University of Idaho
College of Agriculture
Cooperative Extension Service
Agricultural Experiment Station

Current Information Series No. 807

Rural America:
People and Communities Left Behind — Again

Corinne M. Rowe and Bonnie Borris

Introduction and Background

In 1968, a report of the Presidents' Advisory Commission on Rural Poverty titled, "The People Left Behind," focused national attention on the problem of rural poverty and offered 150 recommendations for policy changes to address the issue.

This report reflected the previous 50 years' drain of people from rural communities as the farm population declined from a 1916 peak of 32.5 million to roughly 10 million in 1968. (Comparable figures for Idaho are 203,000 and 102,000.) Rural areas at that time truly lagged behind cities on most indicators of well-being, including income, employment opportunity, educational levels and community social and health services. Movement of people from farms to cities during this period was viewed as having increased the well-being of the individuals affected. People were seen as being pulled from the farm by the bright lights of the cities and the availability of industrial jobs rather than being pushed off the farm as is happening today.

Social and Economic Change Since 1968

Since 1968, tremendous social and economic changes have occurred both nationally and globally. In the process, differences between rural and urban places have lessened as electricity, telephone service, all-weather roads, television, centralized water and sewer systems and shopping malls extended into the country. The economic character of rural life diversified as trade, service occupations and manufacturing became the primary employers.

During the decade of the 1970's, rates of population growth in rural nonmetropolitan counties exceeded that of metropolitan counties (those principally with a central city of over 50,000) as people who preferred a rural lifestyle were able to satisfy their preference. Idaho's population grew 32 percent. About half of the new people were migrants, many of whom were only too happy to leave the crowded city life behind. And, although this pattern of migration was not a return to farming (back-to-the-land) or other extractive industries as some initially thought, those who wished to farm were generally able to do so.

This was a period of rapid economic growth for agriculture and other natural resource industries as well as for rural areas. All shared in the prosperity of the times as new employment opportunities were created, particularly in places like Boise, Blackfoot and Idaho Falls but also in the more remote corners of our state. Agribusiness firms that processed and exported agricultural products had record earnings.

The boom times of the '70s also supplied the circumstances that led to the current farm financial crisis, however. Expanding export markets caused by a booming global economy and expanded credit for importing nations, rising inflation, low real interest rates, high commodity prices and encouragement from creditors and others to "plant fence row to fence row" led many farmers to expand their operations. Some borrowed heavily against the soaring value of their land, adding more land and other capital assets in anticipation that growth in the agricultural sector would continue.

Instead, tighter monetary policies of the 1980's reduced the rate of inflation, increased real interest rates and strengthened the U.S. dollar. This plus a worldwide recession discouraged foreign countries from buying U.S. agricultural commodities. Land values declined as inflationary factors were removed and prices for farm products dropped.

The result of all these factors is that by 1983 many farmers felt the pressures of falling land values, declining prices for their crops and unbearably high interest payments. Increasing numbers of them are now faced with far more debt than they can handle at a time when more food is being produced than can be absorbed by the domestic market and foreign markets have largely disappeared. Many now face the decision to liquidate, to reorganize or scale-down operations or to hunker down, holding on to as many assets as possible while waiting out the poor economic climate. Net farm incomes have fallen precipitously, down nearly 40 percent from the average of the '70s. Many astute (or perhaps lucky) farmers will survive the current crisis; some will not. Others impacted by the situation include ag lenders, farm equipment dealers, machinery manufacturers and fertilizer and pesticide distributors who service the farmer. Many parts of these support industries have already undergone consolidation and restructuring both nationally and locally.

Agriculture is not alone in feeling the effects of change. Both the mining and forest products industries faced similar circumstances and are currently undergoing major restructuring in the form of automation and downsizing. Quite likely, all three of our basic extractive industries will emerge from the '80s with a new look.

The year 1982 was also a time of a rather extensive economic recession. Whether coincidental or directly related to the problems on the farm, rural areas have experienced much slower economic recovery than urban areas following this 1982 recession. Together these trends spell disaster for growing numbers of individuals and families, farm businesses, agri-businesses, small town retail businesses and rural communities.

