

## ALL IN THE FAMILY: THE DECISION TO TAKE UP FARMING

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While discussions of the changing structure of agriculture are not new, there is increased concern about the lack of young people entering farming. The broader issue is whether the opportunity structure in farming is adequate to ensure an orderly transition of farm businesses from one generation to the next. Many farm leaders, including existing farm families express doubts that there are adequate opportunities for their sons and daughters to take up farming. In the context of the historic changes in the organization of farming, and the age structure of farmers, it appears that farming is poised for a dramatic structural change that will reshape the organization of farming as well as have lasting impacts on the culture of agriculture. Many farm reared youth that historically would have taken up farming through a natural progression of inheriting or buying their parents' farms are no longer doing so in adequate numbers to stabilize farm numbers. As a result of young people seeking careers outside of farming, the continuing trends of consolidation and aging farm operators raise the important policy question of who will be the future farmers. Using data from the Iowa Farm and Rural Life Poll, this paper addresses the farm entry situation in Iowa and explores what might be done to assist in the transition to a new generation of farm operators.

**Introduction**

The structure of agriculture has profound implications on the viability of rural communities in farm dependent counties. Iowa leads the nation in the production of corn, soybeans, hogs, cattle and poultry and eggs, with estimated gross farm sales in excess of \$12 billion per year. For many of the 839 rural Iowa communities with populations of less than 2,500, farming is the major economic building block. While changes in farm structure may be less noticed in terms of agricultural input and processing sectors, the resulting demise in farm population because of farm consolidation has important implications for businesses and institutions that depend upon people rather than bushels or pounds of meat. While commodity production may be stable or increasing, the demise of farm population is evident in many social institutions and organizations in farm dependent communities. Social institutions such as schools, churches, hospitals, farm organizations, and rural businesses struggle with continued declines in farm population.

Main street businesses that serve people have had to adjust to the demographic trends of fewer farm families. In communities that have been able to create nonfarm jobs, the loss of farm population has been offset by new employment opportunities in nonfarm employment. However in farm dependent communities, where there are limited nonfarm jobs, the loss of farm population has been particularly pronounced. Thus changes in agriculture have been responsible for many changes in rural communities. Farm succession holds important implications about the future of family farming as well as for the viability of many rural communities and their social institutions. The interdependency between farm

structure and rural community viability highlights the importance of providing adequate opportunities in farming.

### **Historic Trends Affecting the Structure of Agriculture and Impacts on Rural Culture**

In terms of historical understanding, agricultural change has undergone two significant periods. The first period was creating a nation of family farmers from the end of the Civil War until 1920. Federal farm policy was designed to encourage family farming throughout the Midwest and Western states. The Homestead Act, the creation of USDA, and passage of the Morrill Act each passed by Congress in 1862 reflected the national commitment to extend Thomas Jefferson's view of creating a nation of family farmers. During this period, farm numbers increased from 1.9 million in 1865 to 6.8 in 1920. The second period was marked by the precipitous decline in farm numbers that occurred through the consolidation of farms. Since 1920 farm numbers have declined from 6.8 million to 1.9 million. Recognizing farm definitions have changed across time, the number of farms in 2002 stood about the same number as in 1865.

Agriculture change has occurred in four distinct technological revolutions. The mechanical revolution that began in the early decades of the 20<sup>th</sup> century was responsible for reducing the backbreaking work of farming. Replacing animal power and the hard physical work of farm families with machines was a welcome development. The second revolution that extended the reach of the industrialization process was the petro-chemical revolution that reached its zenith in the post World War II period. Through increased mechanization and the discoveries of synthetic commercial fertilizers, farming became more dependent upon fossil fuels. The improvements in genetics, especially hybridization and improved animal vaccines were key discoveries in this era. The biogenetic revolution that can be marked in the early 1980s extended the previous discoveries through molecular science applied to farming. Herbicide tolerant varieties, growth hormones, crops designed for particular growing conditions, and new products that are envisioned to improve human health have exploded in the last 25 years. Recent reports are that planting of genetically engineered crops increased 20 percent in 2004 alone.

These three revolutions have resulted in the information revolution, which places emphasis upon information management. Owing to increased complexity of farming and integrated production and processing contracts, farming has become information intensive. Managing complex and integrated systems, has brought information management systems to farming. Satellite guidance systems, GPS systems on farm machinery and computers facilitate detailed record-keeping and data management systems that are involved in information intensive farming.

### **Consequences of These Technological Revolutions**

Taken together these four revolutions have been responsible for the transformation of farming from one organized around family owned and operated farms to one that is increasingly patterned after an industrial model. While much is known about the intended or direct impacts of these changes on the organization of farming, there is much less known about the unintended or secondary impacts of these changes on the nature of farming and farm communities. Important gains in production efficiencies are well documented as farms adopted machines, chemicals and synthetic fertilizers. The replacement of animal power and human labor with tractors and machines permitted farms to expand. It is this expansion that has been responsible for the great wave of farm consolidation since the 1920s. These trends have contributed to a transformation from general farms that produced a wide mix of crops and livestock to very specialized farms producing only a few and in some cases only one crop or species.

