

# Beginning Farmers in North Dakota

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The decade of the 1980s has been characterized as one of extreme economic stress for many farm and ranch operators. In many respects, the economic conditions facing farmers have been the most severe since the 1930s (Murdock and Leistritz, 1988; McKinzie et al., 1987; Runge, 1986). While most attention has been focused on the negative aspects of the restructuring of the agricultural economy that has occurred during the last few years, some have chosen this same time period to launch farming careers. This summary highlights the demographic and economic characteristics of individuals who started farming in North Dakota during the period 1984-1988.

## STUDY PROCEDURES

Information about the attributes of beginning farmers and their families was obtained from a telephone survey conducted in March and April 1989. The survey incorporated a series of screening questions to determine if the survey respondents (1) had begun farming as a career since 1984, had re-entered farming since 1984, or taken on substantial financial and management responsibilities after farming with another person; (2) had farmed for at least one year at the time of the survey; and (3) considered farming to be their primary occupation. Of 481 individuals who were believed to qualify for the survey, 352 were contacted by phone, 178 provided usable questionnaires, 89 did not qualify for inclusion in the survey, and 85 chose not to participate. The other 129 could not be contacted for a variety of reasons.

## FINDINGS

Characteristics of beginning farmers are compared in many cases in this summary to those of a statewide longitudinal farm panel. The farm panel study was initiated in 1985, and values presented here are for 466 farmers who provided data in the 1989 survey (Leistritz et al., 1989).

### Farm Characteristics

Characteristics of the farm units operated by the respondents are summarized in Table 1. About 57 percent of these operators owned no land, and more than 90 percent rented at least part of the land they farmed in 1988. Overall, these beginning farmers operated slightly more than 1,200 acres.

Table 1. Farm Characteristics of North Dakota, 1988.

	New Farmers	Farm Panel
--- average acres ---		
Acres owned in 1988	268.6	742.6
Acres rented or leased <i>from</i> others	941.0	848.2
Acres rented or leased <i>to</i> others	6.3	35.1
Total acres operated in 1988	1201.6	1560.2
Tillable acres in operation	746.2	1085.5
----- percent -----		
Why did previous operator give up the land respondent now operates?		
Retired	54.3	NA
Financial Difficulties	26.6	NA
Died	12.1	NA
Quit farming (not retired)	8.7	NA
Found alternative employment	6.9	NA
Other	12.8	NA

In comparison, established farmers in the North Dakota farm panel operated about 1,560 acres.

Producers who had purchased land had most often bought it from a relative, and almost half of these operators also rented part of the land they farmed from a relative. The land they are farming was most often obtained when the previous operator retired or downsized due to financial difficulties.

Sole proprietorships were the type of farm organization most often reported by these producers, but partnerships were more frequent for beginning farmers than for members of the farm panel study (24 percent vs. 17 percent) (Leholm et al., 1985). Family corporations were the business form used by 7.5 percent of the beginning farmers, compared to 2.7 percent of farm panel members (Leholm et al., 1985).

### Demographic Characteristics

Beginning farmers averaged about 20 years younger than established farmers (Table 2), and almost 69 percent were married. Overall, beginning farmers had higher levels of education than established farmers in our farm panel survey. Only 4 percent had not completed high school, compared to 22 percent of established farmers. About 46 percent had one to three years of postsecondary education,

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**Table 2. Demographic Characteristics, North Dakota.**

	New Farmers	Farm Panel
	----- percent -----	
Age		
Average	29.2	50.1
Marital status		
Single	30.3	8.5
Married	68.6	89.3
Separate/divorced/widowed	1.1	2.2
Years of formal education		
Less than 12	4.0	22.1
12	29.1	35.9
13-15	45.8	27.1
16	14.3	14.9
17 or more	6.9	0.0

and 21 percent had completed college or postgraduate education.

About 89 percent indicated that they had six or more years of farming experience prior to beginning their farm or ranch venture. Growing up on a farm (77 percent) and working for parents or relatives (52 percent) were the forms of experience most frequently cited. More than 97 percent indicated that their family provides at least 50 percent of the labor used on the farm. The percentage of farm labor provided by the family is one common approach for defining a "family farm" (Murdock and Leistritz, 1988).

**Off-Farm Employment**

Beginning farmers are much more likely to work on an off-farm job than their established counterparts (Table 3). Precision crafts (for example, mechanics, welders, construc-

**Table 3. Off-Farm Employment Characteristics, North Dakota.**

	New Farmers	Farm Panel
Worked off the farm	41.1%	22.2%
Years worked at job		
Average	4.9	8.6
Median <sup>a</sup>	3.0	6.0
Days worked off farm		
Average	100.1	111.2
Median	72.5	100.0
Hourly wage rate		
Average	\$7.85	\$8.30
Median	\$6.25	\$7.00
Gross earnings from job		
Average	\$7,671	\$10,908
Median	\$5,000	\$6,300

<sup>a</sup>The median is the midpoint of all responses.

tion trades) were the most common occupation group. Possibly reflecting their younger age, lack of experience, and lower seniority, new farmers had worked fewer years and slightly fewer days at their current off-farm job and had received lower average and median hourly wages than farm panel members. With a combination of fewer days of work and lower wage rates, the beginning farmers' gross earnings from off-farm work were also lower. Nevertheless, only about 16 percent planned to look for a different job in 1989.