The Farm Crisis

The financial crisis in farming is also a personal crisis for farm families with ramifications extending into rural communities. It is a community crisis, especially for counties whose economy is based primarily on agriculture, as nearly half of Idaho's 44 counties are. Adjustments by farmers, local businessmen and community leaders are being made and will continue to be necessary in the future. Little improvement is anticipated in the overall situation for another 3 to 5 years.

Several state and agency surveys of farm financial conditions have shown that between one-fifth and one-third of U.S. farms are in serious economic trouble with debt-to-asset ratios exceeding 40 percent or more and cash flow inadequate to service loans. The situation in Idaho is similar.

A year ago at this time, 17 percent of Idaho farmers (roughly 5,000) were in extremely serious financial positions, experiencing debt-to-asset ratios of 70 percent or more; 22 percent (about 5,300) were experiencing moderate financial stress, with debt-to-asset ratios between 40 and 70 percent. The remaining 60 percent have less financial stress and will likely be able to service all debt and continue farming. The situation for most had worsened, however, in just one year.

Generally speaking, it is not the less productive farmers or bad managers who are suffering or leaving farming. Poor managers left farming years ago. Some of our most highly productive and innovative farmers are facing foreclosure or bankruptcy. Hard work and productivity are not the problem.

Who's in Trouble?

Financial stress problems are not evenly distributed among farmers or across types of farms. Farmers under age 45 who began farming in the 1970's are the largest group in financial trouble today. Other farmers who greatly expanded during this time and those who consider farming their primary occupation with little or no off-farm income are also hard hit. In some cases the older generation is now left with nothing for retirement, having mortgaged their own land to help a son or daughter get started.

Mid-sized family farms with sales between $40,000 and $100,000 are currently experiencing the greatest struggle to survive. Operators of smaller farms usually depend less on farm income for their livelihood since farming is generally not their primary source of income. Net income for farms with sales less than $40,000 has generally been zero or negative since 1981 with living expenses largely coming from off-farm employment. The largest farms, although carrying heavy debt loads, can generally manage such debt.

Estimates are that one-third of our nation's family farms will not survive beyond 3 to 5 years (figures for Western states are closer to 25 percent). Between 1985 and 1986 alone, 60,310 farm units nationwide went out of business, the largest one-year decline in farm numbers in more than a decade. By 1995, expectations are that 200,000 of the 600,000 commercial farms (gross sales above $40,000) nationwide will cease to operate. For the most part, these will be middle-sized family farms. In Idaho, the loss will be about 3,000 commercial family farms leaving approximately 6,000 commercial and 10,000 small part-time farms.

Personal and Family Impact

Loss of a farm is different from loss of an office job or main street business. Most farm families live on their farm. Their lives revolve around the cyclical pattern of plowing, planting and harvesting. Threatened loss of the family farm involves loss of security, identity and status. It may be interpreted as failure to uphold family obligations and disrupting future dreams for one's children. Farm owners forced off their land often incur a tremendous sense of guilt.

The impacts of financial stress are felt by all members of the farm family as evidenced by personal and psychological problems. In the Midwest especially, the incidence of deteriorating mental health, including severe depression and suicide, is increasing. Many people have indicated they have no one available to talk to, and they lack support from friends, relatives and church groups as they attempt to deal with the situation.

Children affected by the farm crisis have special needs. Schools are reporting that some farm children are coming to school underfed and lacking basic medical and dental care. In addition, learning to cope with the changed conditions within the home brings extra problems for children already struggling with self esteem and identity problems.

Often farm families do not qualify for government programs because the book value of their assets is high. Farm operations with relatively high debt loads and negative farm income may lack the money with which to buy food or health care for the family.

Farmers generally know where to get technical information related to crop or livestock production. Few, however, know where to turn for help with financial management, legal assistance, government programs, bankruptcy procedures, locating and preparing for off-farm jobs or for dealing with individual emotional stress and family breakdown.