While the evolving structure has yielded significant economies of scale, it has also introduced chronic surpluses and increased risk resulting from specialization in production of only a few or sometimes one commodity. As a result, government programs have been designed to offer price and income protection and promote market development in both domestic and foreign markets. The increased size and scale of farming that was unimaginable only a generation or two ago have resulted in the increased capitalization of farming. Machinery costs and land investment have put farming out of the reach of many who desire to farm.

Less well understood are the unintended consequences of these trends on the opportunity structure in farming and the broader impacts on rural farm dependent communities. The loss of farm numbers and the loss of farm population threaten the viability of many rural communities. Farm consolidation has resulted in a dramatic demographic shift in many agricultural dependent regions. For example, in Iowa in 1940, nearly 40 percent of Iowa's population lived on farms compared to less than 10 percent today. As a result, one of the major demographic shifts in the state has been the decline in farm population to the extent that in many communities the rural nonfarm population now exceeds the farm population. Persons living in the country, but not on farms, out-number those who live on farms. There is a wide diversity of persons living in the country including those who choose to live on acreages but commute to town for employment, retirees, and persons looking for peaceful, idyllic lifestyles or recreational opportunities. Increasingly, land use conflicts and community tensions between those farming for a living and those living in the country characterize rural culture.

Many who continue to farm are doing so on a part-time basis. Many farm families have sought off-farm jobs for supplement income, especially health insurance, and as result many farmsteads are unattended during the normal working hours with operators and their spouses both holding off-farm jobs.

Owing to advances in technology, many farmers are able to continue farming beyond normal retirement ages, resulting in 47 percent of Iowa farmers over the age of 55 with one-fourth over the age of 65. The aging farm population suggests that in the next decade or so there will be substantial turnover in farm operators. A key question will be whether policies are pursued to usher in a new generation of farm operators or whether it will simply spur another round of farm consolidation (fig.1, 2, and 3).

### **How Have These Trends Affected the Culture of Iowa Farming?**

Since 1982, the Iowa State University Agriculture and Home Economics Experiment Station and ISU Extension Service in cooperation with the Iowa Department of Agriculture and Land Stewardship, Agricultural Statistics Service have monitored how these changes have affected not only the vocation of farming but also the culture of farming including the values, aspirations and attitudes of farm operators. The Iowa Farm and Rural Poll through a series of panel studies has queried farm operators on their views about the future of farming and what major issues they face. While much is known about the structural changes within Iowa agriculture, this project addresses how these structural changes affect farm families and their communities.

In spite of increased gains in productivity and efficiencies in farm production, many farmers report that they have not financially benefited and are pessimistic about the future. Since 1982 when the project was created, on alternate years we have posed a series of questions about the likelihood of improved economic prospects for farmers. With the exception of 1988, when there was a spike in farm optimism, only about one-fourth of farmers were expecting improved financial conditions. Most recently the proportion expecting improvements has trailed down to only about one in ten. For 2004, there was a modest re-bond, with 23 percent expressing improvement is likely in the next five years. Across this

22- year period, there has been a shroud of pessimism about the future prospects for improved financial conditions (fig. 4).

As late as 1999, more than a decade after the depths of the farm crisis, the Iowa Farm and Rural Life Poll found that nearly six in ten farm operators reported elevated personal stress levels in the past five years. Eighty percent reported that stress among their farm neighbors had increased in the past five years. Fifty-three percent replied that within their families stress had increased, and 44 percent reported that on a day-to-day basis their stress level had increased. Even though the farm economy had greatly improved from 1986 to 1999, farm families expressed high levels of stress. It seems that improved financial conditions have done little to reduce the stress levels experienced by many farm families (fig. 5). This finding suggests that farm stress may derive from factors beyond simply economic considerations.

When asked what's ahead in the decade of 1999 to 2009, 99 percent of the farm respondents felt that the number of farms would continue to decline; 96 percent reported that more farm families would rely upon off-farm work, and 95 percent indicated that low prices would put many farmers out of business. Other measures of pessimism pervade responses such that 82 percent expected the cost of living to prevent many people from retiring at age 65, and only 5 percent indicated that it was likely that more young people would enter farming (fig. 6). To questions about perceived threats to rural Iowa, the loss of family farms and loss of small businesses leads the list of potential threats. The levels of pessimism and stress in the two decades following the farm crisis continue to shape parental advice to their children about the future of farming.

