

OHIO FARM HOUSEHOLD FINANCIAL CONDITION
January 1, 1987

Financial stress among U.S. farm families has been much discussed in the news in recent years. What the actual economic and social circumstances are among farm families is widely debated. Often one finds comparisons to the Great Depression. Then one sees declarations that there is no 'farm problem', that bankruptcies are confined to a speculative few and are not representative of the broader agricultural whole. During the winter and early spring of 1987, nearly 1000 Ohio farm operator households were randomly selected and interviewed extensively by telephone to determine some of the facts which should resolve debate and promote a more focused understanding. This is the first in a series of brief reports which summarize some of the things that were learned.

Two prefatory remarks are appropriate: First, these sampled households were selected with the intention that they would represent the larger population. Statistical tests show that they do. We are not talking, therefore, only about 1000 Ohio farm families; we are talking about things that apply as well to the much larger population of farm homes nationwide. Second, national averages do not tell nearly as much about what has been going on as do the variations within the data that produced those averages. Perhaps some of the dismissals of agriculture and its 'problems' have been based on a knowledge of the averages and an ignorance of the importance and implications of some of the variations.

An example will illustrate: In this country what we call 'farms' is what the census calls them. When the census says there are 2.3 million farms they mean 2.3 million places that ordinarily sell \$1000 or more annually in farm products. That's not very much--a couple calves, maybe, or some sweet corn in July, or maybe a little pick-your-own strawberry patch. Most of us have something more substantial in mind when we imagine a farm, but when the government says 'farm' it includes the strawberry patch. In fact, if you add up all the farms with annual sales under ten thousand dollars, you will account for more than half of all U.S. farms, but collectively all these still will account for less than 3.0 percent of total U.S. farm output (Table 1). Not surprisingly, these farms don't have much debt; they're not 'in trouble', so to speak. But neither do they contribute much to agricultural output or, for that matter, even to the families that live on them who, understandably, have nonfarm income from nonfarm jobs to support the household (Table 2).

At the other extreme are the big farms, and these are often even bigger than the one our imaginations serve up when our minds think 'farm'. The biggest census sales category is operations annually selling over \$500,000 in farm products. At 1987 harvest prices it would take about 3000 Ohio acres to grow that much corn, and that's the bottom end of this size

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category which also includes U.S. giants with annual sales of \$20 million or more. The average sales per farm in this category are over \$1.8 million. Such giants are rare, of course; they account for only about 1.5 percent of all farms. But these few farms account for nearly a third of total U.S. agricultural output (Table 1).

So if we summarize to this point, we get a picture that looks like this: When you combine the smallest farms and the biggest farms you have accounted for 53.6 percent of all the farms and 35.0 percent of all the output. However, few of these farms fit the picture of "family farms", which are the focus of so much of the national attention.

What we can discern from all this is that financial stress among farm households could be severe indeed yet difficult to identify when it is camouflaged in national averages. What makes it severe is that it is so widely spread among commercial family farm households which comprise most farms operations with \$20,000 - \$500,000 in annual sales. These account for nearly half of all farm operators and two-thirds of total output. About one-third of these households are in financial difficulty. Many of these farms do not own enough resources to make them financially secure and are driven by competitive necessity to take calculated financial risks in attempts to make these operations viable enterprises for the long pull. What goes on in these households in their efforts to cope provides some of the most interesting aspects of this survey. Later reports will portray these efforts.

Consider Table 2, for example. Nonfarm jobs are an important source of income in farm households; in fact, it is more important than farm income to the average household, both nationally and in Ohio. The reverse is true mostly among farms that sell over \$100,000 in annual output. Typically, nonfarm income is not unimportant, even among the largest farms. But it is critical to small farms; those selling under \$40,000 in annual output. Among Ohio households that were interviewed, nonfarm incomes subsidized the 1986 losses from farm operations in these size categories (Table 2).

