

The Changing Face of Agriculture

Where Did All the Family Farms Go?

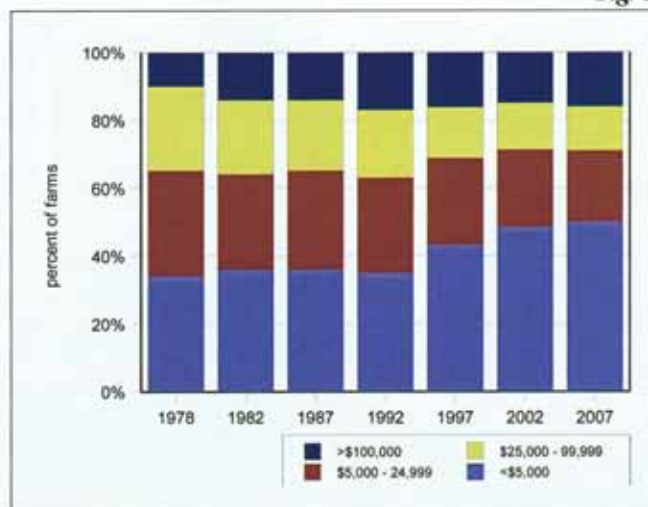
ARTICLE BY PAUL D. OHLENBUSCH

OVER THE YEARS, I have watched the changing face of agriculture with great interest. The changes have been similar to what we have seen in many industries, that is some small businesses slowly growing into large corporations. Many others disappearing. It wasn't all that many decades back when agriculture accounted for a very large percentage of the jobs in the nation. Today that number is down in the area of about 20% of the jobs being related to agriculture. Of even more interest is the fact that we have less than 2% of the population of the United States directly involved with the production of food and fiber.

The 1940 Census of Agriculture showed about 5.7 million farms in the United States. The 2007 Census of Agriculture showed a little over 2.2 million farms. In the 1940 census, it took almost 90% of the farms to produce 73% of the product value. In the 2007 census, 75% of the value of products produced came from about 125,000 farms. This compares to about 5.2 million farms in 1940. Figure 1 shows the distribution of farms by sales of products from 1978 to 2007. The concentration of production and product sales continues to be in large farms.

Another interesting thing coming out of the Census of Agriculture is the increase in specialty production products. Aquaculture and other animal farms (includes bees, deer, elk,

Fig. 1



etc.) have been increasing while some of the more traditional animal product farms have been decreasing.

LOOKING BACK

As I look back over the years, my family rented and share cropped early. In those years, it was a common thing for families to move from farm to farm or farm with different land-

lords each year. When my father took on the farm management job for a ranch we moved to our first really permanent home (lived in the same house for over 10 years!). I lived on that ranch until I went to college.

Throughout my professional career, I worked with many people in agriculture both in production and suppliers of materials to agriculture. All of these were either family operations or some individuals working together. Many grew in size not only in acres but also in the complexity of their operations – requiring more management and more inputs to maintain the operation. The interesting thing that I've followed was the fact that whether it was a family or two or three individuals working together, the public face of their operations is perceived to be a corporation by the public. By that, I mean large operations requiring the use of large land areas, large capital inputs and increased labor needs. Some of the businesses supplying these operations follow the same general pattern. These businesses often supplied materials for

producers or services for them. The interesting thing is that they all followed similar paths.

I also witnessed the disappearance of farms, ranches and businesses. The most common characteristics that seemed to bring about failure were the inability to make business decisions, the inability to manage capital and being unwilling to change the operation to meet changing product demands. I also saw operators who defied their bankers and good advice from others and still built a successful business. The difference was the latter developed their business within their resources to produce a product or products that were in demand.

It is amazing how much a business relies on the individual or individuals managing it. One of things I noticed in many operations was the willingness to look at other operations and to other sources of information to determine where and how they would change. They would talk to other people, visit other operations, go to seminars and meetings, or talk to individuals who

would give them ideas of how they could change.

SOME EXAMPLES

A common theme seems to emerge from what these people did. They followed a very definite and planned process to expand their operations. In the cases I worked with these folks, I learned how their process was very individualized. While they all followed similar paths their actual path varied greatly. Let's visit three operations and see how I saw them change.

The first is a family operation with the third-generation handling most of the management. The operation was started by the first generation and operated in three states as a very successful family operation. The second generation divided it into three distinct operations each operated by a family member of the second generation. The operation I worked with was a father and two sons. It was a crop and cattle operation. When I first started working with the family, dad was the overall manager with one son han-



CONTINUED ON PAGE 126

CONTINUED FROM PAGE 125

dling the crop side and the other the cattle side. It was always interesting to work with family because they made their decisions together. As an example, when they decided they might put an irrigated pasture under one of their center pivots, they asked for my help. As we discussed the project, it was obvious they were in the very early planning stages. It was midsummer and they hoped to have everything set up and operating by November. It was apparent that there had been very little planning of the details of how it would work. We went to the center pivot to look and discuss what might be possible. The situation was such that the details to make in irrigated pasture work were far from their mind. After some discussion, Dad simply said, "I think we need to take our time. We're not ready." That was probably a good decision. A year later, markets changed, weather changed and the center pivot remained in crop production.

