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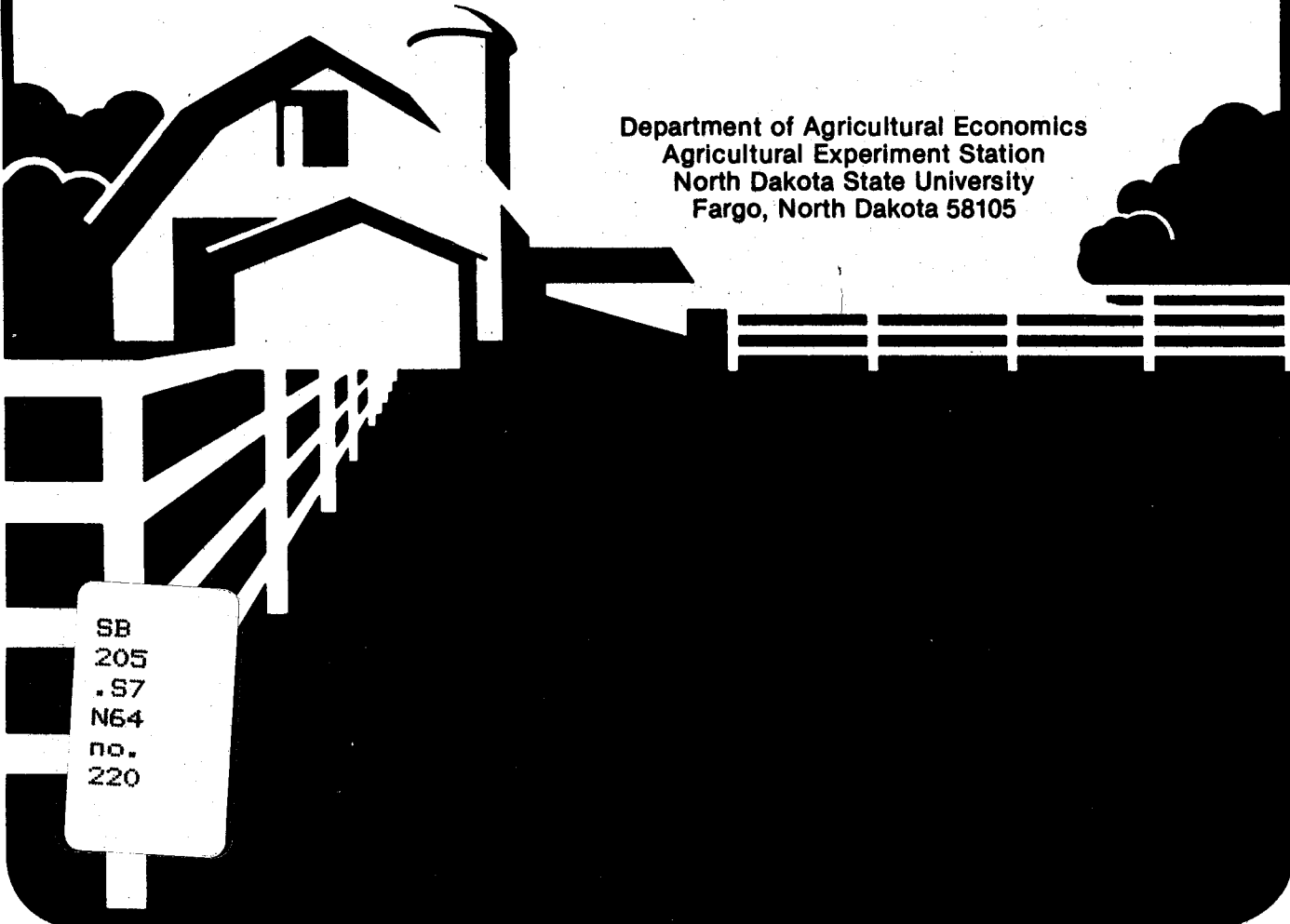
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Families Displaced from Farming in North Dakota: Characteristics and Adjustment Experiences

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Table of Contents

	<u>Page</u>
List of Tables	iii
List of Appendix Tables	iv
List of Figures	v
Highlights	vii
Study Procedures	3
Characteristics of Displaced Farm Families	3
Farm Characteristics	3
Farm Financial Characteristics	6
Asset Liquidation	13
Contingent Tax Liabilities	13
Demographic Characteristics	16
Transition	18
Current Employment Characteristics	22
Present Family Well-Being	25
Attitudes and Perceptions	27
Conclusions and Implications	31
Appendix	33
Literature Cited	47

List of Tables

<u>No.</u>		<u>Page</u>
1	SELECTED FARM CHARACTERISTICS OF NORTH DAKOTA FORMER AND CURRENT FARM OPERATORS	4
2	SELECTED FINANCIAL CHARACTERISTICS OF NORTH DAKOTA FORMER FARMERS	6
3	SOURCE OF OPERATING LOANS FOR NORTH DAKOTA FORMER FARMERS	8
4	UNPAID OPERATING LOANS OF FORMER NORTH DAKOTA FARMERS BY SOURCE OF FUNDING	9
5	SOURCE OF INTERMEDIATE-TERM LOANS FOR NORTH DAKOTA FORMER FARMERS	10
6	UNPAID INTERMEDIATE-TERM LOANS, FORMER NORTH DAKOTA FARMERS, BY SOURCE OF FUNDING	10
7	SOURCE OF LONG-TERM LOANS FOR NORTH DAKOTA FORMER FARMERS	11
8	UNPAID LONG-TERM DEBT OF FORMER NORTH DAKOTA FARMERS BY SOURCE OF FUNDING	12
9	OUTSTANDING DEBTS WITH UNSECURED CREDITORS OF FORMER NORTH DAKOTA FARMERS	12
10	CONTINGENT TAX LIABILITIES OF FORMER NORTH DAKOTA FARMERS	15
11	SELECTED CHARACTERISTICS OF NORTH DAKOTA FORMER FARM OPERATORS BY RELOCATION STATUS	16
12	SELECTED EVENTS EXPERIENCED BY NORTH DAKOTA FORMER AND CURRENT FARM OPERATORS OR THEIR IMMEDIATE FAMILY WITHIN THE LAST TWO YEARS	23
13	SELECTED EMPLOYMENT CHARACTERISTICS OF NORTH DAKOTA FORMER FARM OPERATORS	24
14	FAMILY INCOME AND FINANCIAL RESOURCES OF NORTH DAKOTA FORMER AND CURRENT FARM OPERATORS, DECEMBER 31, 1985	26
15	OPINION ABOUT CURRENT FINANCIAL STATUS	27
16	MEAN SCORES OF FORMER AND CURRENT FARMERS' EVALUATION OF POSSIBLE CAUSES OF THE CURRENT FARM FINANCIAL SITUATION	28
17	SUPPORT FOR SPECIFIC FORMS OF FEDERAL AND STATE FINANCIAL ASSISTANCE BY NORTH DAKOTA FARM OPERATORS, 1986	30

List of Appendix Tables

<u>No.</u>		<u>Page</u>
1	SELECTED FARM CHARACTERISTICS OF FORMER AND CURRENT NORTH DAKOTA FARM OPERATORS	35
2	CHANGES IN FARM OPERATION UNDERTAKEN BY FORMER FARMERS IN LAST THREE YEARS OF FARMING IN RESPONSE TO FINANCIAL CONDITIONS	36
3	OPERATING, INTERMEDIATE-, AND LONG-TERM LOAN AVERAGE AND DISTRIBUTION OF NORTH DAKOTA FORMER FARMERS	37
4	SUMMARY OF UNPAID LIABILITIES BY TYPE OF LENDER	38
5	SELECTED DEMOGRAPHIC CHARACTERISTICS OF NORTH DAKOTA FORMER FARM OPERATORS	39
6	SELECTED CHARACTERISTICS OF DISPLACED FARM OPERATORS BY AGE/EDUCATION CATEGORY	40
7	EMPLOYMENT STATUS OF DISPLACED FARM OPERATORS' SPOUSES BY AGE/EDUCATION CATEGORY	41
8	DISTRIBUTION OF FAMILY INCOME AND FINANCIAL RESOURCES OF NORTH DAKOTA FORMER FARM OPERATORS, DECEMBER 31, 1985	42
9	SELECTED DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS OF THOSE WHO FELT THEY WERE AND WERE NOT BETTER OFF FINANCIALLY AT THE PRESENT TIME	43
10	SELECTED CHARACTERISTICS OF DISPLACED FARM OPERATORS BY INCOME LEVEL	45

List of Figures

<u>No.</u>		<u>Page</u>
1	Source of Gross Farm Income of North Dakota Former Farmers	7
2	Method of Asset Liquidation for Land, Livestock, and Machinery for Former North Dakota Farmers	14
3	Agriculture-Dependent Counties, North Dakota	17
4	Agencies Contacted During Transition Out of Farming	18
5	Programs and Services Utilized During Transition Out of Farming	19
6	Months Required to Find Employment After Leaving Farming	20
7	Number of Years Worked at Off-Farm Job by Former and Current Farmers	21
8	Number of Days Worked at Off-Farm Job by Former and Current Farmers	21
9	Attitudes of Former and Current Farm Operators Toward Federal and State Assistance to Farmers in Financial Trouble	29

Highlights

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 characteristics, (2) farm financial characteristics, (3) circumstances of exit, (4) demographic characteristics, (5) employment characteristics, (6) present family well-being, and (7) attitudes and perceptions concerning causes of the farm crisis and government policy.

Information concerning characteristics of displaced farm families was obtained from a 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 more recently, (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. Altogether, 169 useable questionnaires were completed. Below are highlights of the results.

- Most displaced farmers had started farming during the 1970s, and their farms were similar in size and type of enterprises to those of current farm operators. Most displaced farm operators, however, were younger than the average of the farm population, and had higher levels of education and larger households.
- Overall, 32 percent of all loans were not paid in full when the farming operation was liquidated. These unpaid liabilities represent substantial losses for some creditors. About 28 percent of the total value of the displaced farmers' total operating, intermediate-, and long-term loans were uncollectable when the business was liquidated. Unsecured creditors suffered even heavier percentage losses; 74 percent of their claims proved uncollectible.
- Contingent tax liabilities can be a substantial problem for persons attempting to liquidate a farm operation. The average liability incurred was about \$20,000.
- Although many agencies have launched programs to assist farmers in the transition to new occupations and residences, there is reason to believe that many farm families have not been reached.
- The displaced farmers were relatively successful in obtaining alternative employment. About 83 percent were employed at the time of the survey, and about 61 percent reported a job search of less than three months. However, about 41 percent reported that they had to move to another area to find work.

- In general, almost 69 percent indicated that their lives had been affected a great deal, and only 3 percent said they had not been affected at all by the current conditions in agriculture. The former farmers reported experiencing depression, marital and family conflict, and divorce at rates two to three times those of the current farmers, and more than 90 percent of those reporting these problems felt that they were a direct or indirect result of the economic stress in agriculture.
- For many survey respondents, the transition may not yet be completed. Of the respondents, 39 percent indicated they were likely to look for different employment in the next year and about 70 percent of these indicated that they were willing to relocate.
- The financial resources of most displaced farm families are quite limited. The median family income for this group was \$18,000, and 29 percent reported incomes of less than \$10,000. About one-third reported that their debt currently exceeds the value of their assets, and another 17 percent reported a positive net worth of \$10,000 or less. Nevertheless, about 63 percent felt that they were better off financially than when they quit farming.