Finally, debt-to-asset ratios tend to rise as farm operations get larger, both in Ohio and nationally (Figure 1). Among the smallest farms debts are modest, only about 10 percent of assets. But in the struggle to modernize and to consolidate small farms into larger, more viable units, debt loads rise and get most severe. And among these farms, a part of the debt crunch comes from the fact that they are too big to treat as part-time responsibilities; the operator is too committed to farming to have time for a non-farm job in town. Nonfarm income on these farms typically comes from other family members who may teach school or drive school buses or otherwise work in the community.

An article will follow shortly which will focus more sharply on the debt burden of Ohio farm operator households.

FIGURE 1

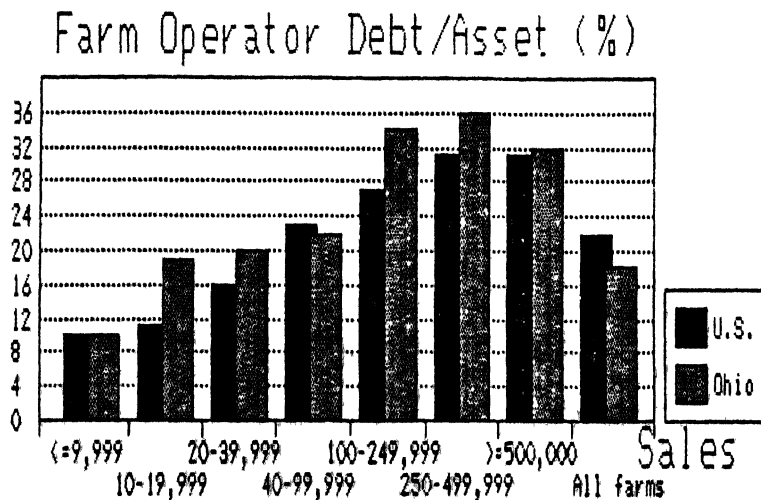


Table 1: Percentage Distribution of Farms, Farm Sales, and Farm Operators by Sales Class, January 1, 1987

Sales Class	U.S. Farms	U.S. Farm Sales ¹	U.S. Farm Operators ²	Ohio Farm Operators ²
Under \$10,000	52.1	2.9	39.8	31.9
10,000 - 19,999	10.7	2.6	12.3	15.0
20,000 - 39,999	10.1	4.9	12.3	16.0
40,000 - 99,999	13.3	15.7	16.9	20.2
100,000 - 249,999	9.5	25.2	14.1	13.6
250,000 - 499,999	2.8	16.6	3.5	2.9
500,000 and up	1.5	32.1	1.9	0.5
Total	100.0	100.0	100.0	100.0

¹ 1985

² The difference between farms and farm operators is the difference between land ownership which includes inactive owners who rent, and the actual management and risk acceptance of a farm operation. The Ohio study was confined to farm operators. Landlords who merely rented land were not interviewed.

Source: Census, USDA, and Ohio Survey.

Table 2: Average Farm Operator Income per Household
U.S. and Ohio Estimates
January 1, 1987

Sales Class	U.S. Farm Operators			Ohio Farm Operators		
	Non-farm	Net Farm	Total	Non-farm	Net Farm	Total
	-----\$1,000-----					
\$9,999 or less	30.7	1.3	32.0	24.0	-2.1	21.9
\$10,000 to 19,999	31.4	2.6	34.0	23.5	-2.6	20.9
\$20,000 to 39,999	19.9	7.2	27.1	23.4	-1.2	22.2
\$40,000 to 99,999	14.8	10.8	25.6	18.7	8.5	27.2
\$100,000 to 249,999	14.4	24.4	38.8	18.0	26.0	44.0
\$250,000 to 499,999	21.0	70.3	91.3	18.1	43.7	61.8
\$500,000 or more	34.1	141.8	175.9	19.1	140.7	159.8
All farms	24.3	11.9	36.2	21.8	5.9	27.7

Source: USDA and Ohio Survey

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