | Net Worth |
|---------------|-----------|----------|-----------|
| Mean | Mean | Mean | Mean |
| Median | Median | Median | Median |
| \$29,411 | \$88,481 | \$28,148 | \$3,148 |
| \$19,000 | \$55,000 | \$11,000 | \$11,000 |
| \$24,827 | \$113,117 | \$41,447 | \$20,447 |
| \$15,400 | \$30,000 | \$10,000 | \$10,000 |

extreme, about 18 percent had income greater than \$40,000. The respondents indicated that the value of their assets as of December 31, 1955, averaged about \$104,000 and their total debt averaged nearly \$126,000. Again, the median, or a slightly lower value, was \$88,000. The median value was \$28,000 for assets and \$28,000 for debts. About 15 percent indicated a negative net worth, while another 15 percent reported a positive net worth of less than \$10,000. At the other extreme, a small percent had a net worth of more than \$100,000.

Respondents were also asked whether they felt they were better off financially since they quit farming. About 63 percent felt they were better off. Respondents were also given by those who believed they were better off were that they had less or no debt (43.6 percent) and more income (39.4 percent).

Comparison with Previous Findings

Results of the North Dakota analysis were similar in most respects to those of recent studies conducted in Iowa (Otto, 1986) and Ohio (Henderson and Frank, 1986). Both of those studies also found that most of the displaced farmers had been operating commercial-size family farms and that they were generally younger than the average current producer. Assets were typically liquidated through voluntary sale or conveyance to creditors rather than through foreclosure or bankruptcy. For example, only 13.7 percent of Ohio farmers studied had filed for bankruptcy. Most of the displaced producers had also succeeded in finding alternative employment; only 9.3 percent of the Ohio farmers and 14.9 percent of those in Iowa were unemployed at the time the studies were conducted.

One aspect in which the results of the Iowa and Ohio studies differed from those of the North Dakota survey was the relocation of displaced farmers. The percentage of displaced North Dakota farmers who had relocated from their home counties (45 percent) was substantially higher than corresponding values in Ohio (27 percent) and Iowa (23 percent). One likely explanation for the difference would be the sparse population and small number of nonfarm job opportunities in many of North Dakota's more agriculturally dependent counties.

Conclusions and Implications

The results of the analysis provide one of the first empirical verifications of the effects of the depressed farm economy on rural communities. The findings clearly indicate that significant numbers of farm families are making the transition to other occupations, and in many cases, this transition involves migrating to urban areas. While the study

is limited by the fact that it encompasses only one state, the findings strongly suggest that the displaced producers will be heavily concentrated in the younger age groups. Further, among the former farmers, the younger and better educated are the most likely to leave their home communities in search of better opportunities elsewhere. If substantial numbers of these persons are forced to relocate, the implications for the population composition in agriculturally dependent rural areas and for the base of support for main street businesses and for many public services could be severe. In particular, migration of young adults from rural areas could further accentuate existing high rates of old-age dependency, contribute to declines in retail trade, and lower school enrollments. The loss of young adults is also of concern because it suggests a substantial reduction in the potential leadership for community organizations and thus on the resources available for future community development.

A key to the future of many rural communities, then, appears to be their ability to broaden the area's economic base so that displaced farm families will have alternative job opportunities. In the absence of some new basic sector activity to offset the decline in agriculture, many of these communities will face the prospect of adjusting to a declining economy, falling population, and reduced tax base. Adjustments by local businesses and reorganization of some community services may then be required. For community development practitioners, then, farm-dependent communities are likely to be a major focus area for at least the next several years. Programs focussing on economic development, education and technical assistance for local business operators, and alternative delivery systems for community services must receive high priority if the impacts of the farm crisis on rural communities are to be eased.

Footnotes

¹Gross cash farm income includes government payments and custom work performed for others, but excludes any hunting and oil or gas lease income.

²Net cash farm income is gross cash farm income minus cash expenses and depreciation (the bottom line of Tax Form 1040F).

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