FAMILIES DISPLACED FROM FARMING IN NORTH DAKOTA: CHARACTERISTICS AND ADJUSTMENT EXPERIENCES

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The fact that American agriculture is undergoing a period of extreme economic stress has been extensively documented (Johnson et al. 1986; Jolly et al. 1985; Leholm et al. 1985; Murdock et al. 1985; McKinzie et al. 1987). In North Dakota, as in many other parts of the country, a combination of depressed commodity prices, high interest rates, and falling asset values has created severe financial problems for many farm and ranch operators (Ekstrom et al. 1986; Leholm et al. 1985; Pederson et al. 1985).

The plight of farm and ranch families who have already 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.

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; Leistritz et al. 1986a; Leholm et al. 1985; Ekstrom et al. 1986), 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).

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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 characteristics, such as acreage operated, principal enterprises, year began farming, and year ceased;
2. Farm financial characteristics, such as levels of debt, assets, and income;
3. Circumstances of exit, including disposition of assets, repayment of debt, and contingent tax liabilities;
4. Demographic characteristics, such as age, education, marital status, household size, and current residence;
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;
7. Present family well-being, including current income, assets, debt, perception of present financial situation, and satisfaction with current community of residence; and
8. Attitudes and perceptions concerning causes of the farm crisis and whether federal and/or state government should provide assistance to farmers in financial trouble.

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, a number 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 1986 (Leistritz et al. 1987b).

The report first briefly describes study procedures then examines specific characteristics of displaced farm families before drawing conclusions and discussing future implications. Hopefully, the results of this analysis will provide insights useful to agricultural policymakers, to farmers undergoing or contemplating a transition out of farming, and to agencies endeavoring to ease the transition of these farm families to alternative lifestyles.

Study Procedures

Information concerning characteristics of displaced farm families was obtained from a 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; 146 were from respondents still living in North Dakota, and 21 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 12 percent of the completed surveys.

Characteristics of Displaced Farm Families

The characteristics of displaced farm operators who responded to the survey are summarized in this section. The summary is organized into seven subsections that describe the following: farm and farm financial characteristics, circumstances of exit, demographic characteristics, circumstances of transition, current employment, and present 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 a starting date during the 1970s and another 20.1 percent reported a date during the 1960s. Wheat was the major crop reported by about three-fourths of the respondents, and about two-thirds reported raising some type of livestock. These percentages are quite similar to those found in a survey of farmers who were currently operating in 1986 and considered farming to be their primary occupation (Leistritz et al. 1987b). For a comparison of selected characteristics from the two surveys, see Appendix Table 1.

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

Item	Unit	Former Farmers	Current Farmers ^c
Year started farming:			
Before 1945	Percent	7.1	7.3
1945-1949	Percent	5.9	9.7
1950-1954	Percent	3.0	11.1
1955-1959	Percent	7.1	11.4
1960-1964	Percent	8.9	11.1
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
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	--
Total acres operated:			
Mean	Number	1,466.0	1,556.9
Median	Number	1,220.0	1,200.0
Acres owned: ^a			
Mean	Number	761.4	903.6
Median	Number	600.0	696.0
Acres rented from others: ^a			
Mean	Number	998.4	978.5
Median	Number	680.0	760.0
Acres rented to others: ^a			
Mean	Number	311.1	398.8
Median	Number	320.0	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

^aMeans and medians are for those who actually owned or rented land and do not include zero responses.

^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.

^cSource: Leistritz et al. 1987b.

The survey respondents reported that, during their last full production year prior to ceasing operation, they had operated an average of about 1,466 acres. About 11 percent had operated less than 500 acres, but about 17 percent operated more than 2,000 acres (Appendix Table 1). These values are similar to those reported by the panel of current farm operators interviewed in 1985, although that group reported an average size of operation roughly 6 percent greater (Leholm et al. 1985). The respondents owned about 43 percent of the land they operated and rented the remainder (Table 1). Only 9.7 percent owned no land, and only 15 percent rented none. These values are again similar to those reported by current operators.

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."

When asked about the major factors that contributed to their decision to leave farming, 94 percent made reference to financial problems and an unfavorable economic outlook. The respondents were then asked whether they were still involved in farming in any capacity; about 49 percent responded affirmatively. The most common form of involvement was through the ownership of land, which is being rented to another operator. About 57 percent of the persons who indicated a continuing involvement described this situation, about 27 percent currently work for a farmer, and about 5 percent perform custom work.

Respondents were also asked what changes they had made in their farm operation during their last three production years. Adjustments listed by more than half the respondents included reducing family living expenditures (83 percent), postponing capital purchases (83 percent), reduced tillage (57 percent), obtaining professional financial advice (54 percent), acquiring used machinery rather than buying new (53 percent), and cutting back on fertilizer and chemicals (52 percent) (Appendix Table 2). Other adjustments mentioned by 40 to 50 percent of the respondents included the use of hail insurance for the first time, participation in government programs for the first time, sale of machinery, sale of livestock, and renegotiation of a loan. When asked about changes they now feel they could have made that would have made it possible to stay in farming, the two adjustments mentioned by 10 percent or more of respondents were reducing crop expenditures and obtaining financial counseling.

The respondents were also queried concerning the conditions under which they would be willing to return to farming. About 27 percent indicated that they would never return. More than half (53 percent), however, would return if commodity prices were more favorable, and 46 percent would return with lower interest rates. About 30 percent of the respondents also indicated that a more predictable future would be necessary before they would return.

Farm Financial Characteristics

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 2). This compares very closely with incomes of operators that are still operating their farms; these farmers reported gross farm incomes of \$105,347 in 1984 and \$110,266 in 1985 (Leholm et al. 1985; Leistritz et al. 1986b). 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. Farms of this type appear to be most vulnerable to the economic downturn in the farm economy (Ryan 1986). Thirty-six percent of the former farmers had gross farm incomes over \$100,000 compared to 38.8 percent of the existing farmers as measured in a 1985 survey (Leholm et al. 1985). Thus, there appears to be very little difference between the distribution of gross farm incomes of former farmers and of currently operating farmers.

TABLE 2. SELECTED FINANCIAL CHARACTERISTICS OF NORTH DAKOTA FORMER FARMERS

Item	Unit	Former Farmers	Current Farmers
Gross cash farm income (during last complete year of farming)			
Average ^a	Dollars	101,045	110,266
Distribution:			
Less than \$10,000	Percent	2.5	1.8
\$10,000 - \$19,999	Percent	2.5	3.1
\$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 ^b	Dollars	-12,423	15,958
Distribution:			
Less than \$-20,000	Percent	28.9	3.7
\$-19,999 - \$-10,000	Percent	15.8	4.9
\$-9,999 - \$0	Percent	17.1	15.2
\$1 - \$9,999	Percent	17.1	23.8
\$10,000 - \$19,999	Percent	11.2	24.9
\$20,000 - \$29,999	Percent	5.9	9.6
\$30,000 and over	Percent	4.0	17.9

^aN = 161.

^bN = 152.

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

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 2), but the average net cash farm income for operating farmers was \$15,285 in 1984 and \$15,958 in 1985 (Ekstrom et al. 1986). 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 composition of the former farmers' gross farm income is shown in Figure 1. Over 60 percent of the gross income came from crops, 20 percent from beef enterprises, and 10 percent from dairy.

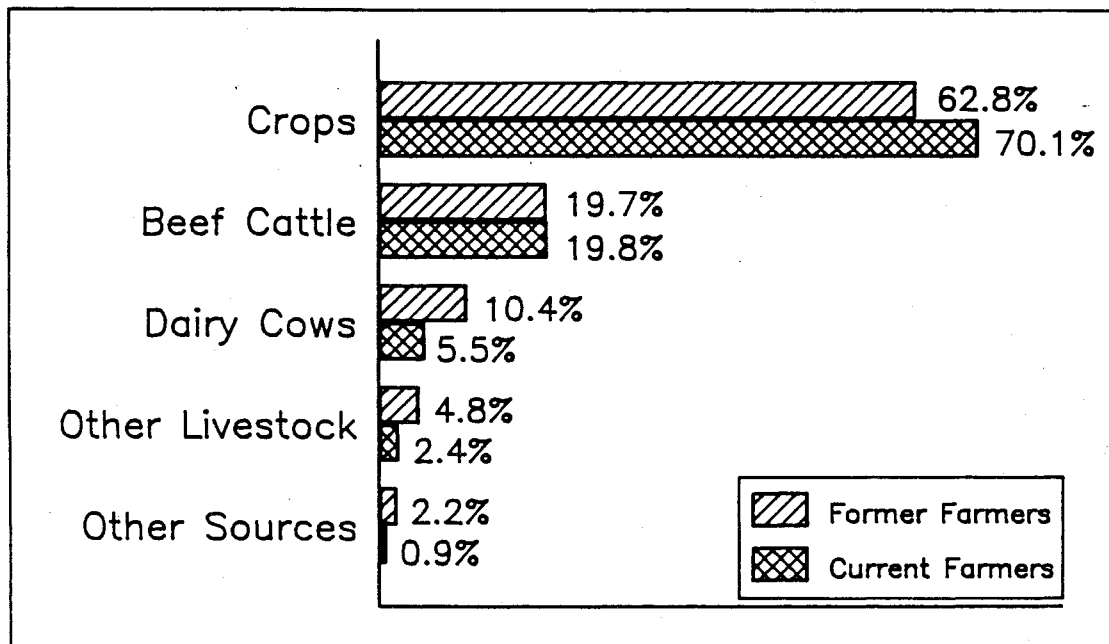


Figure 1. Source of Gross Farm Income of North Dakota Former Farmers

Three out of four of the former farmers obtained an operating loan during their last year of operation. The average operating loan was \$56,736, and only 14 percent of the operators had an operating loan over \$100,000 (Appendix Table 3). About one-third of the operating loans were obtained from a commercial bank, 17.3 percent from Production Credit Association (PCA), and over 45 percent from the Farmers Home Administration (FmHA) (Table 3). Commercial banks had made an average operating loan of \$61,908 to the surveyed farmers and had a total operating loan volume of \$2,600,150 made to 42 of the former farmers in their last year of operation. The \$2,600,150 represents 37.6 percent of the total dollars

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

TABLE 3. SOURCE OF OPERATING LOANS FOR NORTH DAKOTA FORMER FARMERS

Source ^a	Total	Average Loan	Percent of Total Loan Numbers	Percent of Total Dollars	Number of Loans
-----dollars-----					
Banks	2,600,150	61,908	31.6	37.6	42
PCA	1,299,160	62,654	17.3	18.8	23
FmHA	2,634,490	43,908	45.1	38.1	60
Other	388,000	48,500	6.0	5.5	8
Total for all sources	6,921,800				133
Average ^b	56,736				

^aFor last production year.

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

Note: 122 respondents had a total of 133 loans.

from all operating loan sources. PCA's average loan of \$62,654 was almost identical to that of commercial banks, and FmHA's average operating loan was \$43,908. The total operating loan volume for the 122 former farmers that received an operating loan in their last year of operation was \$6,921,800, or an average of \$56,736 per respondent with operating loans.

A number of former farmers were not able to fully repay their operating loans when they quit farming (Table 4). About 30 percent of the 42 former farmers who obtained an operating loan from a commercial bank left an average unpaid amount of \$26,692. The total unpaid to banks was \$320,300, which represents 12.3 percent of the total dollar amount of operating loans made to the former farmers by commercial banks and 21.1 percent of the total dollar amount of unpaid operating loans from all sources. FmHA had just over 40 percent of its 60 former farmers leave an average operating loan debt of \$31,747 unpaid with a total of \$793,685 unpaid. FmHA had 30 percent of its dollar amount of operating loans go unpaid, which accounted for 52 percent of the total unpaid dollar amount from all sources. Over one-third of the 122 former farmers left unpaid operating loans for a total of \$1,520,065 and an average of \$33,779 per respondent with unpaid debt. This means that 22 percent of the total operating loan dollars were unpaid.

