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# Economics Newsletter

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## Consequences of Declining Farm Numbers in South Dakota

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Many rural people throughout the Great Plains and the Corn Belt have been concerned for some time about the trends of increased farm size and declining farm numbers and the impact of these trends upon (1) the potential for young people to enter farming, (2) the viability of rural institutions and communities, and (3) the economic and political clout of production agriculture. In this newsletter, the current South Dakota picture of farm numbers is analyzed, predictions for the year 2000 are made, and implications of these trends are presented.

According to the latest Census of Agriculture data, South Dakota farm num-

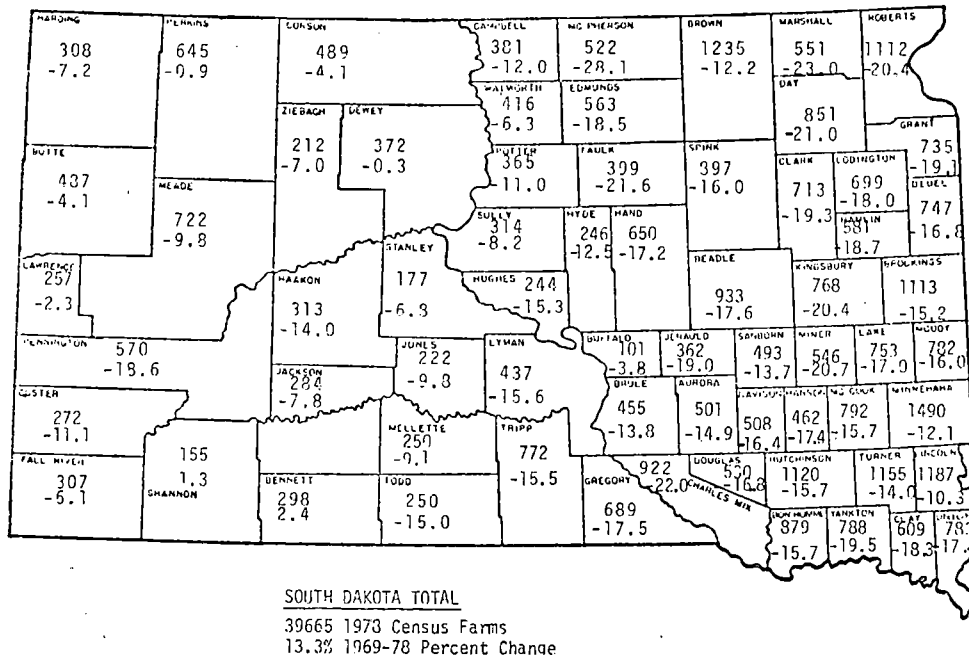
bers have declined from 45,726 farms in 1969 to 39,665 farms in 1978. This is a decline of 6,061 farms or 13.3% in nine years. The U.S. Census Bureau now defines a farm as a unit with \$1,000 or more in annual sales of agricultural products.

Declining farms is a continuing trend that is consistent with the national scene. During the 1930's, there were 83,303 farms in South Dakota. So, we have seen South Dakota farm numbers reduced by 50% in 50 years. Nationally, farm numbers declined from 6.8 million in 1930's to 2.3 million in the latest Agricultural Census. This means a two-thirds reduction for the U.S. over the same 50 year period.

Geographically in South Dakota, counties west of the Missouri River show farm numbers declining at half the rate of eastern counties (See Figure 1). Between 1969 and 1978, East River counties averaged a decline of 16% compared to 8% for West River counties. Technological advance varies across agricul-

FIGURE 1. SOUTH DAKOTA CENSUS FARM NUMBERS 1978 AND PERCENT CHANGE FROM 1969.

TOP NUMBER - 1978 CENSUS FARMS.  
BOTTOM NUMBER - PERCENT CHANGE BETWEEN 1969 AND 1978



SOURCE: U.S. DEPARTMENT OF COMMERCE, BUREAU OF THE CENSUS, U.S. CENSUS OF AGRICULTURE, SO.DAK. 1969 and 1978

tural enterprises which helps to explain the difference. It still takes a certain number of range acres per cow in the West. In the East, there is a higher proportion of crop acres and the increasing size of crop machinery has greatly increased the number of acres that one man can farm.

In spite of what many people believe, the entry rate of young people into farming in South Dakota increased during the decade of the 1970's. During this decade, approximately 700 young people entered farming annually whereas during the 1960's this rate averaged 500 per year. This increase was primarily due to record income years in the mid-seventies which provided increased incentive to enter farming.

However, farm numbers have continued to decline because of the number of senior farmers exiting is greater than the number of young people entering. The current exit rate for senior farmers--which has been relatively stable since the 1960's--is approximately 1,200 per year. To stabilize South Dakota farm numbers at current levels, 500 additional entrants per year would be required to offset the exit rates of senior farmers. This is a 70% increase from the present level of entrants, which has been the highest entry rate in 20 years. Thus, there is little likelihood of stabilizing current farm numbers.

