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ABSTRACT

This case study assesses the impact of the farm sector on the economy and social organization of Decatur County (Kansas), a county which has historically depended on agriculture for its livelihood. Data were obtained from analysis of time series statistical indicators for the period between 1966 and 1984, questionnaire responses of local businesspersons, and interviews with community leaders. Findings indicate: (1) the long-term trend toward larger farms and the decline in number of farms and farmers have resulted in a steady decline in number of retail establishments since 1948; (2) employment in the service sector has grown steadily since 1940; (3) Decatur County has held its older population because of its excellent medical facilities; (4) county elevators were temporarily positively affected because of over production and low grain prices; (5) non-agricultural businesses not negatively affected by the farm crisis are the hospital, the nursing homes, drug stores, and food stores; (6) firms negatively affected include automobile dealers, hardware/appliance stores, and furniture stores; and (7) encouraged by their bankers, county agricultural extension agent, and suppliers, farmers have adopted survival strategies which include reducing machinery purchases, cutting operating expenses, participating in farm programs, taking out multi-peril insurance, and using sound accounting and borrowing practices. Twenty-five data tables are appended. (NEC)

THE FARM CRISIS AND DECATUR COUNTY

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I. Introduction

A. Objectives of the study and relevant background characteristics of the county

The objective of this case study of a dryland wheat-livestock county in Northwestern Kansas is to assess the impact of the farm sector on the economy and social organization of a county which has historically depended on agriculture for its livelihood. Specifically, we seek to determine the extent to which farming is the driving force in the economy and social life of the county and its county seat versus the extent to which the service economy and transfer payments have come to have a major role in defining the economic and social wellbeing of the community. We will examine such relationships in periods of agricultural prosperity and recession. In carrying out the study, we will learn about the incipient effects of the current farm crisis on an agricultural community.

In his classic community study, "Death by Dieselization: a Case Study in the Reaction to Technological Change," Cottrell predicted dire results for the desert town of Caliente in the American Southwest when it ceased to be a fueling stop for trains when the shift was made from steam to diesel engines (1951). In a sequel twenty years later, he found that the community had adjusted to and taken advantage of the national service economy, and had managed to survive, and even prosper (Cottrell, 1972).

Decatur County differs from Caliente in that the dominant economic institution has not disappeared, but rather has been transformed by technological change. Total income from agriculture has increased, but the numbers of farmers, and consequently the total population of the county, have declined.

(TABLE 1 ABOUT HERE)

We know from other work conducted on a macro comparative level that a decline in number of farmers has a depressing impact on retail establishments and sales in predominantly agricultural counties (Flora and Flora, 1985). This can be seen in the case of Decatur County (see Table 2). However, the decline in retail activity in no way approaches the precipitous drop in number of farmers. Selected service establishments have actually increased in number and wholesale services have shown an erratic pattern but over the long term have neither increased or decreased significantly. As Table 1 indicates, the population of the largest town and county seat, Oberlin, has steadily grown, except during the 1960s. While the trade territory has expanded slightly to include portions of adjacent counties, the principal explanation is that the incomes, and therefore the purchasing power, of the remaining residents has increased over the decades. This study will attempt to determine the sources of that added income and how different sectors of the rural economy relate to one another.

(TABLE 2 ABOUT HERE)

From Table 3 we see that from World War II to the present, there has been a halving of the proportion of the workforce in agriculture and more than a doubling of the proportion in the tertiary (service) sector. Mining (the oil business) and manufacturing have shown increases from very modest beginnings. This has meant a considerable diversification of the economic base of the county.

(TABLE 3 ABOUT HERE)

The expansion of service-based employment and the overall decline of production-based employment (the overwhelming decline in farming employment dwarfs the modest gains in the oil industry — labeled "mining" in Table 3 — and in industry) is also associated with an important shift in labor force participation by gender. By 1980, 42 percent of women over the age of 16 were in the labor force, having risen from 17 percent in 1940 (see Table 4). In part that expansion of women's entry into the labor force is a statistical artifact. Farm wives are not counted as part of the labor force. Therefore, as farming declines as a proportion of total employment, women's formal labor force participation would be expected to increase. Still, the figures indicate a real change in women's economic roles — from that of laborer in a family enterprise to salaried or wage work. Women's formal labor force participaton is primarily in the service sector (including retail trade). While service work does not pay very well, in times of farm crisis — such as the present —, it is remunerated more than farming.