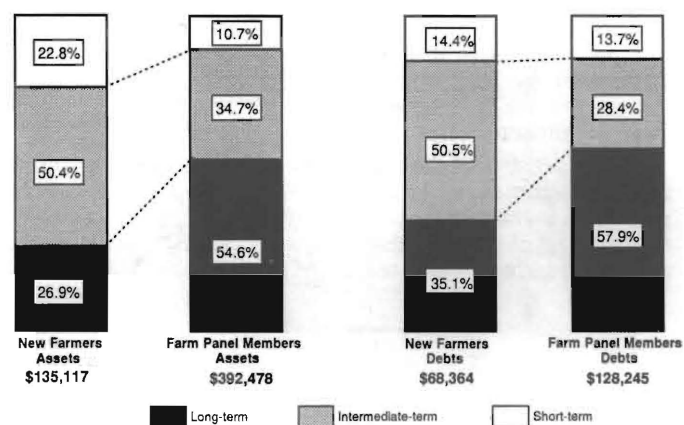
Fourteen percent of the producers who had not worked off the farm in 1988 planned to look for off-farm work in 1989. Most wanted to work 30 hours or more per week, would commute 20 miles or more, and would accept a wage of \$5.00 per hour.

About 61 percent of the beginning farmers' spouses had worked off the farm in 1988. Most worked in technical, sales, or administrative support jobs, usually within 20 miles of their residences. While most of the operators appeared to work off the farm only seasonally, many spouses worked year-around or at least for the majority of the year (for instance, teachers). Their median levels of both hourly wages and gross earnings were quite similar to those of the farm panel members. Almost 19 percent, however, planned to look for a different job within the next year.

**Balance Sheet and Sources of Capital**

Beginning farmers reported an average of \$135,117 in total assets at the end of 1988 (Figure 1). Both the average and the median values were about one-third of those for the farm panel. The beginning farmers also reported a much smaller percentage of long-term assets (a majority owned no farmland) and a much higher percentage of intermediate-term assets, which includes machinery and breeding livestock.

Beginning farmers reported debt levels that were roughly half of those for the farm panel members. Their debts, like their assets, were concentrated in the intermediate-term category. Almost 9 percent reported that their debts exceeded the value of their assets (Table 4), and another 18 percent had debt-to-asset ratios exceeding 0.7, a level often associated with severe financial stress. However, more than 92 percent were current on all their debt payments.



**Figure 1. Composition of debts and assets, 1988.**

**Table 4. Debt-To-Asset Ratio as of December 31, 1988 For Beginning Farmers and Farm Panel Members in North Dakota.**

	New Farmers	Farm Panel
Average	53.0	49.2
Median	45.0	31.0
----- percent -----		
Distribution		
No debt	13.1	16.3
0.01 to 0.39	33.3	45.0
0.40 to 0.69	26.8	23.6
0.70 to 1.00	17.9	9.4
More than 100	8.9	5.7

Commercial banks and the FmHA were major sources of each type of credit (i.e., long-term, intermediate, and short-term). Farm Credit Services (FCS) played a much stronger role as creditor for established farmers than for beginning farmers, and relatives (although not a major source for any type of credit) were more important for beginning farmers than for the panel producers. Relatively few (8 percent) had utilized the Bank of North Dakota's beginning farmer program.

#### Income and Earnings

Average gross farm income for new farmers lagged about \$40,000 behind that of established farmers (Table 5), and new farmers' depreciation and interest expenses were about half of the amount taken by established farmers. Government payments were important to both groups of operators; new farmers received an average of \$10,429, while established farmers received \$17,631. Average net cash farm income, or the "bottom line," for new farmers was just over

**Table 5. Selected Income and Expense Items For Beginning Farmers and Farm Panel Members in North Dakota.**

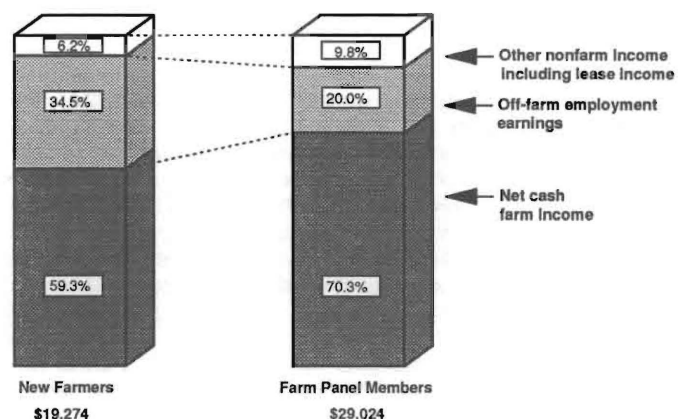
	New Farmers	Farm Panel
----- dollars -----		
Gross farm income		
Average	76,263	115,808
Median	56,000	80,979
Depreciation expense		
Average	7,475	16,736
Median	5,600	10,298
Interest expense		
Average	5,931	11,741
Median	3,600	7,767
Government farm program payments		
Average	10,429	17,631
Median	6,650	12,000
Net cash farm income		
Average	11,782	21,422
Median	10,000	15,000

half the amount reported by the farm panel members; new farmers netted an average of \$11,782 compared to \$21,422 for established farms.

The total family income and income sources of beginning farmers and farm panel members are compared in Figure 2. The total income for the beginning farmers was considerably less than that for the panel members. Earnings from off-farm work made up 35 percent of their total income and appear to be a key factor affecting new producers' ability to become established in the industry.

#### CONCLUSIONS

This study reveals that the severe restructuring of agriculture during the 1980s may have facilitated some persons' entry into farming. A key factor in becoming established was earnings from off-farm employment. The availability of adequate off-farm job opportunities for operators and their spouses may be nearly as important to the ultimate success of these households as the availability of farmland for rent or purchase. Beginning farmers represent a workforce that is highly educated, skilled, and ready to work.



**Figure 2. Composition of farm family income for 1988.**

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