A few years later, the son I primarily worked with handled the cattle operation. Later, he split the cattle operation from the overall operation. Following a period of rapid increase in the operation's size, the markets went the wrong way. He had to make several financial adjustments and ended up with a much smaller operation. His management decisions became much more deliberate. He slowly rebuilt the operation to the



point he could manage it with little outside labor. An interesting sidelight during the rebuilding – he and his wife took an old dilapidated farmstead and turned it into a very nice bed and breakfast.

The second example is a family operation that was father, mother and three sons. It started primarily as a crop farm with dad running the operation, mom handling the marketing and the three sons each responsible for a part of the operation.

The son I worked with started a cow calf operation using native rangeland and irrigated pasture. My first work was his disappointment with the cattle and forage production from the irrigated pastures. He had very good records for his cattle and pasture management. About five years of records were analyzed. Once the analysis was completed it showed that the management needed to become more intensive. For the pastures, the fertilization and watering needed to be coordinated with the livestock movements. Also, the rotation of the cattle on the pastures needed to take advantage of the quality available, not just how many days they grazed each paddock. Once the adjustments were made, the analysis showed about a 20% increase in animal production per acre. A follow up analysis of the financial side showed they had gone past the economic return for the pastures. As a result, changes were made to optimize the returns rather than maximize production.

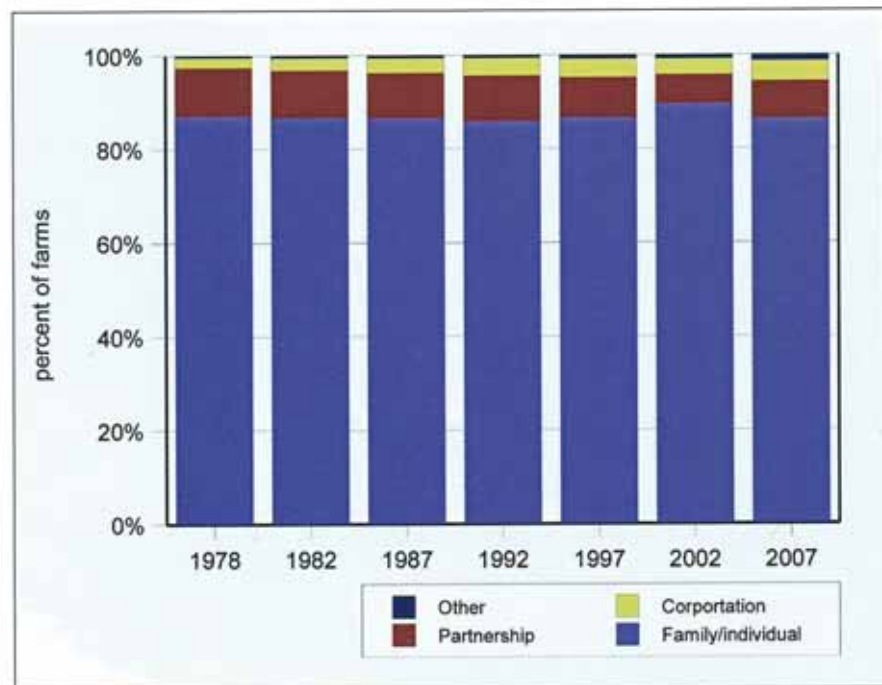
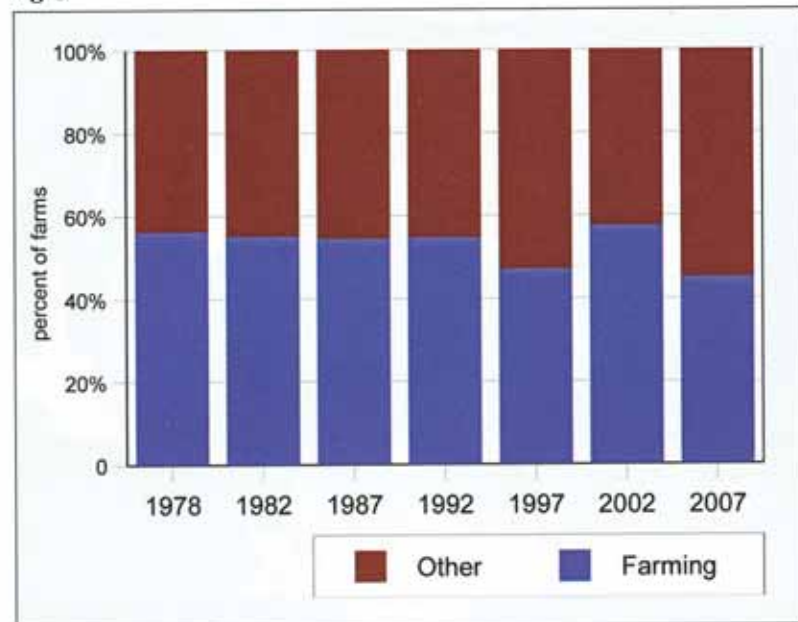