### **The Setting: Messages Influencing the Decision to Enter Farming**

It is in the aftermath of the post farm crisis of the 1980s that young people are making decisions about choosing careers in farming. Similar to the years immediately following the Great Depression of the 1930s, the farm crisis years have discouraged many potential young people from considering careers in farming. Following the crash of the Great Depression, farm families were tired of chronic low incomes and hard work and sought better opportunities in urban America. It is likely that the Great Depression coupled with the outbreak of WWII ushered in the greatest rural-to-urban migration in modern times (Cochrane, 1993). Likewise, many farm families that were casualties of the 1980s farm crisis sought new opportunities in nonfarm employment, and this has triggered another round of rural to urban migration (fig.7). Understanding the lingering impacts of the farm crisis requires recognition of both the push factors of economic hardship in farming and the pull factors of a strong urban economy. Throughout the 1990s the growth in manufacturing and service sectors attracted many farm youth to nonfarm careers.

It is important to recognize that many young people currently choosing careers are the products of the 1980s farm crisis. Farm youth who are completing their education and selecting careers have experienced the struggles of their families and have been influenced by a climate of pessimism and economic hardship. Several studies have explored the long-term impacts of how the farm crisis has impacted farm families and farm businesses (Elder and Conger, 2000; Lasley, et al., 1995; Harl, 1990; Rosenblatt, 1990).

From 1982 to 2002, one section of my undergraduate course for College of Agriculture students, entitled "Agriculture in Transition," focused on what advice students had received from their parents about choosing farming as a career. Not surprisingly, a dominant theme has been one of encouraging their children to look beyond farming. Figure 8 captures in their own words what many students have

reported in class discussions. While the vast majority reported they wanted to farm, many were encouraged by their parents to go to college and gain skills to make a good living with an eye to someday being able to return to the farm. Reminiscent of my grandfather's advice to me about my career choice when I was considering farming, he told me, "It is hard to make a living doing what others will do for free." I took my grandfather's advice and went off to college to become a rural sociologist. Although I'm sure that he never completely understood what I did, he was certain that it would be better than farming.

Beyond familial advice, it is also important to recall the backdrop of mass media messages in the 1980s that painted a bleak future of family farming and thus discouraged many young people from entering farming. Movies that focused on rural America during the 1980s focused on the hardships of farm life and the difficulties of overcoming the barriers of natural disasters and economic forces that forced farmers out of farming. Movies such as *Country*, *The River*, and *Places in the Heart*, all released in 1984 were the Hollywood depiction of the farm crisis. Rural literature also captured the farm crisis in books such as *A Thousand Acres* (1991), *Broken Heartland* (1990), and *Lone Tree* (1989) (fig.9). It is against this backdrop that we shouldn't be surprised that the farm crisis has had a lasting impact on farm entry decisions. Not only was the farm crisis responsible for the displacement of an entire generation of farmers who entered farming in the late 1970s and early 1980s, but also it has resulted in many farmers remaining in farming longer than they had planned. As their children left the farm for vocations outside of farming, in many cases adult children are now firmly established in distant cities, with homeownership, job seniority and security, with families, and now they are reluctant to switch careers. In many cases, there is no immediate heir identified to take over the farm and so they continue to farm well past retirement age (Duffy, 2004).

### **Impacts of the Farm Crisis on Decisions to Farm**

The Census of Agriculture provides a snapshot of what has happened between 1982 at the onset of the farm crisis and today. In Iowa between 1982 and 2002, farmers under the age of 25 declined 69 percent, and those between 25 and 34 declined 70 percent. On the other end of the age continuum, farmers between the ages of 55-64 increased 25 percent in the 1982-2002 period, and farmers over the age of 65 increased 26 percent (fig 10). Similar declines in young farm operators are evident at the national level as well. Between 1982 and 2002 farmers under the age of 25 declined by 67 percent and those between 25 and 34 declined by 56 percent. However, farmers over the age of 65 increased by 24 percent (fig 11).

The technological revolutions combined with economic hardships of the farm crisis have combined to present insurmountable barriers to many young people desiring to take up farming. In spite of the many negative messages from parents and the media, the majority of my students from farms express strong feelings about someday being able to return to the farm. When I have queried them about their desire to farm in spite of the barriers and negative messages, they reflect many of the basic values expressed from surveys of current farm operators. My students report that farming provides a sense of freedom and independence, the ability to be their own boss, and being able to work outdoors, and a good place to raise a family. They report they want to be able to continue a family tradition, and live in the country where they can work with nature and gain a sense of doing something worthwhile.

Consistent with the oral accounts of my students, farm operators in the 1999 Farm Poll expressed similar values about what farm tasks they enjoy and dislike. Respondents reported crop and fieldwork, exploring new ideas, and working with livestock as the most enjoyable farm tasks. Least enjoyed tasks were going to farm meetings, record keeping, and paperwork. Unfortunately, the transformation of farming has also changed the occupation of farmer that is often not fully recognized by potential

entrants. As the occupation of farmer has evolved, it is less about operating equipment and working with livestock that they report as enjoying and more about tasks that they report disliking. Farming in the 21<sup>st</sup> century requires detailed marketing skills, record keeping, negotiation of contracts and financial management skills. Among both existing farmers and those desiring to farm there appears to be a failure to recognize that farming is increasingly about doing things they dislike rather than working in the fields and in the barns which attracted them to farming.