TABLE 4. UNPAID OPERATING LOANS OF FORMER NORTH DAKOTA FARMERS BY SOURCE OF FUNDING

Source	Total Unpaid	Average Unpaid	Unpaid to Source	Unpaid of Total Dollars ^a	Number
	-----dollars-----		-----percent-----		
Banks	320,300	26,692	12.3	21.1	12
PCA	226,080	32,297	17.4	14.9	7
FmHA	793,685	31,747	30.1	52.2	25
Total unpaid amount, all sources ^b	1,520,065				
Average unpaid ^c	33,779				

^aTotal from all sources.

^bOther sources were reported and are not listed here because of confidentiality rules, but the dollar amounts are included in the grand total and average.

^cAverage indebtedness from all sources per respondent with unpaid debt.

Table 5 shows the source of intermediate-term loans for machinery and breeding livestock. Commercial banks were the source of financing for 44 percent of the total \$5,841,175 of intermediate-term loans made to a total of 90 former farmers. Commercial banks loaned a total of \$2,581,112 and an average of \$60,026 to former farmers with intermediate-term loans in their last year of operation. FmHA had made an average of \$80,712 in intermediate-term loans and 36 percent of the total dollars loaned.

About 30 percent of 90 former farmers left a total of \$1,052,625 unpaid intermediate-term debt for an average of \$37,594 per respondent with such debt; this represents 18 percent of the total intermediate-term debt left unpaid (Table 6). FmHA had about 29 percent of its loans unpaid, but these loans represented over 57 percent of the total unpaid debt from all sources. Similarly, banks were left with about 13 percent of their loans unpaid; this represented about one-third of the total unpaid debt.

One hundred thirty former farmers had long-term debt, secured by land or home mortgage or contract for deed, during their last year of operation (Table 7). A total of \$28,509,953 of long-term loans were held by these farmers for an average of \$219,307 per respondent with such debt. FmHA held the largest percentage of the total long-term debt; they held 45.3 percent of the total dollars loaned from all sources, followed by the Federal Land Bank with 28.9 percent. The average loan amount was \$168,241 for the Federal Land Bank and \$165,716 for FmHA.

TABLE 5. SOURCE OF INTERMEDIATE-TERM LOANS FOR NORTH DAKOTA FORMER FARMERS

Source ^a	Total	Average Loan	Percent of Total Loan Numbers	Percent of Total Dollars	Number of Loans
	-----dollars-----				
Banks	2,581,112	60,026	41.3	44.2	43
PCA	499,200	45,382	10.6	8.6	11
FmHA	2,098,518	80,712	25.0	35.9	26
Machinery company	283,410	28,341	9.6	4.9	10
Other	378,935	27,067	13.5	6.5	14
Total from all sources	5,841,175				104
Average ^b	64,902				

^aFor last production year.

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

Note: 90 respondents had a total of 104 loans.

TABLE 6. UNPAID INTERMEDIATE-TERM LOANS, FORMER NORTH DAKOTA FARMERS, BY SOURCE OF FUNDING

Source	Total Unpaid	Average Unpaid	Unpaid to Source	Unpaid of Total Dollars ^a	Number
	-----dollars-----		-----percent-----		
Banks	342,575	28,548	13.3	32.5	12
FmHA	603,650	43,118	28.8	57.4	14
Total unpaid amount, all sources ^b	1,052,625				
Average unpaid ^c	37,594				

^aTotal from all sources.

^bOther sources were reported and are not listed here because of confidentiality rules, but the dollar amounts are included in the grand total and average.

^cAverage indebtedness from all sources per respondent with unpaid debt.

TABLE 7. SOURCE OF LONG-TERM LOANS FOR NORTH DAKOTA FORMER FARMERS

Source ^a	Total	Average Loan	Percent of Total Loan Numbers	Percent of Total Dollars	Number of Loans
-----dollars-----					
Federal land bank	8,243,800	168,241	26.1	28.9	49
Contract for deed	2,266,110	141,632	8.5	8.0	16
FmHA	12,925,823	165,716	41.5	45.3	78
Commercial banks	1,472,420	72,184	10.6	5.2	20
Other	3,601,800	144,072	13.3	12.6	25
Total for all sources	28,509,953				188
Average ^b	219,307				

^aFor last production year.

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

Note: 130 respondents had a total of 188 loans.

Over 31 percent (or \$8,866,646 of the \$28,509,953) of the land debt was left unpaid by the former farmers (Table 8). FmHA was left with 59 percent of the total unpaid long-term debt (from all sources) for an average of \$144,721 per loan. In addition, the Federal Land Bank had 31 percent of the total unpaid land debt for an average of \$156,991 per loan. (These figures do not take into account any proceeds that creditors may have realized by subsequent disposition of assets.)

The most dramatic impact of the farm crisis is shown in Table 9 concerning unsecured creditors. Seventy-three former farmers had \$1,872,650 of outstanding debt with unsecured creditors, such as fertilizer, fuel, and chemical dealers, for an average of \$25,653. Over three-fourths of these farmers were not able to fully repay these creditors. They left a total of \$1,383,297 or an average unpaid debt of \$24,702 per former farmer with unpaid debt. This represents 74 percent of all unsecured debt left unpaid by the former farmers.

TABLE 8. UNPAID LONG-TERM DEBT OF FORMER NORTH DAKOTA FARMERS BY SOURCE OF FUNDING

Source	Total Unpaid	Average Unpaid	Unpaid to Source	Unpaid of Total Dollars ^a	Number
	-----dollars-----		-----percent-----		
Federal land bank	2,668,850	156,991	32.4	30.10	17
FmHA	5,209,946	144,721	40.3	58.76	36
Commercial bank	462,850	77,142	31.4	5.22	6
Total unpaid amount, all sources ^b	8,866,646				
Average unpaid ^c	184,722				

^aTotal from all sources.

^bOther sources were reported and are not listed here because of confidentiality rules, but the dollar amounts are included in the grand total and average.

^cAverage indebtedness from all sources per respondent with unpaid debt.

TABLE 9. OUTSTANDING DEBTS WITH UNSECURED CREDITORS OF FORMER NORTH DAKOTA FARMERS

Item	Value
Total of all debts ^a	\$1,872,650
Average	\$25,653
Total left unpaid ^b	\$1,383,297
Average unpaid	\$24,702
Percent unpaid from total	73.9%

^aN = 73.

^bN = 56.

Overall, the former farmers had an average total debt of about \$263,000 at the time they liquidated (Appendix Table 4). 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. Of the total debt owed by the former farmers surveyed, about 30 percent was reported to have been unpaid.

Creditors have been affected substantially by the decapitalization of agriculture that is occurring today. The operators surveyed reported a total of 425 loans, of which 31 percent were operating loans, 24 percent were intermediate-term, and the remainder were long-term debt secured by real estate. Overall, 32 percent of these loans were not paid in full when the farming operation was liquidated. The percentages varied substantially among lenders, ranging from 46 percent for FmHA to 35 percent for the Federal Land Bank, 29 percent for the commercial banks, and 24 percent for the PCA. Unsecured creditors had a much worse experience, however; three-fourths of these obligations (such as accounts with input suppliers and rent due to landlords) were not paid in full.

Unpaid liabilities represented substantial losses for some creditors. Overall, about 28 percent of the total value of the displaced farmers' total operating, intermediate-, 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. As stated earlier, unsecured creditors also suffered high percentage losses.

Asset Liquidation

The former farmers were asked how they disposed of their short-, intermediate-, and long-term assets (Figure 2). Only 14 percent of 142 former farmers sold their land, 44 percent deeded the land back to a private individual or to a financial institution, and another 27 percent retained ownership to all of their land. Several respondents reported that a combination of means were used. About 80 percent of the former farmers sold their livestock either publicly or privately; less than 4 percent conveyed them back to the creditor. Similarly, about 80 percent sold their machinery either publicly or privately; just over 5 percent conveyed it back to the creditor.

Contingent Tax Liabilities

Contingent tax liabilities are a major concern in farm liquidations. (For a detailed discussion of contingent tax liabilities, see Saxowsky, Watt, and Tinsley 1986.) Selling assets in a liquidation can trigger the following contingent tax liabilities:

- Recapture of investment credits
- Recapture of depreciation
- Capital gains taxes
- Ordinary income tax arising from debt forgiveness
- Other taxes

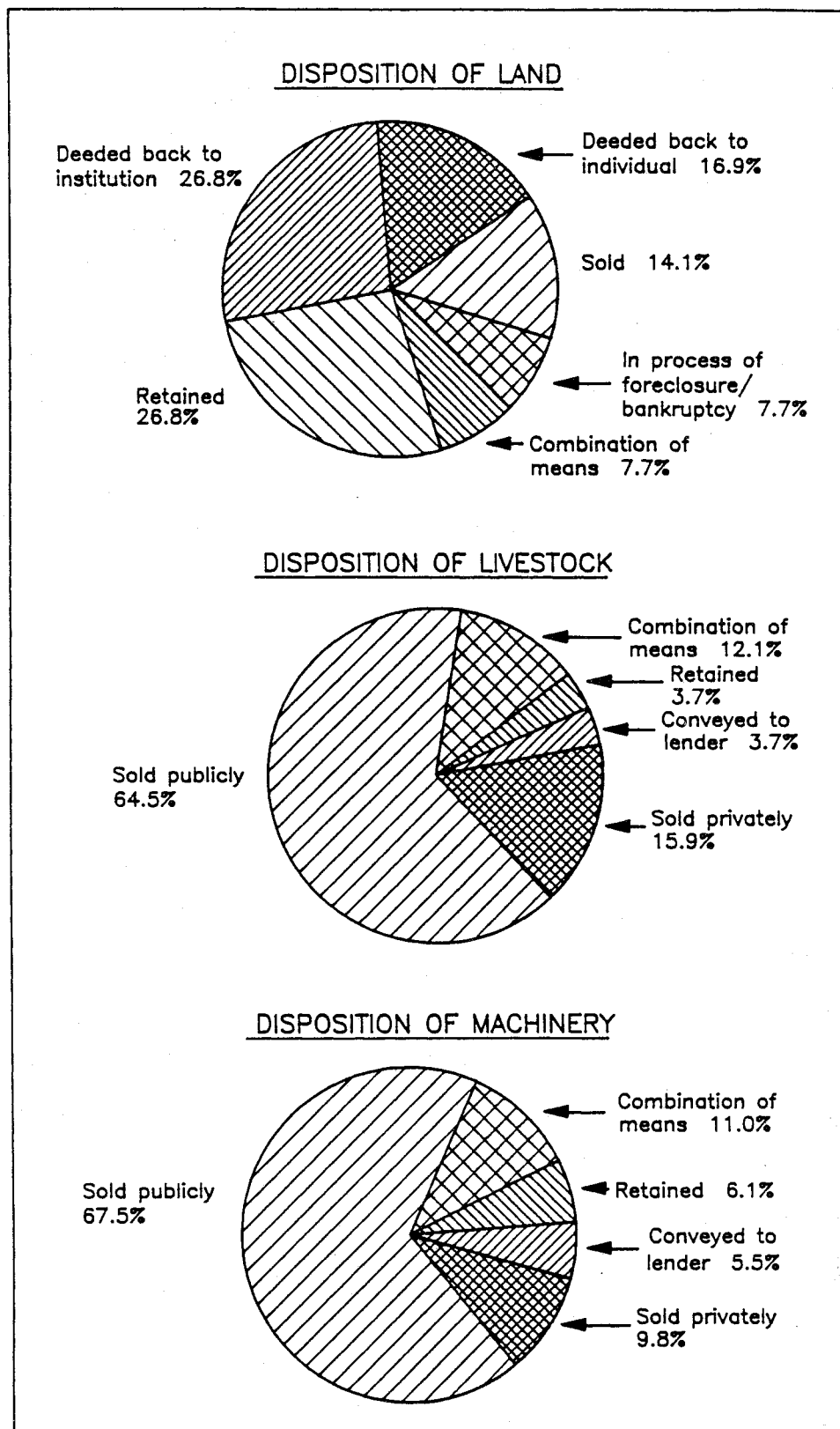


Figure 2. Method of Asset Liquidation for Land, Livestock, and Machinery for Former North Dakota Farmers

Many of the former farmers (15 percent) were unsure of their contingent tax liabilities because the process of liquidation can take quite some time and because tax consequences were still being determined (Table 10). Nevertheless, 42 percent stated they had tax consequences involving their liquidation.

