



# Ag Decision Maker



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### Farm family financial situation

by Paul Lasley, extension sociologist, 515-294-0937, plasley@iastate.edu

The Iowa Farm and Rural Life Poll provides insight into farmers perceptions on a variety of topics relevant to their communities. The information is based on a random survey of over 2,200 farm operators, of which 1,700 useable surveys were returned.

#### Retirement

An important issue for farm families is their current financial situation and its impact on

long-term financial security. Table 1 shows that the expected retirement age for Iowa farm operators has increased from 65 in 1984 to 69 in 2003. When asked whether they were setting aside money for retirement, about four-fifths (79 percent) said yes. For those who said they were setting aside money for retirement, just over one-half indicated it would be just adequate, 17 percent said it would be more than adequate, and nearly one-third said it would not be adequate (Table 2).

#### Savings

Of the farmers in the sample, 71 percent reported they have a savings account. Of those with a savings account, just over one-half (54 percent) regularly contribute to the account. The average proportion of total family income contributed to a savings account was 10 percent. Of those having a savings account about one-third of farm families had

a balance that increased over the last year, one-third remained the same, and one-third decreased (Table 3). Three percent of farm families had balances that increased substantially whereas nine percent had balances that decreased substantially.

#### Credit card use

Average number of credit cards held by this sample of Iowa farmers was just over three. Among farmers with credit cards 89 percent stated they pay off their credit card balances nearly every month whereas the remaining 11 percent do not. In response to the types of purchases for which they used their credit

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#### Handbook Updates

For those of you subscribing to the *Ag Decision Maker Handbook*, the following updates are included.

**Farmland Value Survey (ISU) – C2-70 (4 pages)**

**Farmland Value Survey (Realtors Land Institute) – C2-75 (2 pages)**

Please add these files to your handbook and remove the out-of-date material.

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**Table 1. Iowa farmers' expected retirement age**

	Average (years)
Expected retirement age reported in spring 2003	69
Expected retirement age reported in spring 1984	65

**Table 2. Farmers' opinions on the adequacy of their retirement savings among those farmers setting aside money.**

Not adequate	30%
Just adequate	53%
More than adequate	17%

cards (Table 4), the top two uses were vacation/travel and gasoline with 54 and 42 percent respectively always or usually using their credit cards for those types of purchases. Clothing purchases was next with 25 percent, followed by eating out/entertainment (17 percent), appliances and furniture (13 percent), and groceries (9 percent).

**Farming financial conditions**

Farmers were asked about the current financial well-being of farmers, agribusiness firms and financial institutions in their area as well as their own farm (Table 5). The same question also had been asked in 1996 and 1986. Several patterns emerge. Of the three points in time represented by the data the most difficult period for agriculture was in the mid 1980s. Financial well-being improved in the mid 1990s when a greater number of respondents answered that financial well-being was not a problem. For 2003 there again was a considerable decline in the percentage of farmers responding financial well-being was not a problem. Although in 2003 there was an increase over 1996 in the percentage responding it was a problem, the percentage was substantially smaller than in 1986. Another pattern in the data is that the responding farmers perceived the greatest impact of poor economic conditions was felt by their farmer neighbors, somewhat less by agribusinesses, and the least impact was on the financial institutions. Responding farmers also tended to assert their own situation was

**Table 3. Savings balance trends in 2003 among farmers with a savings account**

Decreased substantially	9%
Decreased	23%
Remained the same	33%
Increased	32%
Increased substantially	3%

**Table 4. Credit card usage patterns among Iowa farmers with credit cards**

	Percent indicating use of credit cards
Vacation/travel	54%
Gasoline	42%
Clothing	25%
Eating out/entertainment	17%
Appliances and furniture	13%
Groceries	9%

better than other farmers and the agribusiness firms. In the spring of 2003, just under one-third of the farmers felt they had a moderate or serious financial problem whereas about twice as many (61 percent) believed their neighbors had a moderate or serious problem. Just under one-half believed that agribusiness firms in their area had a moderate or serious problem and only 16 percent perceived financial institutions were in financial straits.

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**Table 5. Farmers' opinions on the financial conditions in farming**

How do you feel about the current financial well-being of?		Not a problem or a slight problem	A moderate or serious problem
		—Percent—	
Farmers in your area	Spring 2003	32	61
	Spring 1996	48	44
	Spring 1986	4	93
Agribusiness firms in your area	Spring 2003	43	48
	Spring 1996	63	28
	Spring 1986	9	85
Financial institutions in your area	Spring 2003	74	16
	Spring 1996	79	11
	Spring 1986	25	64
Your own farm	Spring 2003	68	30
	Spring 1996	77	21
	Spring 1986	36	63

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**Iowa farmers' non-farm business operations**

Many farmers have turned to operating a non-farm business to bring in additional income. Twenty-one percent of the sample of farm operators stated they also operated a non-farm business.

Table 6 shows that the predominant type of non-farm business operated was a farm related business, such as seed sales or custom work (26 percent).

Additional common types of non-farm businesses are crafts or homemade items such as woodworking or pottery and repair and maintenance such as welding or auto repair.

**Table 6. Types of non-farm businesses operated by Iowa farmers**

	Percent
Farm related business, such as seed sales, custom work	26
Crafts or homemade items such as woodworking or potters	9
Repair an maintenance such as welding or auto repair	8
Operator of a booth at a farmers' market or flea market	6
Personal services such as beautician, bookkeeping or photography	6
Services such as lawn care or car wash	4
Entertainment and recreation such as a restaurant or video rental store	1
Other	39

**Presence of Mad Cow disease in U.S. raises significant questions concerning U.S. food safety policies \***

*by Roger A. McEowen, Associate Professor of Agricultural Economics and Extension Specialist, Kansas State University; and Neil E. Harl, Charles F. Curtiss Distinguished Professor in Agriculture and Professor of Economics, Iowa State University*

The detection of a Holstein cow infected with Bovine Spongiform Encephalopathy (BSE) (commonly known as "mad cow" disease) at a dairy in Washington state raises significant questions about the effectiveness and validity of existing food safety regulations and the ability of the federal government to detect the presence of the disease under current procedures. Likewise, the presence of BSE in the U.S. will almost certainly force the Congress to reconsider legislation that addresses the safety of the U.S. meat supply.

**BSE basics**

BSE is a fatal disease in cattle that causes degeneration of the brain and is evidenced by staggering and weight-loss of the infected animal. BSE was first detected in the United Kingdom in 1986, and has since spread to over 23 countries. To date, over 180,000 cases of BSE have been detected worldwide, and approximately 150 human deaths have occurred.

Scientific findings in recent years have revealed that feeding cattle the rendered remains of sick animals spreads the disease. Consequently, the USDA has imposed various import controls and has adopted a feed ban prohibiting the use of

most animal-derived proteins in cattle feed. The USDA also collects and analyzes brain samples from adult cattle with neurological symptoms and adult animals that were non-ambulatory at slaughter. However, current U.S. law does not require that cattle be tested before slaughter or that the tissues that harbor the disease (brain and spinal cord) be banned from possible human consumption.

**Legal challenge to USDA regulations**

Before the USDA's announcement of the presence of BSE in the United States, an administrative challenge had been filed against USDA regulations that permit downed livestock to be used for human consumption after passing a post-mortem inspection. The plaintiff, a beef consumer, claimed that the USDA policy violated the Federal Meat Inspection Act (FMIA) and the Federal Food, Drug, and Cosmetic Act (FFDCA). The FFDCA prohibits the manufacture, delivery, receipt or introduction of adul-

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