### **What About Succession Plans?**

A common theme that emerges from a series of farm surveys among Iowa farmers suggests that there is a considerable discrepancy between what they would like and what they think will actually happen to their farms when they retire. When asked in 1996 what would happen to their farm when they retire, 75 percent of the statewide sample indicated they would like their farm to remain in their family when they retire. In spite of financial stress, 68 percent of the farmers in the survey indicated that if they had to do it over, they would still choose farming. Their commitment to farming was reflected in the 63 percent that indicated that if they were suddenly to become rich, they would continue to farm. Fifty-five percent said they would like one of their children to take over the farm when they retire, although 21 percent were undecided and 24 percent said they would not like this to occur. In spite of their professed commitment to farming, only 30 percent indicated they would recommend farming to a friend, while 24 percent were not sure, and 46 percent replied they would not encourage a friend to enter farming (fig. 12).

When asked what they thought would actually happen to their farm when they retired, 25 percent indicated that one of their children would take it over and eventually inherit it, and an additional 10 percent were planning to sell it to one of their children. About one-third were planning on renting their farms to a tenant (20% cash rent and 11% crop share) when they retire. Only 8 percent of the operators were planning on selling to a nonfamily buyer (fig. 13).

In the 2004 Farm Poll of 1,514 randomly selected farm operators, 57 percent indicated that they would not encourage young people to enter farming. When asked why young people were not entering farming, 87 percent reported that young people couldn't afford the capital investment in land, equipment and inputs. Seventy three percent indicated that low profits and level of risk were the major barriers. About two thirds (65%) reported that land was not available, and 20 percent indicated they would not encourage young farmers because too much manual labor is required (fig 14).

When asked what beginning farmers need to be successful in farming, 95 percent of the survey respondents indicated that the farmer's spouse would need to have an off-farm job, and 92 percent felt that the beginning farmer would need an off-farm job as well. Eighty-six percent agreed that assistance from family or other farmers would be necessary. Sixty-eight percent agreed that beginning farmers would be limited to the sons and daughters of current farmers. These latter two items gave rise to the title of this paper, "All in the Family." Interestingly, 58 percent of the respondents felt that beginning farmers should live on the farm but only 36 percent agreed that beginning farmers should buy land (fig. 15).

### **What Are the Major Farm Succession Issues?**

The inability of young people to enter farming raises important issues about the long-term sustainability of the current agricultural system. The lack of adequately trained young people who can achieve the status of the owner-operator, suggests that Steven Blank's thesis that the end of agriculture in America's

portfolio may be closer to reality than many have assumed (Blank, 1998). Escalating land values continues to separate land ownership and operation which suggests that increased tenancy is likely. The pressures on land values, and limited opportunities to get started in farming may result in a permanent tenant class. Many questions surround how changing landownership patterns will affect the support of local economies and communities. Many predict that absentee ownership where profits of the farm are siphoned off to distant cities represents an additional drain on the local economy. There is a long research tradition in rural sociology that has explored whether family farm structure of agriculture results in higher standard of living than an industrial model where land ownership is separated from the labor and management (Lobao, 1990). Rooted in the classic study of Walter Goldschmidt in the Central Valley of California (1978), there is a wealth of research findings across many states that have shown that family farm agriculture results in stronger rural communities (Heffernan, 1982).

Similarly, there is much work that has addressed the connections between natural resource protection and farm structure. While the data are less clear, there are many concerns that absentee farmland ownership may lead to more of an exploitive type of farming to squeeze as much profit from the land. In terms of national food security, increased numbers of proponents argue that a decentralized and dispersed farming system is more stable than large specialized systems. As agriculture is increasingly viewed as a source of food, fuel, fiber, feed and industrial compounds, much of the national economy is dependent upon a productive, decentralized farm structure. While the benefits of the family farm system have often not flowed to producers, there is little question that consumers have greatly benefited from the current system.

Failing to provide adequate incentives and programs to young persons wanting to farm puts the family farm system in great jeopardy. Secretary of Agriculture Bob Bergland in the closing months of the Carter Administration issued a summary of the state of family farm agriculture entitled, A Time to Choose (1981). In the ensuing 30 years, insufficient attention has been devoted to the trends in farm structure. These trends threaten the social and economic fabric of many farm dependent states, and if unaddressed may contribute to the demise of agriculture in the U.S. that has been raised by Blank (1998) and others.

The discussion of who will be the next generation of family farmers raises the troubling question of what obligations do we have to create opportunities for our children and succeeding generations. The best-educated, energetic youth are the most mobile segment of the population and they will migrate to areas offering the greatest opportunities. Throughout farm country, there are many well-established farms where there are no familial successors (Duffy, 2003). In many situations, a farm operator in his 60s or 70s may have adult children who have taken careers in other industries and may be reluctant to return to farming as middle aged owner operators, especially if it means re-location, borrowing large sums of money to buy out siblings and learning a new trade. The odds of adult children returning home to take up farming are not very great.