Sixty-two of the former farmers had an average additional tax liability of \$20,117. Twenty-seven percent had added tax liabilities under \$5,000, but nearly 10 percent had liabilities over \$40,000. Table 10 also illustrates the factors they believed contributed to additional tax liabilities. About half of these farmers believed recapture of investment credit, additional capital gains tax, and recapture of depreciation contributed to their tax liabilities.

Eighteen of 163 former farmers filed for protection under bankruptcy laws. Therefore only 11 percent of the former operators chose bankruptcy as an option in liquidating their assets.

TABLE 10. CONTINGENT TAX LIABILITIES OF FORMER NORTH DAKOTA FARMERS

Item	Unit	Value	Number
Did ceasing to farm result in additional income tax liabilities?			161
No	Percent	42.9	
Yes	Percent	42.2	
Don't know	Percent	14.9	
Total additional tax liability:			62
Average	Dollars	20,117	
Distribution:			
\$0 - \$4,999	Percent	27.4	
\$5,000 - \$9,999	Percent	12.9	
\$10,000 - \$14,999	Percent	16.1	
\$15,000 - \$19,999	Percent	11.3	
\$20,000 - \$29,999	Percent	9.6	
\$30,000 - \$39,999	Percent	12.9	
Over \$40,000	Percent	9.7	
Factors believed to contribute to additional tax liabilities:			92
Recapture of investment credits	Percent	52.2	
Recapture of depreciation	Percent	48.9	
Additional capital gains taxes	Percent	52.2	
Debt forgiveness	Percent	25.0	
Other	Percent	6.5	

Demographic Characteristics

Selected demographic characteristics of the former farm operators surveyed are summarized in Appendix Table 5. The average age of the respondents was 40.8 years, and 65 percent were less than 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 55 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.

Selected characteristics of the respondents are summarized by relocation status in Table 11. Respondents under age 45 were more likely

TABLE 11. SELECTED CHARACTERISTICS OF NORTH DAKOTA FORMER FARM OPERATORS BY RELOCATION STATUS

Item	Relocation Status of Former Farmers			Current Farmer
	Remained in Same County	Relocated	Total	
	-----percent-----			
Respondent's age: ^a				
Less than 35 years	26.9	32.4	29.3	23.5
35 to 44 years	24.7	48.7	35.3	23.4
45 to 54 years	26.9	16.2	22.2	25.6
55 to 64 years	21.5	2.7	13.2	27.6
Respondent's education: ^a				
Some high school or less	2.5	4.1	3.2	25.2
Completed high school	46.9	35.6	41.6	36.1
Attended college or other postsecondary school	40.7	38.4	39.6	26.5
Completed college	10.0	21.9	15.6	12.2
Year ceased farming:				
1981	2.2	2.7	3.0	--
1982	6.5	9.5	7.7	--
1983	21.5	10.8	17.2	--
1984	22.6	31.1	26.0	--
1985	36.6	35.1	35.5	--
1986	10.8	10.8	10.6	--
Net worth, January 1, 1986:				
Negative	33.3	31.9	32.7	5.5
\$0 to \$10,000	13.8	21.7	17.3	3.4
\$10,001 to \$25,000	12.6	15.9	14.1	3.7
\$25,001 to \$50,000	9.2	7.3	8.3	6.9
\$50,001 to \$100,000	12.6	7.3	10.3	14.8
More than \$100,000	18.4	15.9	17.3	65.7

^aValues for age and education for current farmers are from 1985 survey.

to move 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) and Otto (1985). 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. The percentage of former farmers who have relocated from their home counties also appears to be higher than those reported by earlier 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 (Guither, Marshall, and Barkley 1986). In North Dakota's 39 agriculturally dependent counties (Figure 3), for example, total employment declined 6.2 percent from 1980 to 1985 (Leistritz et al. 1987a).

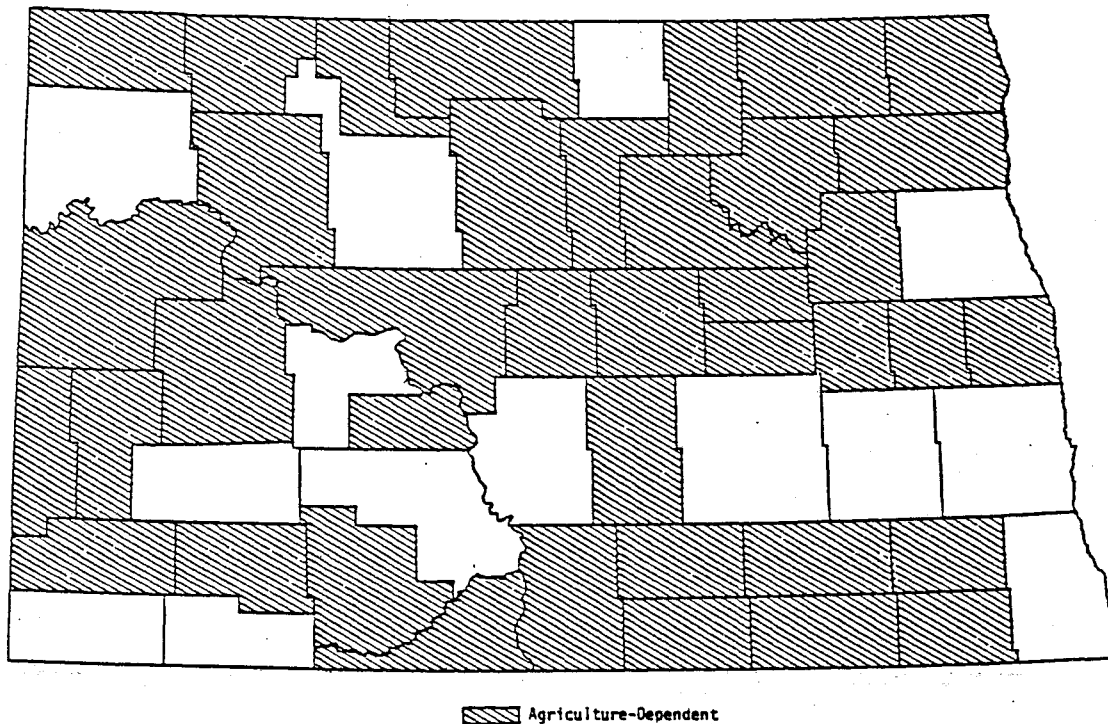


Figure 3. Agriculture-Dependent Counties, North Dakota

SOURCE: Bender et al. 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 4). 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.

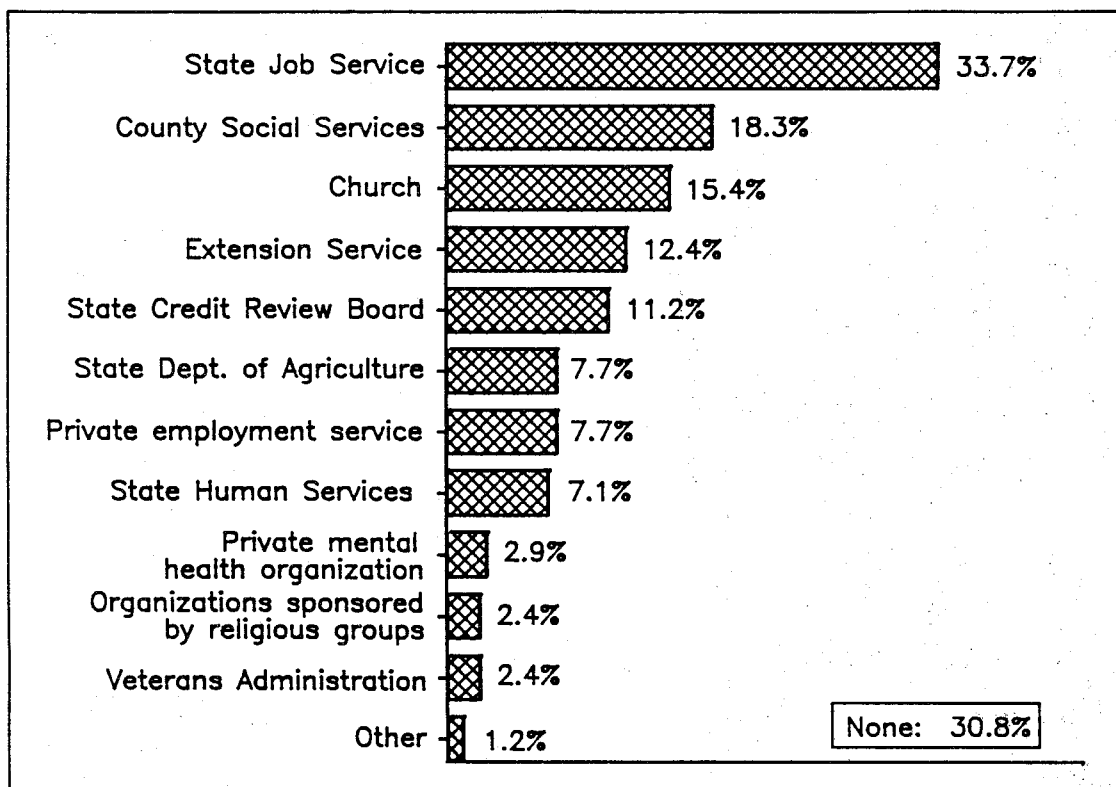


Figure 4. Agencies Contacted During Transition Out of Farming

In an attempt to discern what factors affected the respondents' patterns of contact with these agencies, the responses to this question were cross-tabulated with (1) respondent's education, (2) respondent's age, (3) number of children under age 18 living at home, (4) year ceased farming, (5) total family income, and (6) net worth. Only a few statistically significant relationships were found. A surprising result was that respondents with higher levels of education were more likely to have contacted none of the agencies listed. About 42 percent of college graduates gave this response, compared to 22 percent of those who had not completed high school. The number of children at home was positively

associated with contacting the County Social Services agency. Families with two or more children were more likely to contact this agency. The respondent's present net worth was significantly related to contact with County Social Services, with those in the lower net worth categories being more likely to have dealt with the agency. On the other hand, respondents with net worth exceeding \$25,000 were more likely to have contacted none of these agencies.

