

**FARM FINANCIAL STRESS**

An Alternative View: A Challenge For Extension

by

Allan E. Lines\*

\*Allan Lines is a Farm Management State Extension Specialist in the Department of Agricultural Economics and Rural Sociology at The Ohio State University.

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The economic decline that has gripped the U.S. farm economy for the past five years continues unabated. The past is prologue. More of the same is expected. Recognition of the real magnitude of the financial stress associated with the current and continuing decline is herein brought into question. An alternative view is presented that creates opportunities and challenges demanding action on the part of Cooperative Extension (CES).

National studies have provided a current appraisal of the "farm financial crisis" that is the basis for many of the farm problems addressed in the public arena, including Extension funding and programming. That appraisal concludes that only 10 to 15 percent of all farms and 15 to 20 percent of commercial farms are currently experiencing the most severe financial stress and that farming is still basically profitable. It is, however, the contention of this author, based upon his knowledge of the sector and of recently completed research, that reality is represented by a much different scenario.

It is likely that 2/3 to 3/4 of all farms and 40 to 50 percent of commercial farm businesses are not financially sound, albeit much of it disguised by farmers themselves. Farm families are adept at employing cash generating and/or conserving strategies that mask their business problems. Hidden costs (depreciation) and internal/external subsidization (unpaid family labor, off-farm income and decreases in inventory) can and often do obscure the real financial health of many farm businesses.

Acceptance of the reality and magnitude of the farm financial crisis and the veil-like nature of the current assessment demands that CES continue to set priorities and shift resources to facilitate the development and implementation of educational programs that address the protracted financial ill-health that permeates the U.S. farm sector. CES's response to this timely opportunity will test its resolve to concentrate resources in critical education programs, improve its performance, and, in the eyes of some, restore its legitimacy as a "change agent" in fulfilling its responsibility to improve the social and economic welfare of farm families.

Like the nature of the problem facing farm families, CES's educational efforts need to incorporate short and longer run programming. CES is to be complimented for its early recognition of and response to the situation. Responsiveness, a "hallmark" of CES, is being tested and is wearing well. However, funding and programming directed toward this problem area have, for the most part, focused on the immediacy of family cash flow concerns. If CES is to effectively address the severity and continuing nature of the problem, it must transcend politically expedient short-run programming and incorporate a longer-run dimension that focuses on farm business profitability without foregoing the farm family's concern with the "here and now".

Programming of this nature will require well-trained personnel, investment capital, perseverance, a sense of mission, and a sensitivity to individual, family, business, and community capabilities and objectives. However, CES must be forthright, realistic, and hard-nosed with respect to economic considerations for these same entities. Programs should explicitly focus on the profitability of the farm and assist families in

understanding and implementing the principles of profitable farm business management. Families (spouses and children) need to be aware of the social and economic implications of: (1) inadequate land, labor, capital and/or management; (2) subsidizing the farm business with off-farm income and/or unpaid family labor; and (3) living off of depreciation. CES must openly accept the responsibility to help families examine the advisability and consequences of, so to speak, "mother teaching school to provide family necessities while father pays for the privilege of being a farmer through low, zero, or even negative wages." Heretical as it may seem, CES has a responsibility to assist some families out of farming. Simultaneously, for those families that can realistically expect to operate a profitable business or decide to continue subsidizing an unprofitable operation, CES needs to help them look beyond family cash flow to a better understanding, attainment, and maintenance of sound farm business financial health.