As I have visited countless small businesses throughout the Midwest, I sense that the age distribution on farms is not greatly different than the age of proprietors on main street in many small towns (fig. 17). In too many cases, family-owned businesses, where the parents started with modest beginnings and through hard work and savings built a successful business that supported their family, are not being transferred to the next generation. As they approach retirement, their children have established careers elsewhere, and when illness or age becomes an issue, the business is closed. Public policy should address business succession and needs to be done to ensure the survival of all family owned businesses. The evolution from a nation of independent entrepreneurs and businesspersons on main street and on farms to one of employees is likely the least studied of changes in the American workforce.

There is much speculation about the implications of the loss of independent businesses in terms of quality of service or products. Issues of occupational structure strike at the core of economic democracy and sense of place that are important in providing identity to communities and families. Yet unanswered are questions about what type of farm structure will provide the best protection to natural resources. There are many questions about whether tenants are better stewards of natural resources than owners. It seems that conservation policy has a large stake in the debate over which system will yield the greatest environmental protection (fig. 18).

Business succession is a critical issue for the continuation of family owned businesses throughout the nation. While most studies have focused on legal, financial and public policy aspects of business transfer, little attention has focused on the role of family dynamics in these processes. In small business succession, regardless of business type, it is clear that family plays a crucial role. Each of us know of cases where attempts to transfer the business failed because family issues were ignored. Issues of fairness among heirs, inheritance taxes, and family squabbles have doomed many intergenerational transfers. The convergence of trends in farming, with unique features stemming from the farm crisis that accelerated structural trends, affords little time to make policy recommendations on how to improve entry into farming (fig 19).

Lacking a proactive approach to encourage new farm and business entrepreneurs is a decision to simply let existing trends continue, and watch as family owned businesses disappear. While existing farmers profess their desire to keep the farm in the family, and keep opportunities for family farms alive, there is a need for a national dialogue on how to assist in making successful transfers. Tax incentives, abolishing capital gains on some minimum amount, beginning farmer assistance programs, and additional educational efforts are needed if family farms are to continue.

### **Some Ideas to Explore**

It was in the midst of the Civil War that our forefathers took a bold step with the passage of the Homestead Act of 1862 to open up large sections of the country to settlement. Perhaps we need to better understand the public policy choices and rationale for the Homestead Act. The many public policy decisions that contributed to the creation of a family farm system had to overcome opposition from those who preferred the large-scale farms of the time known as plantations in the Deep South and as haciendas that descended from the Mexican land grants in the Southwest. Surely we could be as bold as the advocates of the Homestead Act in developing public policies that would nurture family-owned businesses. The structure of business, whether on main street or on farms reflects social values and choices that lie before us.

Addressing the barriers that prevent young people from entering farming is deserving of more public policy debate. Government policy could be skewed towards designing a type of agriculture that provides opportunities for future generations. Investment capital, access to land, risk reduction, and market access are critical areas to be addressed. Alternative land ownership structure should be considered. Perhaps long-term rental leases or land trusts could assist in the transition. Farm organizations and cooperatives have a large role in this discussion. Tax policy could have a large role in shaping the future of the structure of agriculture. These topics are not new; social scientists have been addressing these issues for decades. As early as 1973, the North Central Public Policy Education Committee issued warnings about the evolving structure of agriculture in a series of six leaflets, entitled, Who Will Control U.S. Agriculture? (North Central Regional Extension Publications 32-1 through 32-6, Special Publication 28).

The 2007 Farm Bill may afford the possibility of considering new directions in farm policy to target public dollars to types of farms that are in the long-term national interest. New entrants in farming need a comprehensive safety net to ensure that they can be assured of adequate prices. The risks in farming are often too great for many who lack resources to survive a single bad crop or unseasonably low prices. Government programs could be targeted to those farm types that we want to encourage.

An orderly transition of farm assets should be done so as to not penalize existing farm owners. Many elderly farm owners rely upon the farm for their retirement funds, and without financial penalties many of them might sell to new entrants. Tax breaks to landowners selling to qualified beginning farmers could be a major incentive to sell.

Land grant universities should continue to seek low-cost farming alternatives that would provide additional opportunities. Extension Services in several states have programs to link retiring farmers with those who want an opportunity to farm. Most of these programs are under-funded and should be expanded. There are many public policy choices and options that should be explored to ensure opportunities for family owned businesses to continue for future generations. The remaining question is whether we have the will to take up the issue.