The Idaho Department of Agriculture's Farm Hotline provides some information. The Hotline refers callers to sources where they can get answers to their questions. Some local areas have established support groups that can provide information on local resources available. More referral sources for hotline callers and locally organized support groups will be needed in the next 1 to 3 years.

For those farm families who can no longer continue farming, new or additional sources of income will be needed. This may mean retraining. Relocation to an area where jobs are more plentiful will be necessary for others.

Evidence suggests that individuals displaced from farming:

1. Make substantial efforts to maintain some tie to farming or ranching, including greatly reduced home-farm operation or limited leased-farm operations using family labor and salvageable equipment;
2. Have a strong preference for staying in the community and maintaining residency on the farm;
3. Attempt seriously to find off-farm employment in the home community or within reasonable commuting distance;
4. Are willing to receive training and respond to educational opportunities for alternative employment; and
5. Are reluctant to leave the community for the sake of financial survival.

The Centers For New Directions in Idaho's Vocational-Technical Schools provide counseling and classes for persons in transition. The question is, are job opportunities available in rural Idaho?

Rural Community Crisis

Rural communities, particularly those located in areas dependent on agriculture, are feeling the impact of the farm financial crisis. Local agribusiness sales are depressed due both to a decrease in demand for farm implements and inputs and to an onslaught of equipment coming onto the market through farm liquidations. The decrease in retail sales in other types of businesses reflects the decrease in disposable income experienced by those directly involved in agriculture and the outmigration of individuals who have left the area to look for employment elsewhere.

Potentially, community services will be affected. As land values decline, tax revenues decrease leaving fewer sources of funds to provide adequate community maintenance, including police and fire protection, education and other public services. The outmigration of individuals leaves fewer people who need services but increases the cost of providing services to each individual who remains.

In addition, when farmers are forced to declare bankruptcy, vast amounts of uncollected debt are left in the home community. Local commercial banks and implement, seed and feed companies are left to share the debt remaining unpaid after the farm closes.

Issues To Be Addressed

While national efforts focus on developing a viable farm program and policies to address the current problems in agriculture, the needs of people and communities impacted by changes in agriculture must not be overlooked. Many of these are best dealt with by private groups and organizations and by state and local agencies of government.

Probably the greatest need at the present time is for awareness. Many farmers are still unwilling to admit they have a problem and are unable to accept help from others. Supportive services and networks and support groups need to be formed within the farm and agricultural community. In addition, there is a need to educate the general public and increase others' sensitivities to what is happening to their neighbors.

State, county and community attention should be directed to financial, legal and mental health counseling needs of individuals and families, regardless of whether they are continuing in or leaving farming. Coordination of efforts by existing community service agencies is a must. Policy questions that must be addressed include: What kind of aid is needed? How should it be given? Who should provide it? Who should pay?

For those forced out of farming, what training and educational opportunities exist in rural communities? What can be done to help people make the transition from farming to other occupations? One possibility is to provide financial assistance to farmers and family members who want to attend educational institutions to obtain marketable job skills. Another possibility might be to provide supplemental income loans to cover basic living expenses while a transition is made.

Whose responsibility is rural economic development? What can be done to increase the number of jobs and other sources of income, particularly in agriculturally dependent counties?

In the final analysis, we must recognize that the natural resource-based industries of agriculture, forest products and mining and the rural communities of which they are a part are highly interrelated and interdependent. What happens in one has major implications for the well-being of the others. If we in Idaho are not to become the next "people left behind," we must seek answers to the problems facing our natural resource industries.

The short-term challenge, however, unless we are to be left behind-again, is to find ways to support our people through these hard times. The base for our future economy is still our natural and our human resources.

The Authors — Corinne M. Rowe is Extension Rural Sociologist and Bonnie Borris is a Research Associate, both in the University of Idaho Department of Agricultural Economics, Moscow.

Issued in furtherance of cooperative extension work in agriculture and home economics, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, H. R. Guenthner, Director of Cooperative Extension Service, University of Idaho, Moscow, Idaho 83843. We offer our programs and facilities to all people without regard to race, creed, color, sex or national origin.

1,000, May 1987

35 cents per copy