Specific governmental assistance programs and services utilized by the respondents are illustrated in Figure 5. Fuel assistance was the program most frequently utilized, followed by educational grants, food stamps, and credit counseling. It is interesting to note that 43 percent of the respondents had not utilized any of the programs listed.

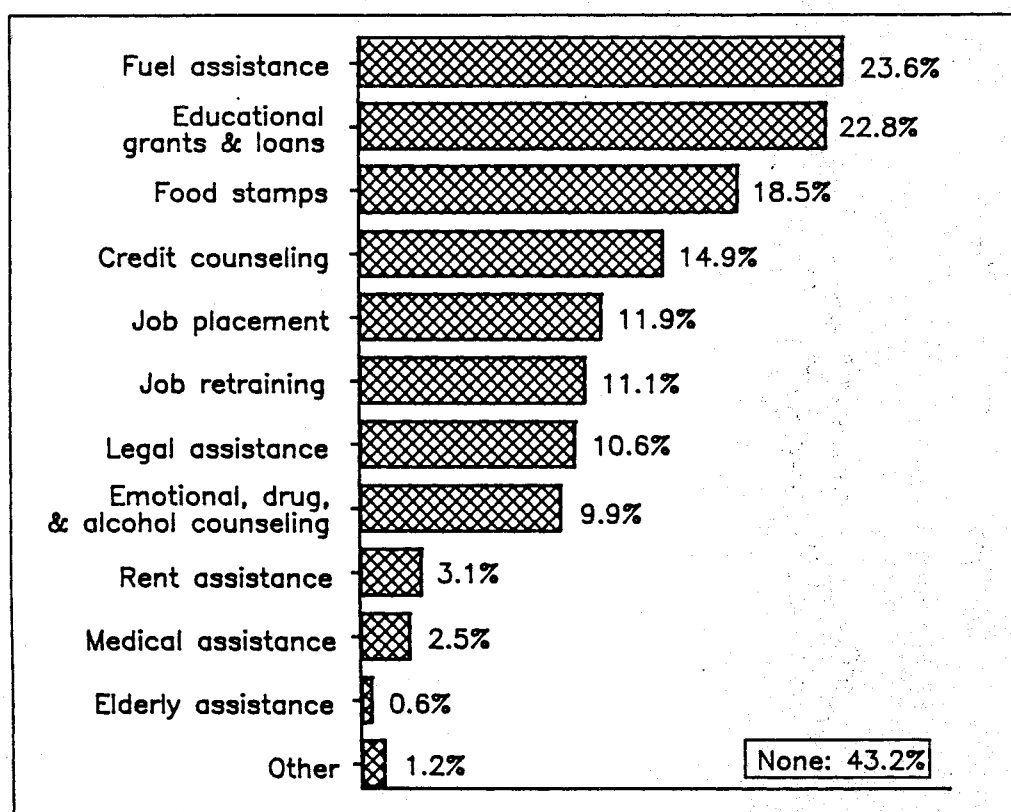


Figure 5. Programs and Services Utilized During Transition Out of Farming

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; Guither 1963). 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 (Figure 6). 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.

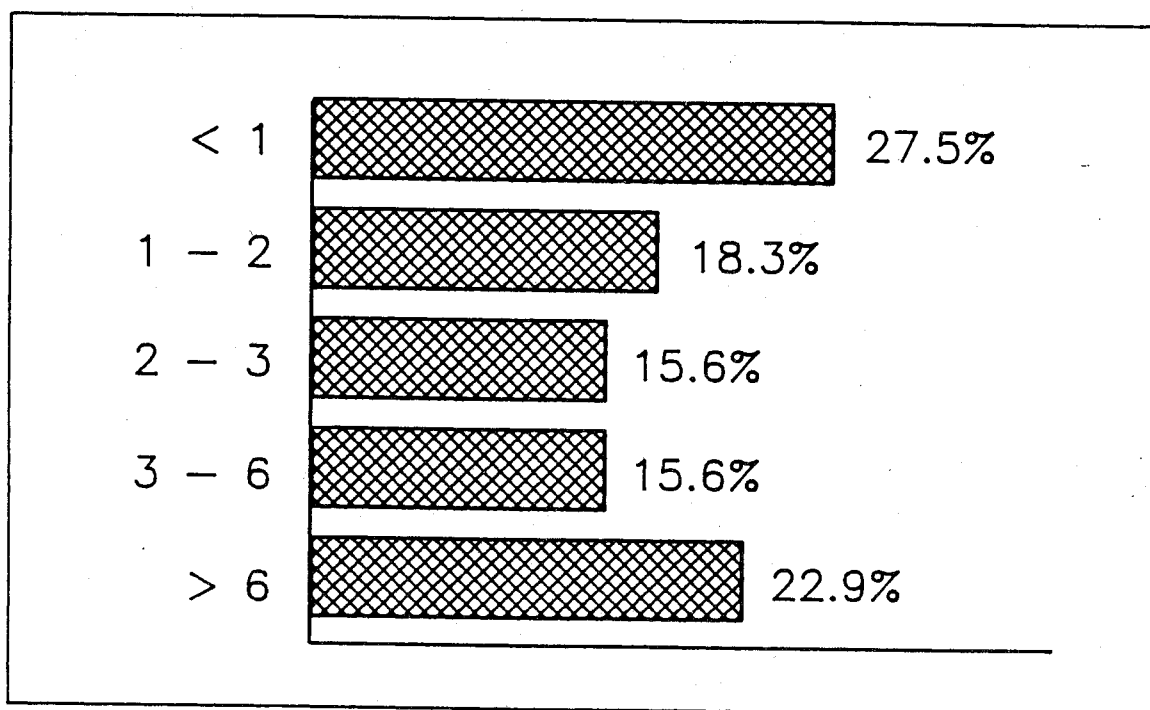


Figure 6. Months Required to Find Employment After Leaving Farming

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 farmers had found employment and 77 percent of these had needed less than six months to find a job.

Of the respondents, about 47 percent had worked off the farm in their last production year of farming. This percentage is about twice that recorded (22.5 percent) for current farm operators surveyed in 1985 and 1986 (Leistritz et al. 1985). Of this group, however, only about half felt that their off-farm work experience helped them find employment after they quit farming. A possible explanation is that many of these operators had worked off the farm for only a relatively short time (41 percent had worked two years or less at their off-farm job [Figure 7]) and for relatively few days per year (43 percent had worked less than 50 days off the farm [Figure 8]). Former farmers had worked an average of 4.8 years compared to current farmers who had worked an average of 8.4 years.

Respondents also were asked what effect the current farm situation has had on their own personal life. Almost 69 percent of the former farmers indicated that they had experienced "a great deal" of effect, and

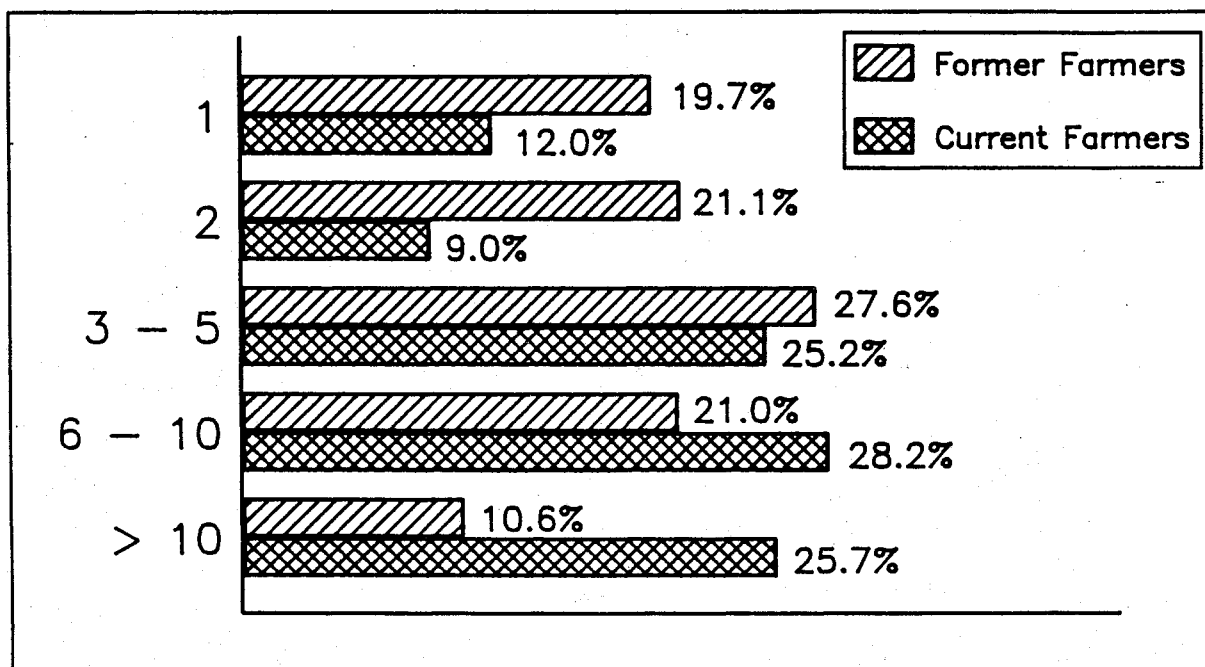


Figure 7. Number of Years Worked at Off-Farm Job by Former and Current Farmers

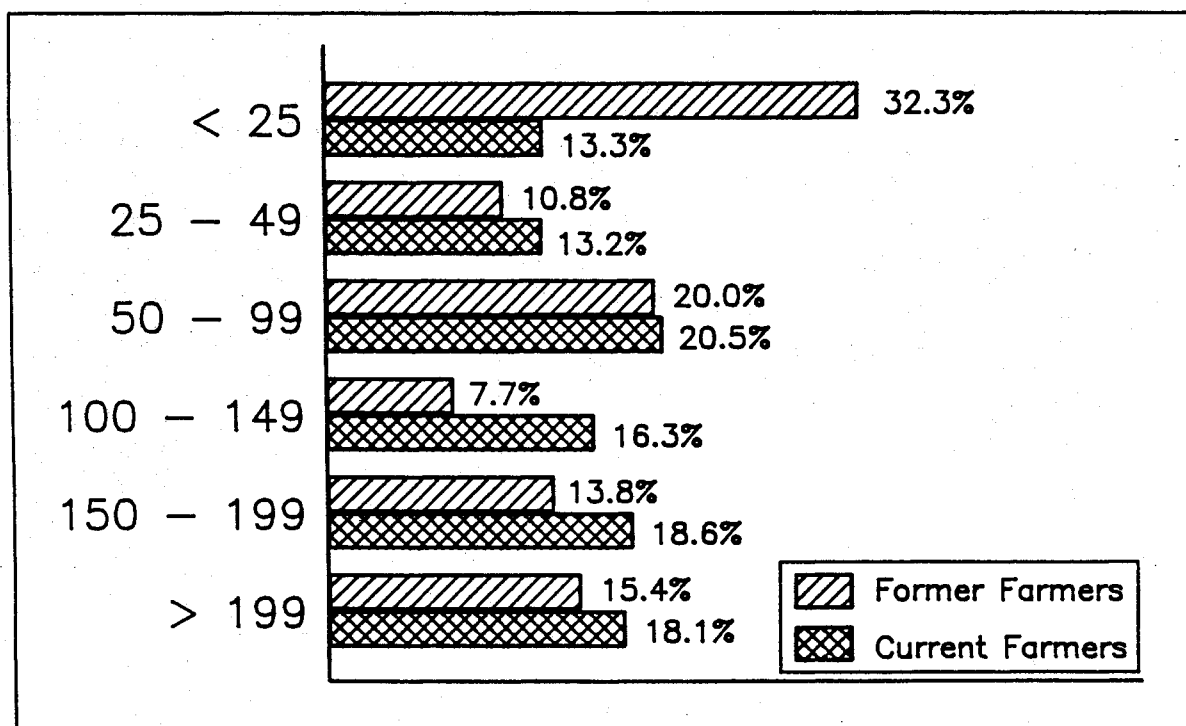


Figure 8. Number of Days Worked at Off-Farm Job by Former and Current Farmers

only 3 percent said that their lives had not been affected at all. Comparable percentages for a cross section of the state's current farm operators are 30 percent and 16 percent (Ekstrom et al. 1986). When asked about the nature of these effects, about one-fourth of the respondents mentioned effects associated with adjusting to a new lifestyle and a similar number reported general stress.