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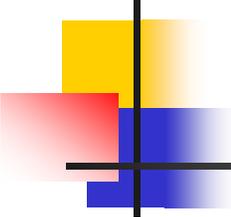
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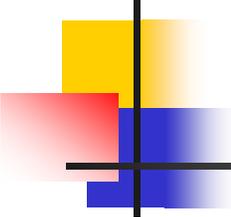
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# Recent trends in the structure of agriculture

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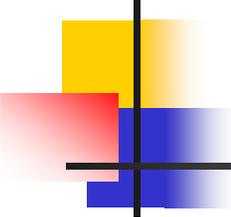
- Farm consolidation
- Larger farms
- Decline in farm numbers
- Specialization in production
- Movement from general farms to very specialized farm types



# Consequences

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- Vulnerabilities of specialization
- Less labor needed
- More capitalization of existing farms
- Increased efficiencies resulting in chronic surpluses
- Government program costs to support farm income → higher land values



# Consequences

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- Loss of farm population (out migration)
- Rural neighborhoods vacant during the day, owing to larger numbers of part-time farms
- Aging of farm population
  - Fewer opportunities for beginning farmers
  - Technology enables farmers to continue farming longer
- Increase in rural nonfarm residences and land speculators and investors

# Overall economic prospects for Iowa farmers will improve in the next five years

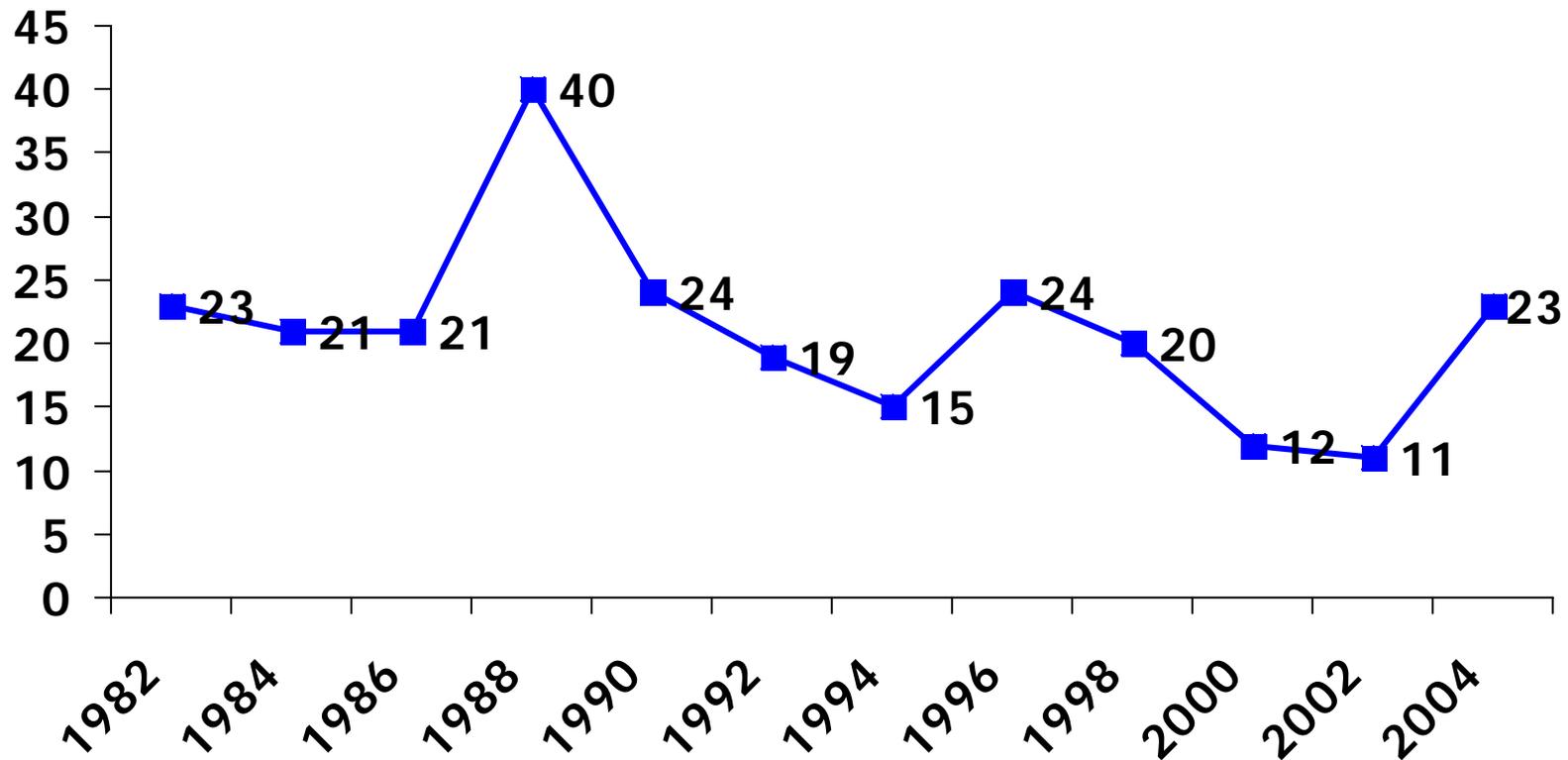
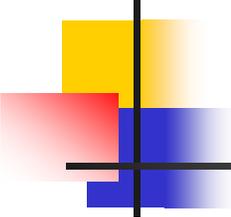