Fig. 2

CONTINUED ON PAGE 128

CONTINUED FROM PAGE 126

Fig. 3



Looking at that family as time went on, Dad retired from managing the operation and one son became the manager. Over the years they bought neighboring properties, often when the neighboring operations were in financial stress, to expand their own operation. As a result, they became a vertically integrated operation producing grain crops, a cow calf operation, a stocker operation and a feedlot. The operation went from four employees to over 15 employees.

The last example is a rather unique one. I visited with a young man who was in a very deep financial situation. His wife had been working in town, and he was trying to keep up the operation. It was very difficult to get any real information to understand how and why he was doing certain things. After a couple hours, we had a break and when we came back I simply asked what he thought he needed to do. It was like a curtain lifted on his face. He related that over the past year or so he and his wife had withdrawn from the community only going out when they had to. They were working longer and harder hours trying to make ends meet and gaining little or nothing. He related about two weeks earlier he had taken a job helping install a local rural water line. It turned out the three-man crew were all local young farmers in trouble. He said the first day they barely talked to each other except when necessary. The second day they were a little more open as they talked among themselves. About the third or fourth day, they started talking about themselves and their farms. As we talked about, we discussed some things that he might consider to make their lives a little easier right then. This included getting back

involved with their church, taking part in community activities and not staying home hiding from the community.

It was about a two years later, I found out that the three young farmers working on the water line had formed their own operation. Each had equipment that was similar and each owed money on some of this equipment. With some outside help they were able to voluntarily let some of the equipment go back. It turned out that each had good managerial abilities to handle certain parts of the overall operation. The resulting "farm," for lack of a better name, was a rather sprawling unit spread over about 40 miles to get from one end to the other. The last time I checked, they were a thriving, diversified and successful agricultural operation.

WHAT DOES ALL THIS MEAN?

This little reminiscing spans several decades. In the early 20th century, the family farm was a man and a woman and their children on land either rented or owned. This is how they made their living. Over the years, this so-called family farm is still, in many people's mind, what agriculture should be. The reality is the first two examples are family farms. The third example I still consider to be a family farm. Why? It is three families working together, operating the land and producing commodities for those not on the farm to buy and use. The 2007 Census of Agriculture shows the largest ownership is still the family or an individual (Figure 2).

A lot of things have happened in the last century in agriculture. Markets have become international, operations have become much larger and many of the family farms are now



CONTINUED ON PAGE 130


CONTINUED FROM PAGE 128

corporations. The latter has been out of necessity. Many are multimillion dollar operations, with financial management as important or maybe more important than the production management.

An important aspect of the changing agriculture is the specializing in certain kinds of products. That doesn't mean the operation is producing a single product. This is when an operation specializes in several crops or animals to supply specific high quality products. This can range from specialty products such as sunflowers for oil, vegetables for local or national markets, or exotic animals. The operations may use a few acres or thousands of acres depending on what is needed. Some of the vegetable production operations may utilize small acreages but have huge financial inputs and returns. This happens because they can produce three or more crops each year.

One of the common reasons given for the increase in size of agricultural operations is efficiency. Land costs, machinery costs, labor availability and capital availability have become some of the key items. Equipment has gone from the small tractor of the mid-20th century to high-powered, efficient machines that can cover large acreages quickly. All indications are fewer and fewer people will produce food and fiber under greater public scrutiny.

So how could agriculture change in the future? Looking back, between 2002 and 2007, the number of new farms made up 13% (about 291,000) of all the farms. These were about half the size of the average farm and operated by younger people (48-years-old compared to 57 years). About two thirds of the operations have over half their income from off farm (Figure 3). The income from the new farms was about half that of the average farm.

These kinds of trends will probably continue. This will require those who continue to be the major producers of food and fiber to become even better managers to keep the operations profitable through economic down turns, drought, floods and other events. There is a need for the producers to at least support or become involved in the promotion of agriculture. Where else do we get food and fiber? Many folks think it comes from the grocery store and department store! 

Paul D. Ohlenbusch
Grass by Design
(www.grassbydesign.com)