The respondents were asked whether they or any member of their immediate family³ had experienced any of a number of stressful events (Table 12) during the past two years and whether they believed that event was related to the financial conditions in agriculture. About 55 percent reported the "loss" of a farm as a stressful event, while 48.5 percent reported they had experienced depression or other emotional problems and 42 percent reported unusual marital or other family stress or conflict. Other events reported by more than one-fifth of respondents were death of a relative, reduction in pay or benefits because a business had to cut back, and loss of a job because a business had to cut back. Except for death of a relative, more than three-fourths of respondents who experienced these events also believed they were a direct or indirect result of financial conditions in agriculture.

Current Employment Characteristics

Selected employment characteristics of the respondents and their spouses are summarized in Table 13. 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 (Appendix Table 6). 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 (Appendix Table 7). On the other hand, one half of the spouses with no education beyond high school were not 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. However, 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.

³Immediate family was defined as parents, children, spouse, brothers, or sisters.

TABLE 12. SELECTED EVENTS EXPERIENCED BY NORTH DAKOTA FORMER AND CURRENT FARM OPERATORS OR THEIR IMMEDIATE FAMILY WITHIN THE LAST TWO YEARS

Event	Former Farmers		Current Farmers	
	A	B	A	B
Lost a farm due to financial difficulties	55.0	93.5	3.6	100.0
Lost a business due to financial difficulties	11.8	95.0	3.2	75.0
Lost a job because a business had to cut back its staff	21.9	75.7	15.2	60.0
Had a reduction in pay, benefits, or working hours because a business had to cut back	22.5	78.9	22.0	63.5
Lost a home, car or other major possession to a finance company or bank	18.3	87.1	3.6	70.4
Had an immediate relative die	24.9	16.7	14.9	11.5
Suffered depression or other emotional problems	48.5	91.5	24.4	84.3
Committed suicide	1.2	100.0	0.7	60.0
Experienced unusual marital or other family stress or conflict	42.0	91.5	15.2	80.9
Been divorced	13.6	65.2	4.5	23.5
Been convicted of a crime other than a minor traffic violation	3.6	16.7	0.5	50.0
None	10.0	--	54.9	--

Note: A is percentage who have experienced event.

B is percentage who felt the event was agriculturally related.

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

Item	Percent
Employment status of respondent:	
Employed	82.7
Unemployed	8.0
Student	6.0
Retired	3.3
Employment status of spouse:	
Not employed	42.7
Employed	57.3
Respondent's satisfaction with present employment:	
Satisfied	71.2
Neutral	16.5
Dissatisfied	12.3
Will respondent look for another job in 1986?	
Likely	39.0
Do not know	18.0
Unlikely	43.1
Will spouse look for another job in 1986?	
Likely	30.5
Do not know	6.8
Unlikely	63.1
Occupation desired, respondent:	
Farmer	12.1
Truck driver	12.1
Sales	6.1
Financial manager	6.1
Sales support	6.1
Farm equipment mechanic	6.1
Welder	6.1
Other	45.3
Occupation desired, spouse:	
Bookkeeper	19.4
Secretary	9.7
Registered nurse	9.7
Sales representative	6.5
Sales--counter clerk	6.5
Other	48.2

Among the households where one or both marriage partners 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 Fargo, Bismarck, and Grand Forks, the state's three largest cities. Among out-of-state locations, the most frequently mentioned were Arizona and Montana. Interestingly, these two states were also the ones most frequently mentioned by current farm operators as potential destinations should they be forced to quit farming and relocate (Ekstrom and Leistritz 1986).

The characteristics of the households where one or both partners 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 as 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.

Present 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. About 13 percent reported a negative income level, and another 16 percent had incomes of less than \$10,000 (Table 14 and Appendix Table 8). 6). At the other extreme, about 18 percent had incomes greater than \$40,000. 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. 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 who had remained in their home county reported somewhat higher average levels of net worth and family income than those who had relocated. However, even among this group, about one-third received less than \$10,000 in total family income, and one-third had negative net worth.

TABLE 14. 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

Respondents were asked whether they felt they were better off financially than when they quit farming. About 63 percent felt they were better off (Table 15). 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).

Comparing those who felt they were better off financially with those who were not (Appendix Table 9) reveals that the degree of satisfaction with current employment was a statistically significant variable influencing well being. Level of debt was also significant (although less so), and nearly one half of those who felt they were not better off had a negative net worth. Interestingly, gross income and assets were fairly similar between the two groups.

An inverse relationship exists between the year respondents ceased farming and their opinion about their general financial well being; i.e., the more recently an operator ceased farming, the less financially well off he felt he was. Respondents who had relocated to a new area outside their former home county were somewhat more inclined to feel their situation had improved compared to those who were still in the same county, although the relationship is weak. Regardless of their relocation status, about 78 percent of the respondents expressed satisfaction with the community in which they presently resided.

TABLE 15. OPINION ABOUT CURRENT FINANCIAL STATUS

Item	Percent
Are you better off financially today than when you quit farming?	
<u>Yes</u>	63.4
Reasons:	
Less or no debt	43.6
More income	39.4
Higher standard of living	5.3
Less stress	4.3
More equity	3.2
Other	4.2
<u>No</u>	36.6
Reasons:	
Nothing has changed	22.7
No earning power	18.2
Fewer assets	18.2
Can't make ends meet	15.9
Still have the land	11.4
Still paying off debts	4.5
Other	9.1

Overall, almost 29 percent of the former farmers had incomes below the poverty level in 1985 (Appendix Table 10). 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.

Attitudes and Perceptions

During the survey, respondents were asked questions about their perception of the causes of the farm crisis and their attitude concerning whether or not the federal or state government should assist farmers who are in financial trouble. In this section, the responses of former farm operators are compared to those of a group of 759 current farm operators interviewed in the spring of 1986 (Ekstrom et al. 1986).

The responses of these two groups to questions concerning their perceptions of the causes of the farm crisis are summarized in Table 16. The data utilized here are from the 1986 surveys of current and former farmers. Both groups were presented with a list of factors that could

TABLE 16. MEAN SCORES OF FORMER AND CURRENT FARMERS' EVALUATION OF POSSIBLE CAUSES OF THE CURRENT FARM FINANCIAL SITUATION

Cause	Current Farmers		Former Farmers	
	Mean Score ^a	Percent Who Rate This As Most Important Cause of Current Farm Financial Situation	Mean Score ^a	Percent Who Rate This As Most Important Cause of Current Farm Financial Situation
High interest rates	1.2	25.1	1.1	25.0
Low prices for farm products	1.1	37.4	1.1	48.0
Government involvement in agriculture	1.7	6.9	1.6	9.1
Corporate farms	2.5	0.3	2.4	0.0
Farmers' attempting to expand the size of their farms too rapidly	1.5	7.9	1.6	2.8
Farmers' being poor managers	1.9	3.0	2.0	2.1
The high cost of farm supplies and equipment	1.2	3.6	1.2	4.9
Changing land values	1.4	3.4	1.3	4.2
Changing export markets for farm products	1.3	9.4	1.3	3.4
Farmers' living beyond their means	1.8	3.0	2.0	0.7

^aBased on scores of 1 for very important, 2 for somewhat important, and 3 for not at all important.

potentially contribute to the farm crisis, and were asked if they thought each factor was very important, somewhat important, or not important in causing the farm crisis. Responses to this question were scored 1 for very important, 2 for somewhat important, and 3 for not at all important. The data summarized in Table 16 indicate that both groups consider the most important causes of economic stress in agriculture to be (1) low prices for farm products and (2) high interest rates. Other factors considered very important by most farmers in both groups were the high cost of farm supplies and equipment, changing land values, and changing export markets for farm products.

Survey respondents were asked whether they thought farmers in financial trouble should receive help from the federal or state government. The responses of former or current farm operators, summarized in Figure 9, indicate that substantially higher percentages of former farmers favored such assistance. In both groups, a higher percentage were in favor of

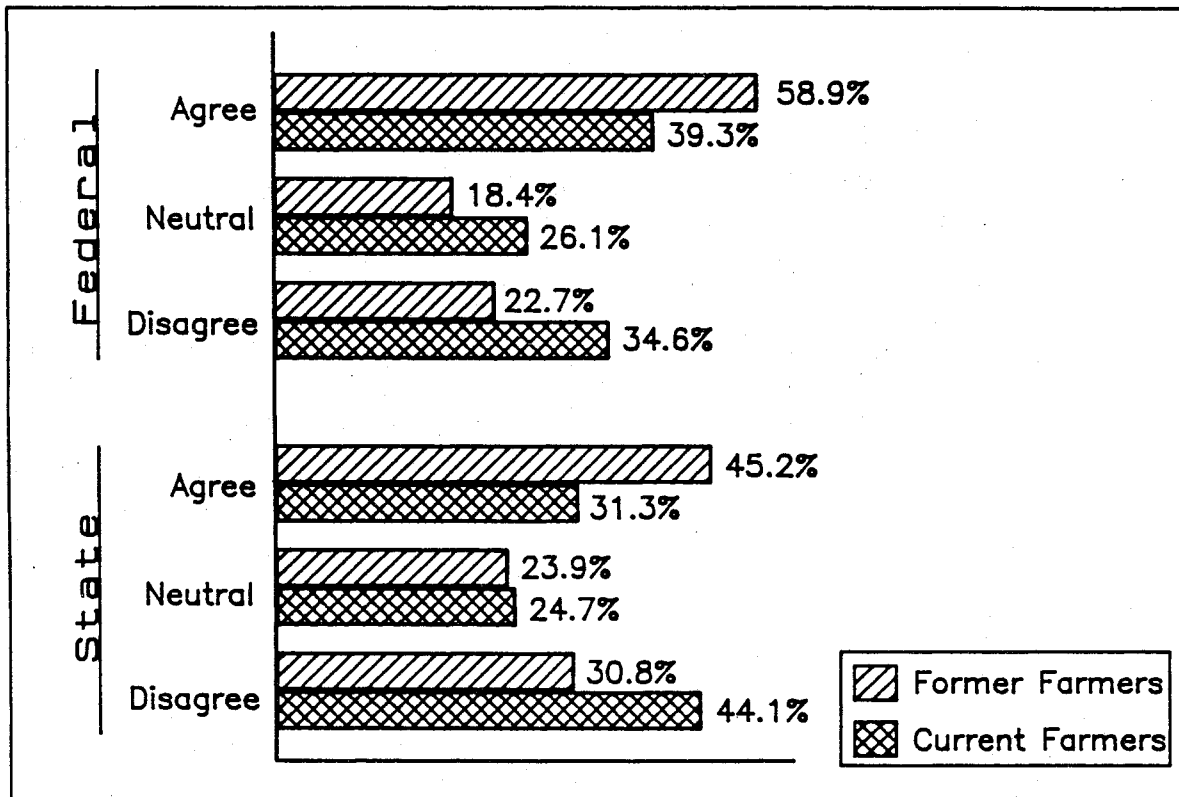


Figure 9. Attitudes of Former and Current Farm Operators Toward Federal and State Assistance to Farmers in Financial Trouble

federal assistance than aid from the state. A number of respondents commented that the state's resources were not adequate to undertake such an effort.