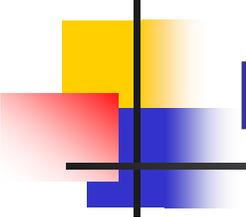
Fig. 4



## Stress Levels 1999 Farm Poll

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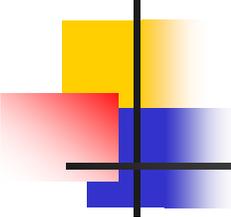
- 57% reported personal stress had increased in past 5 years
- 44% on day-to-day basis, stress has increased
- 81% reported that stress among farmers in their community has increased
- 53% stress within their families had increased



## What are Farmers Predicting for the Next 10 years (1999-09)?

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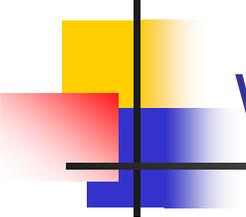
- 99% likely that farm numbers will continue to decline
- 95% low farm prices will put many out of business
- 96% more reliance on off-farm income
- 82% cost of living will prevent many from retiring at age 65
- 5% more young people will enter farming



# Trends in Post 1980s Farm Crisis

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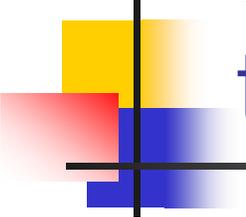
- Quite similar to the post-Depression years of the 1930s
- Many farm families are tired of economic hardship and are encouraging their children to look elsewhere
- Young people that are selecting careers in 2000s are the products of the 1980s farm crisis. They grew up in a climate characterized by tough economic times and pessimism.



# For farm youth born since 1980, what have been dominant messages?

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- *Hard times, economic hardship*
- *We can't afford this*
- *Limited opportunities*
- *Get an education and find something else to do*
- *There are better opportunities elsewhere*
- *There is no future in family farms*
- *Get big or get out*
- *Good place to live, poor way to make a living*
- *It's a tough way to make a living*



# Media Messages about farming in the post 1980s farm crisis

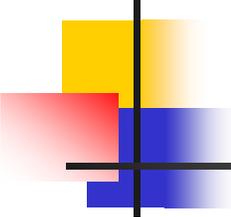
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## Movies

- Country
- The River
- Places in the Heart
- Troublesome Creek

## Literature

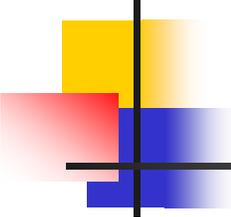
- A Thousand Acres
- Broken Heartland: The Rise of America's Rural Ghettos
- Lone Tree



# How these trends are reflected in Iowa farm entries

	<u>&lt;25</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65+</u>	<u>Total</u>
1982	2,852	17,458	21,282	21,744	25,287	16,557	105,180
%	2.7	16.6	20.2	20.7	24.0	15.7	
2002	869	5,282	17,331	24,555	20,227	22,391	90,655
%	0.1	5.8	19.1	27.1	22.3	24.6	
1982-2002 Change	-1,983	-12,176	-3,951	+2,811	+5,060	+5,837	-14,525
% Change	<b>-69</b>	<b>-70</b>	<b>-18</b>	<b>+11</b>	<b>+25</b>	<b>+26</b>	<b>-13.8</b>

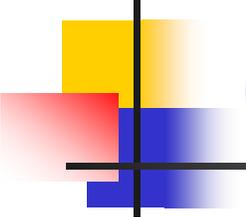
Fig. 10



# How these trends are reflected in national numbers

	<u>&lt;25</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>65+</u>	<u>Total</u>
1982	62,336	293,810	443,420	505,412	536,402	399,596	2,240,976
%	2.8	13.1	19.8	22.6	23.9	17.8	
2002	20,850	128,455	371,422	466,729	427,354	497,029	1,911,859
%	1.1	6.7	19.4	24.4	22.3	26.0	
1982-2002							
Change	-41,486	-165,355	-71,998	-38,683	-109,048	+97,433	-329,117
% Change	<b>-66.6</b>	<b>-56.3</b>	<b>-16.2</b>	<b>-7.6</b>	<b>-20.3</b>	<b>+24.4</b>	<b>-14.7</b>

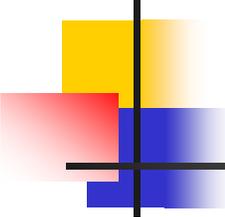
Fig. 11



# Desires about Succession (1996 Farm Poll, n=1982)

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- 75%... would like farm to remain in family when they retire
- 68%... if they had it to do over, they would still choose farming
- 63%... would continue if suddenly became rich
- 55%... would like children to take over farm when they retire (21% were undecided and 24% replied "no")
- 30%... would recommend farming to a friend (24% were not sure, 46% said "no")