Gazing into our crystal ball, we find that farm numbers will continue to decline. There will likely be 30,000 South Dakota farmers in the year 2000--or an approximate decline of 25%. We simply have more farmers in older age brackets. Currently there are about 20,000 operators in the 45-to-65 age group, and all of these will reach 65 or older by the year 2000. However, there are only about 12,000 in the 25-to-45 age category to replace this group. So based on current entry levels and age distribution, we can continue to expect an average decline of about 500 farm operators per year until the year 2000.

There is no need to argue about this overall trend. Time may show

these predictions to be off a thousand or two, but 30,000 farms in the year 2000 is certainly "in the ball park." There is no way to slow down birthdays of those over 45, technological capacity for larger farms is already available, and the economic conditions facing agriculture together with potential changes in government policies are not apt to provide incentive for greatly increased entry into farming during the 80's and 90's.

What does this mean for South Dakota? The important implications of declining farm numbers come from impacts on rural communities and the economic and political clout of agriculture. Let's consider each impact in turn.

The Community Problem: As farm numbers continue to decline, how should rural communities which are largely dependent on agricultural commerce, adjust to this trend? A certain number of customers is required for a business to survive. So, some rural communities will be faced with increasing prices or delining local services as their customer population shrinks. This, in turn, will increase the cost of living for all remaining residents and the cost of production for the remaining local farmers.

Rural communities faced with this problem have four basic options:

- Decline economically as the population base declines;
- Attract a larger proportion of local residents to trade locally;
- Expand the trade area by providing services to surrounding communities to off-set declining farm numbers; and
- Develop alternative manufacturing or production sectors which do not depend upon the number of farm operators in the local area.

The latter three options require investment of time and money. So, the solution selected will vary depending on the resources, opportunities, leadership, and values of each individual community. There will be economic gainers and losers as a result of declining farm numbers. Some communities may be

beyond help due to lack of resources and opportunity. Others may simply lack leadership. As a result, some communities will not be economically stable unless the problem is soon addressed by community leaders.

The Market Structure Problem: As farm numbers continue to decline how should agriculture adjust economically beyond the farm gate. Fewer farmers mean less dispersion in farm production and marketing decisions. This increases the economic feasibility of direct coordination between farmers and processors relative to the traditional indirect coordination system embodied in regional open markets.

For example, today in South Dakota you can not sell or produce poultry or poultry products unless you are under contract. There is no open market available. Many other farm products are heading the way of poultry. Thus, the future control of agriculture depends largely on who will control farm markets. Will those farmers who are around in the year 2000 survive as independent farmers with market clout or will they work as employees of a few giant food processing and marketing firms?

Farmers are faced with four basic options:

-Organize: Increase direct coordination between processors and groups of farmers. Examples include co-operatives, marketing associations, and collective bargaining units;

-Integrate: Increase direct coordination between processors and individual farmers by direct contracts or by employer-employee relationships;

-Return to an Open Market: Legally require that a percent of production be sold on the open market or make open marketing more efficient through electronic communication and other means; and

-Government Allocation: This means farm products are marketed by a government agency or commission that determines allocation and price of farm products.

It is important to understand that as individual farmers integrate

with food processing firms, the potential viability of the remaining options is reduced. Thus, the decision will become irreversible at some future date.

The Political Problem: As farm numbers continue to decline, will farmers and ranchers speak with one unified voice in Washington and Pierre, or will they attempt to continue to practice "power politics" even though their clout for delivering the votes is declining? The farm population represents less than 20% of the total population in South Dakota and less than 3% nationally. Agriculture is a minority in Washington and is becoming one in Pierre. In addition, there are several special interest groups interested in food and farm policy. Farm organizations are no longer the only ones who testify on food and farm related issues. So, to be politically successful in an urban Congress or Legislature, farm interests must learn to practice the politics of a minority. How can this be done?

-Speak with one farm voice and don't "wash dirty linen" in public. Ag Unity is a good start in South Dakota, but we have nothing comparable on a national level;

-Avoid being typed politically so you can work with Democrats or Republicans, whoever is in office;

-Take reasonable positions supported by facts, otherwise farmers and farm groups will be open to public criticism by those who understand the facts;

-Build coalitions and work within the system. There would likely be no stronger coalition than a farmer-consumer coalition particularly on an issue like food safety inspections of imported beef;

-Avoid unnecessary battles over philosophy and pick allies issue by issue. For example it is immaterial whether the USDA is a "farmers' Department" or "consumers' Department." The USDA is the President's Department and such philosophical debates make it tougher to gain the support of urban consumer interests and Congressmen during farm bill debates.

The 1980's and 90's will be politically challenging for farmers. Will they speak with one voice and get

their facts straight or will they and their leaders be factionalized and manipulated by other interests who do their homework? Although declining farm numbers means declining farm votes, it does not necessarily mean declining

clout if farmers become more politically astute. Economic and political unification of farmers may even become easier over time simply because there will be fewer of them in the year 2000 than there are now.

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