Survey participants who were in agreement with the general concept of federal or state aid to farmers were also asked whether they would be in favor of four specific forms of financial aid. The four types of assistance specified were

1. Federal (state) government's providing financial assistance to financially troubled agricultural creditors either directly or through loan guarantees,
2. Federal (state) government's subsidizing interest rates on operating loans,
3. Federal (state) government's participating with creditors and farmers in restructuring land debt, and

4. Federal (state) government's providing low-interest loans or grants to financially stressed farm families for vocational training or college in preparation for a new occupation.

Although the range of financial aid measures that have been discussed at federal and state levels is extensive, it appears that these four alternatives are representative of most of the assistance plans that are receiving serious consideration (Brake, Boehlje, and Lee 1986). The two groups' overall ratings of the four forms of assistance are summarized in Table 17. It should be noted that only farmers and former farmers who said

TABLE 17. SUPPORT FOR SPECIFIC FORMS OF FEDERAL AND STATE FINANCIAL ASSISTANCE BY NORTH DAKOTA FARM OPERATORS, 1986

Form of Assistance	Percent of Respondents Who Would Favor ^a	
	Former Farmers	Current Farmers
Federal assistance to agricultural creditors	72.4	86.3
Federal subsidy of interest rates on operating loans	86.2	83.3
Federal participation in restructuring land debt	89.1	89.1
Federal provision of low-interest loans or grants for training for new occupations	98.9	90.4

State assistance to agricultural creditors	76.5	84.3
State subsidy of interest rates on operating loans	91.4	86.6
State participation in restructuring land debt	95.7	92.5
State provision of low-interest loans or grants for training for new occupations	98.6	91.8

^aPercent of those respondents (1) who "strongly agree" or "agree" that the federal (state) government should assist farmers who are in financial trouble and (2) who would be in favor of the specified form of assistance.

that they would agree or strongly agree that government should aid farmers in financial trouble were asked whether or not they would be in favor of any of the four forms of aid. At least 70 percent of these respondents were in favor of each form of aid. The most evident differences among the two groups were that former farmers were (1) less likely to favor assistance to agricultural creditors and (2) more likely to favor loans or grants for training for new occupations.

Conclusions and Implications

This study was initiated because of a concern that 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 other sectors of the rural economy. The results of the survey of 169 persons who had ceased farming since 1980 lead to a number of conclusions. The most salient of these include the following:

- Most displaced farmers had started farming during the 1970s, and their farms were similar in size and type of enterprises to those of current farm operators.
- Almost half of the displaced farmers indicated that they are still involved in farming. The most common form of involvement was continued ownership of farmland which was rented to another operator.
- Creditors are sharing extensively in the decapitalization of agriculture. Overall, 32 percent of all loans were not paid in full when the farming operation was liquidated. These unpaid liabilities represent substantial losses for some creditors. About 28 percent of the total value of the displaced farmers' total operating, intermediate-, and long-term loans were uncollectible when the business was liquidated. Unsecured creditors suffered even heavier percentage losses; 74 percent of their claims proved uncollectible.
- Contingent tax liabilities can be a substantial problem for persons attempting to liquidate a farm operation. About 42 percent of the respondents indicated that liquidation had resulted in increased liabilities, and another 15 percent were uncertain whether such liabilities might arise. The average liability incurred was about \$20,000.
- Most displaced farm operators were younger than the average of the farm population and had higher levels of education and larger households. This demographic profile is consistent with that predicted on the basis of earlier farm surveys (Leholm et al. 1985; Leistritz et al. 1985). These demographic characteristics stem from the fact that a high percentage of the former farmers began farming during the 1970s. If substantial numbers of these persons are forced out of farming and leave the community, the implications for public services and for the future population profile of the area will be substantial.

- A substantial percentage (45 percent) of the displaced farmers have already relocated from their home counties, although only about 13 percent have left the state. Relocation was more frequent for younger operators and for college graduates.
- Although many agencies have launched programs to assist farmers in the transition to new occupations and residences, there is reason to believe that many farm families have not been reached. The state job service was the agency contacted most frequently (by 34 percent of respondents), followed by the county social services office (18 percent), and churches (15 percent). However, 31 percent of the respondents had not contacted any agency.
- The displaced farmers were relatively successful in obtaining alternative employment. About 83 percent were employed at the time of the survey, and about 61 percent reported a job search of less than three months. Thus, their experience was somewhat more favorable than that of displaced workers nationwide. However, about 41 percent reported that they had to move to another area to find work; whereas, only 14 percent of the nationwide sample of displaced workers had relocated.
- Almost 69 percent indicated that their lives in general had been affected a great deal, and only 3 percent said they had not been affected at all by the current conditions in agriculture. Comparable percentages for a cross section of the state's farm operators are 30 percent and 16 percent. Loss of the farm and the subsequent transition to a new occupation had a substantial effect on the personal lives of most survey respondents. The former farmers also reported experiencing depression, marital and family conflict, and divorce at rates two to three times those of the current farmers, and more than 90 percent of those reporting these problems felt that they were a direct or indirect result of the economic stress in agriculture.
- For many survey respondents, the transition may not yet be completed. Of the respondents, 39 percent indicated they were likely to look for different employment in the next year as did 31 percent of the spouses. Of the households where one or both marriage partners were likely to look for a different job, about 70 percent indicated that they were willing to relocate. Most mentioned North Dakota's largest towns or out-of-state locations as their most likely destination.
- The financial resources of most displaced farm families are quite limited. The median family income for this group was \$18,000, and 29 percent reported incomes of less than \$10,000. About one-third reported that their debt currently exceeds the value of their assets, and another 17 percent reported a positive net worth of \$10,000 or less. Nevertheless, about 63 percent felt that they were better off financially than when they quit farming.

APPENDIX

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

Item	Unit	Former Farmers	Current Farmers ^b
Total acres in operation:			
Average	Acres	1,466.0	1,556.9
Distribution:			
Less than 180	Percent	0.6	2.0
180 to 499	Percent	10.3	8.8
500 to 999	Percent	24.9	25.6
1,000 to 1,499	Percent	30.3	26.4
1,500 to 1,999	Percent	11.5	15.3
2,000 to 2,999	Percent	15.2	12.8
3,000 to 5,000	Percent	5.5	6.5
More than 5,000	Percent	1.8	2.6
Acres owned:			
Average ^a	Acres	761.4	903.6
Distribution:			
Zero	Percent	9.7	12.3
Less than 180	Percent	5.2	10.0
180 to 499	Percent	32.5	20.7
500 to 999	Percent	29.2	28.8
1,000 to 1,499	Percent	14.9	16.6
1,500 to 1,999	Percent	5.8	6.1
2,000 to 2,999	Percent	1.9	3.2
3,000 and over	Percent	0.6	2.3
Acres rented to others:			
Average ^a	Acres	311.1	398.8
Distribution:			
Zero	Percent	94.2	91.6
Less than 180	Percent	1.9	4.1
180 to 499	Percent	2.6	2.1
500 and over	Percent	1.3	2.2
Acres rented from others:			
Average ^a	Acres	998.4	978.5
Distribution:			
Zero	Percent	15.1	18.6
Less than 180	Percent	6.6	9.4
180 to 499	Percent	23.5	18.3
500 to 999	Percent	21.1	23.4
1,000 to 1,499	Percent	16.9	15.6
1,500 to 1,999	Percent	7.8	6.7
2,000 to 2,999	Percent	6.0	5.1
3,000 to 5,000	Percent	1.8	2.2
Over 5,000	Percent	1.2	0.8
Major crop:			
Wheat	Percent	74.6	82.3
Corn	Percent	10.6	3.4
Sunflower	Percent	5.0	1.8
Barley	Percent	4.3	3.3
Other	Percent	5.5	9.2
Does respondent raise livestock?			
Yes	Percent	65.7	59.9
No	Percent	34.3	40.1
Major type of livestock:			
Cows/calves/feeder	Percent	58.7	76.9
Dairy cow	Percent	19.0	14.5
Hogs	Percent	8.3	3.7
Sheep	Percent	4.1	4.2
Other	Percent	9.9	0.7

^aAverage does not include responses of zero.

^bSource: Leistritz et al. 1987b.

APPENDIX TABLE 2. CHANGES IN FARM OPERATION UNDERTAKEN BY FORMER FARMERS
IN LAST THREE YEARS OF FARMING IN RESPONSE TO FINANCIAL CONDITIONS

Item	Percent Reporting Change
Sold land	13.3
Deeded back land	15.1
Sold machinery	44.6
Sold breeding livestock	44.1
Renegotiated a loan agreement or land contract to reduce the principal amount or obtain a lower interest rate or longer repayment period	40.5
Renegotiated a land rental agreement to reduce rent payments	20.2
Switched from cash to crop-share rent	10.8
Changed lending institutions	20.6
Began to use contracting or hedging as marketing tools	22.3
Began to use hail or all-risk crop insurance	45.2
Increased your use of hail or all-risk crop insurance	27.1
Obtained professional financial advice	54.2
Leased rather than purchased machinery	27.1
Reduced family living expenses	83.3
Postponed capital purchases	82.7
Started participating in government farm commodity programs	44.9
Increased participation in government farm commodity programs	30.1
Cut back on per-acre application of fertilizer and chemicals	51.5
Reduced tillage operations	61.3
Increased the nonfarm uses of your land, such as hunting or oil and gas leases	7.2
Increased the amount of off-farm employment by yourself or other family members	56.9
Replaced machinery with used rather than new equipment	53.2
Other	15.4

APPENDIX TABLE 3. OPERATING, INTERMEDIATE-, AND LONG-TERM LOAN AVERAGE AND DISTRIBUTION OF NORTH DAKOTA FORMER FARMERS

Item	Unit	Value
Operating loan: ^a		
Average ^b	Dollars	56,736
Distribution:		
Less than \$10,000	Percent	13.1
\$10,000 - \$19,999	Percent	14.8
\$20,000 - \$39,999	Percent	23.8
\$40,000 - \$99,999	Percent	34.4
\$100,000 - \$250,000	Percent	9.8
Over \$250,000	Percent	4.1
Intermediate-term loan:		
Average ^c	Dollars	64,902
Distribution:		
Less than \$10,000	Percent	25.6
\$10,000 - \$19,999	Percent	5.5
\$20,000 - \$39,999	Percent	14.5
\$40,000 - \$99,999	Percent	28.8
\$100,000 - \$200,000	Percent	22.3
Over \$200,000	Percent	3.3
Land and home mortgage loan:		
Average ^d	Dollars	219,307
Distribution:		
Less than \$50,000	Percent	12.3
\$50,000 - \$99,999	Percent	11.5
\$100,000 - \$199,999		23.9
\$200,000 - \$299,999	Percent	27.7
\$300,000 - \$500,000	Percent	18.4
Over \$500,000	Percent	6.2

^aFor last production year.

^bN = 122.

^cN = 90.

^dN = 130.