# What will happen to your farm when you retire?

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- One of my children will take it over and eventually inherit..... 25%
- I will cash rent to a tenant..... 20%
- Don't know..... 15%
- Crop share to someone..... 11%
- Not applicable—don't own land..... 11%
- Sell to one of my children..... 10%
- Sell to a nonfamily buyer..... 8%

Fig. 13

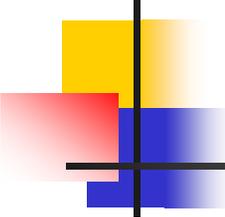
# 2004 Iowa Farm and Rural Life Poll

(n=1,514)

- **57%** would not encourage young people to enter farming

## WHY?

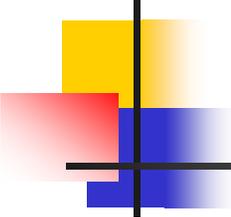
- **87%** young people cannot afford to buy the equipment, land, crop inputs, etc.
- **73%** farm profits too low
- **73%** there is too much risk
- **65%** land is not available
- **20%** requires too much manual labor
- **15%** young people not interested in living in country



# Needs of Beginning Farmers

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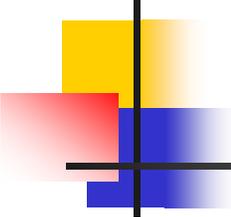
- 95%... agreed that beginning farmer's spouse needs to have an off-farm job
- 92%... agreed beginning farmer needs to have an off-farm job
- 86%... agreed assistance from family or other farmers will be necessary
- 68%... beginning farmers will be limited to sons and daughters of current farmers
- 58%... beginning farmer should live on farm
- 36%... beginning farmer should buy land



# Business Succession

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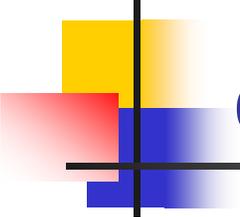
- Raises questions about what can or should be done to create opportunities for the next generation
- Highly mobile, energetic, well-educated young people will migrate to areas where there are better opportunities
- Hence, it is critical that we think in terms of creating opportunities for future Iowans



# Some observations

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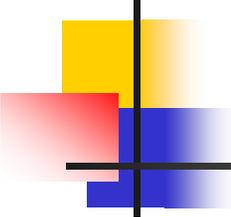
- Age distribution of farming is probably not much different on farms than what exists on main street in many Iowa small communities.
- Work force has evolved from a nation of self-employed to one of employees. The question of succession is broader than farming, it needs to be raised in terms of other forms of small businesses...grocery stores, farm supply, service stations, equipment dealers, furniture stores, and other main street businesses



## What are the implications of unabated consolidation in business and farming?

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- Quality of products or service
- Changes in the occupational structure
- Attachment to place
- Environmental protection
- Vulnerabilities of consolidation
- Changes in opportunity structure



# Recognition that Entry into Farming is a Process not an event

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- Most studies of succession have focused on the legal, financial and public policy aspects
- More attention should focus on the family processes, hence the title, *“All in the Family: the decision to take up farming”*
- Too often in ignoring the role of the family, we have saved the farm and lost the family
- Small business succession, whether a farm or nonfarm enterprise is a **family affair**

Family decision-making provides an environment where the family works towards goals that all family members have in common. Family members not involved in decision-making will often work towards individual goals that may be in conflict with family goals. Properly structured family business meetings can be used to focus family teamwork on important business decisions. Choosing the right method of making family business decisions increases your chances of making the right business decisions for your situation. "Let's take a vote," is the hallmark of the democratic approach to decision making. The majority wins and the minority loses. This type of decision making tends to split the family. The minority may not support or may even sabotage the decision. Family situations are unique and the case studies included in this booklet provide interesting examples of real life outcomes and it is motivating to see some of the innovative ideas developed. The picture of the family unit, in the form of a genogram included with each case study, gives a clear understanding of each family structure. Inclusion of the reasons leading up to the family meeting for each of the case studies also give the reader the opportunity to better identify with the situation. A preferable option might be for the parents to take the matter as far as they can and then for the parents to deal with each relevant child one by one. The purpose of the meeting with each child is to find out what they think is the best overall proposal for the parents to consider. Decision-making is the process of choosing a course between alternatives to achieve a desired result. Good decision-making is an active process in which the manager is aggressively and personally involved. Decisions can be categorized by the length of time it takes to observe the outcome of the decision: long-term, intermediate-term, and short-term. Long-term decisions may take years to make, implement, and evaluate. Intermediate-term decisions may take a year or less, whereas short-term decisions could take anywhere from a day to a few months to make, implement, and evaluate. Lease farm assets to daughter and son-in-law and maintain a small interest in the operation. Lease farm assets to highest bidder (farm partners, neighbors or other farm entities).