APPENDIX TABLE 4. 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

Total debt per respondent (all respondents):

Mean = \$263,083

Median = \$222,500

Percent of respondents who were able to repay all debt obligations = 38.5%

Total unpaid debt per respondent not able to repay all obligations:

Mean = \$123,295

Median = \$ 65,000

APPENDIX TABLE 5. 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	12.6	--
Relocated within state	Percent	55.1	--
Out of state	Percent	31.7	--

^aValues for current farmers are for 1986.

APPENDIX TABLE 6. SELECTED CHARACTERISTICS OF DISPLACED FARM OPERATORS BY AGE/EDUCATION CATEGORY

Item	Age/Education of Operator					Total
	<45 and High School or Less	<45 and Some Postsecondary	<45 and Completed College	>45 and High School or Less	>45 and Some Postsecondary	
Age-education of spouse:						
<45 and high school or less	60.0	29.8	11.1	20.7	27.3	30.0
<45 and some postsecondary	26.7	66.0	66.7	3.5	18.2	31.3
<45 and completed college	13.3	4.3	22.2	0.0	0.0	12.0
>45 and high school or less	0.0	0.0	0.0	48.3	36.4	19.3
>45 and some postsecondary	0.0	0.0	0.0	27.6	18.2	7.3
Total	100.0	100.1	100.9	100.1	99.1	99.9
Employment status of respondent:						
Employed	95.1	89.8	68.4	64.5	80.0	82.7
Unemployed	2.4	4.1	5.3	22.6	10.0	8.0
Student	2.4	4.1	26.3	3.2	0.0	6.0
Retired	0.0	2.0	0.0	9.7	10.0	3.3
Total	99.9	100.0	100.0	100.0	100.0	100.0
Length of job search:						
Less than one month	27.0	20.6	23.5	40.0	50.0	27.5
One to two months	35.1	32.4	17.6	46.7	50.0	33.9
Three to six months	29.7	35.3	29.4	0.0	0.0	25.7
Seven months or more	8.1	11.8	29.4	13.3	0.0	12.8
Total	99.9	100.1	99.9	100.0	100.0	99.9
Total family income:						
Less than \$10,000	38.1	24.5	42.1	22.2	9.1	29.1
\$10,001 to \$20,000	26.2	28.6	31.6	25.9	9.1	26.4
\$20,001 to \$40,000	23.8	28.6	21.1	29.6	27.3	26.4
More than \$40,000	11.9	18.4	5.3	22.2	54.5	18.2
Total	100.0	100.1	100.1	99.9	100.0	100.1
Better off than when they quit farming:						
Yes	68.1	66.0	75.0	42.9	62.5	63.4
No	31.9	34.0	25.0	57.1	37.5	36.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Relocation status:						
Out of state	14.0	17.3	13.6	6.3	0.0	12.6
Another county within state	30.0	32.7	59.1	18.8	18.2	31.7
Same county	56.0	50.0	27.3	75.0	81.8	55.7
Total	100.0	100.0	100.0	100.1	100.0	100.0
Satisfaction with present employment:						
Satisfied	67.4	64.6	70.6	84.2	100.0	71.2
Neither satisfied nor dissatisfied	23.9	12.5	23.5	10.5	0.0	16.6
Dissatisfied	8.7	22.9	5.9	5.3	0.0	12.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

APPENDIX TABLE 7. EMPLOYMENT STATUS OF DISPLACED FARM OPERATORS' SPOUSES BY AGE/EDUCATION CATEGORY

Item	Age/Education of Spouse					Total
	<45 and High School or Less	<45 and Some Postsecondary	<45 and Completed College	>45 and High School or Less	>45 and Some Postsecondary	
Employment status of spouse:	-----percent-----					
Employed	50.0	60.7	83.3	38.9	70.0	56.8
Not employed	50.0	39.3	16.7	61.1	30.0	43.2
	-----number-----					
Respondents	52	56	12	18	10	148

APPENDIX TABLE 8. DISTRIBUTION OF FAMILY INCOME AND FINANCIAL RESOURCES OF NORTH DAKOTA FORMER FARM OPERATORS, DECEMBER 31, 1985

Item	Unit	Former Farmers	Current Farmers
Total family income:			
Mean	Dollars	29,411	24,683
Median	Dollars	18,000	15,400
Distribution:			
Negative	Percent	12.8	10.7
\$0 to \$10,000	Percent	16.2	24.3
\$10,001 to \$20,000	Percent	26.4	24.2
\$20,001 to \$30,000	Percent	18.2	13.8
\$30,001 to \$40,000	Percent	8.1	9.6
Over \$40,000	Percent	18.2	17.4
Percent of income by source:			
Farm loss or profit	Percent	22.2	63.2
Wages/salary	Percent	55.5	18.7
Interest	Percent	4.9	--
Rent out farm	Percent	9.8	--
Rental property	Percent	1.2	--
Retirement	Percent	0.1	--
Public assistance	Percent	0.2	--
Oil and gas leases	Percent	0.3	6.8
Stocks and bonds	Percent	0.7	--
Other	Percent	6.7	10.7
Total assets:			
Mean	Dollars	164,221	413,396
Median	Dollars	65,000	300,000
Distribution:			
\$0 to \$10,000	Percent	18.1	0.3
\$10,001 to \$25,000	Percent	18.1	0.8
\$25,001 to \$50,000	Percent	9.0	4.0
\$50,001 to \$100,000	Percent	15.5	6.9
\$100,001 to \$200,000	Percent	16.2	22.7
Over \$200,000	Percent	23.2	65.3
Total debts:			
Mean	Dollars	165,825	141,409
Median	Dollars	60,000	76,000
Distribution:			
\$0 to \$5,000	Percent	20.1	20.6
\$5,001 to \$10,000	Percent	5.7	3.4
\$10,001 to \$25,000	Percent	12.6	7.0
\$25,001 to \$50,000	Percent	11.3	11.9
\$50,001 to \$100,000	Percent	15.1	16.0
\$100,001 to \$200,000	Percent		18.5
Over \$200,000	Percent		22.6
Net worth:			
Mean	Dollars	-3,148	267,445
Median	Dollars	11,000	164,000
Distribution:			
Negative	Percent	32.3	5.5
\$0 to \$10,000	Percent	17.4	3.4
\$10,001 to \$25,000	Percent	14.2	3.7
\$25,001 to \$50,000	Percent	8.4	6.9
\$50,001 to \$100,000	Percent	10.3	14.8
Over \$100,000	Percent	17.4	65.7

APPENDIX TABLE 9. SELECTED DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS OF THOSE WHO FELT THEY WERE AND WERE NOT BETTER OFF FINANCIALLY AT THE PRESENT TIME

Item	Unit	Better Off	Not Better Off
Job satisfaction: ^a			
Satisfied	Percent	81.0	55.8
Dissatisfied	Percent	7.1	23.3
Neither	Percent	11.9	20.9
Age:			
Less than 35 years	Percent	32.0	28.6
35 to 44 years	Percent	42.3	25.0
45 to 54 years	Percent	17.5	25.0
55 and over	Percent	8.3	21.4
Education:			
Eighth grade or less	Percent	6.2	8.9
Some high school	Percent	2.1	5.4
Completed high school	Percent	37.1	41.1
Some college	Percent	39.2	33.9
Completed college	Percent	15.5	10.7
Current gross income:			
Mean	Dollars	36,386	16,079
Median	Dollars	20,000	14,000
Distribution:			
Negative	Percent	10.3	16.3
\$0 to \$10,000	Percent	14.9	22.5
\$10,001 to \$20,000	Percent	25.3	26.5
\$20,001 to \$30,000	Percent	23.0	12.2
\$30,001 to \$40,000	Percent	8.1	10.2
More than \$40,000	Percent	18.4	12.2
Current assets:			
Mean	Dollars	163,239	132,524
Median	Dollars	60,000	65,000
Distribution:			
\$0 to \$10,000	Percent	14.1	24.0
\$10,001 to \$25,000	Percent	21.7	14.0
\$25,001 to \$50,000	Percent	12.0	4.0
\$50,001 to \$100,000	Percent	14.1	20.0
More than \$100,000	Percent	38.0	38.0

- CONTINUED -

APPENDIX TABLE 9. SELECTED DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS OF THOSE WHO FELT THEY WERE AND WERE NOT BETTER OFF FINANCIALLY AT THE PRESENT TIME (CONTINUED)

Item	Unit	Better Off	Not Better Off
Current debts: ^b			
Mean	Dollars	159,058	165,765
Median	Dollars	35,000	98,000
Distribution:			
\$0 to \$5,000	Percent	21.5	17.3
\$5,001 to \$10,000	Percent	6.5	3.9
\$10,001 to \$25,000	Percent	15.1	11.5
\$25,001 to \$50,000	Percent	14.0	7.7
\$50,001 to \$100,000	Percent	15.1	13.5
More than \$100,000	Percent	28.0	46.2
Current net worth:			
Mean	Dollars	2,779	-32,032
Median	Dollars	15,500	2,500
Distribution:			
Negative	Percent	21.7	46.0
\$0 to \$10,000	Percent	21.7	14.0
\$10,001 to \$25,000	Percent	19.6	8.0
\$25,001 to \$50,000	Percent	9.8	6.0
\$50,001 to \$100,000	Percent	10.9	10.0
More than \$100,000	Percent	16.3	16.0
Year ceased farming:			
1981-82	Percent	70.6	29.4
1983	Percent	65.4	34.6
1984	Percent	71.4	26.2
1985	Percent	57.4	42.6
1986	Percent	46.7	53.3
Relocation:			
Still in same county	Percent	58.5	41.5
Moved out of county	Percent	68.1	30.6

^aSignificant at the .01 level.

^bSignificant at the .05 level.

APPENDIX TABLE 10. SELECTED CHARACTERISTICS OF DISPLACED FARM OPERATORS BY INCOME LEVEL

Item	Total Family Income Less Family Living Allowance (Poverty Level)			
	Negative	\$0 to \$4,999	\$5,000 to \$19,999	\$20,000 or More
	-----percent-----			
Age and education of respondent:				
<45 and high school or less	42.9	7.2	35.7	14.3
<45 and some postsecondary	22.9	16.7	25.0	35.4
<45 and completed college	31.6	36.8	26.3	5.3
>45 and high school or less	22.2	7.4	33.3	37.0
>45 and some postsecondary	9.1	0.0	27.3	63.6
All respondents	28.6	13.6	29.9	27.5
Relocation status:				
Out of state	19.1	23.8	28.6	28.6
Another county within state	26.7	17.8	26.7	28.9
Same county	32.1	8.6	32.1	27.2
All respondents	28.6	13.6	29.9	27.9
Employment status of respondent:				
Employed	27.9	9.9	31.5	30.6
Unemployed	22.2	44.4	11.1	22.2
Student	33.3	50.0	0.0	16.7
Retired	20.0	0.0	20.0	60.0
All respondents	27.5	13.7	28.2	30.5
Year ceased farming:				
1981	25.0	25.0	0.0	50.0
1982	8.3	8.3	58.3	25.0
1983	20.0	16.0	44.0	20.0
1984	15.4	18.0	35.9	30.8
1985	41.2	9.8	19.6	29.4
1986	50.0	12.5	12.5	25.0
Employment status of respondent and spouse (married respondents only):				
Both employed	14.6	5.5	36.4	43.6
Neither employed	25.0	12.5	12.5	50.0
Respondent only employed	48.8	9.3	23.3	18.6
Spouse only employed	11.1	66.7	0.0	22.2

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