(TABLE 4 ABOUT HERE)

Growth in farm size and attendant outmigration, which were particularly high from World War II through the 1960s, had a major impact on the age structure. Table 5 shows the rates of change in population, natural increase, and the net migration rate for the last three decades. Net natural increase declined from a positive 12 percent in the decade of the 1950s to a negative 1 percent in the seventies; this reflects both the declining birth rate and the diminished child-bearing population due to outmigration of persons in the younger productive years. The elderly (over 65) population grew from 8 percent of the population in 1940 to 22 percentin 1930. (See

Table 6). As we will see later, increase in the elderly population has resulted in transfer payments into the community and employment in the extensive medical and elderly care facilities. Such activities are virtually insulated from swings in the farm economy, except insofar as they ameliorate its downswings by providing a second job to a farm family.

(TABLES 5 AND 6 ABOUT HERE)

A large elderly population results in a high dependency ratio. However, from 1970 to 1980, the dependency ratio declined from 122 to 98 as a result of the decreased number of children.

B. Why Decatur County?

This is the first in a series of case studies to be done of selected Kansas counties. The counties will be selected in terms of constants and variables. The constants are the following:

1. All counties chosen will be agriculturally-based counties. For ease of access, they will be Kansas counties. The criteria for defining an agricultural county is a modification of Bender et. al.'s definition (1984) in which at least 20 percent of personal income must derive from farming. (See Flora and Flora, 1985: 5-9, for a description of how counties were selected and county types were assigned in a study of the impact of change in farm size on Great Plains and Western agricultural counties.) No Kansas county classified as agricultural has over 15 percent of employment in manufacturing, nor will any county be chosen which has as much as half its employment in the tertiary sector, thus eliminating regional service centers. The one mining (oil-based) county in Kansas (by Bender, et. al.'s criteria) was eliminated.

2. An effort will be made to choose counties which are adjacent to a regional service center, thus controlling on geographic centrality.

Also, we will attempt to choose counties with one dominant town in the county which is also the county seat. The size of the largest town should be approximately 2000 at the initial point in time (1970), thereby controlling on community differentiation or complexity.

3. To the degree possible, we will control for the initial size of farm. We will attempt to match the counties chosen on mean farm size in 1969 both in terms of percent of land in farms of over 2000 acres (large farms), percent of land in farms of 500-999 acres (medium sized farms), and percent of farm sales from farms with over $40,000 sales.

The variable characteristics to be chosen include the following:

1. Type of farming system. The communities will be chosen from two dominant farming system types. In the previously conducted regional study (Flora and Flora, 1985), agricultural counties were classified into four types: a) wheat, b) wheat-livestock, c) livestock, and d) mixed crop-livestock. Kansas had 22 wheat-livestock, 17 mixed crop-livestock, 3 livestock, and no wheat counties. We will choose counties from the two most frequent types. Wheat-livestock counties are those in which livestock and crops each make up at least 25% of agricultural sales, but in which neither hogs or soybeans makes up as much as 50% of livestock or crop sales, respectively, and wheat does make up at least 50% of crop sales. Mixed crop-livestock counties are those which have a similar crop-livestock mix (more than 25% of farm sales come from each) and at least 25,000 acres of irrigated land, and raise a substantial amount of corn, but not soybeans. Alternatively, these counties are called the corn-wheat-sorghum-cattle counties. Most are in the Southwestern part of the state, overlaying the Ogallalah aquifer.

2. The study of the impact of change in farm size on community well being (Flora and Flora, 1985) suggested that change in farm size has a more immediate impact on community well being than does farm size per se. We

decided that change in farm size should be a criterion variable for choosing the counties to be studied. From among counties with a particular farm system we will choose a county which has experienced rapid increase in farm size and one which has experienced slow growth in farm size. Thus we will have a four-fold table with a county which approaches the appropriate criteria in each box:

Farming systems type

		Wheat-livestock	Mixed crop-livestock
Percent Change in farm Size	Rapid	Decatur County	
	Slow		

At least in theory, adjacent pairs of counties in the four fold table can be compared with one another to determine which of the variables better explains differences we may find in the economic situation or social organization of the counties.

Decatur County was chosen as the pilot county on which the methodology of data collection would be developed and tested. It is a wheat-livestock county with large farms. Its county seat had a population of 2291 in 1970 and 2387 in 1980. It is adjacent to McCook, Nebraska, a service center of about 7,500 population. It experienced a rapid decline in numbers of medium sized farms between 1969 and 1978, although it actually experienced a reversal of that trend between 1978 and 1982. It is slightly above the mean in growth of very large farms (those over 2000 acres). Thus it was classified as a county with rapid growth in farm size (see Table 7). The county has little industry. The primary productive activity other than agriculture is oil. A moderate amount of oil is produced in the county, and because of its central location to several oil fields, it is the headquarters of several oil service companies, which provide a modest amount of employment. An additional criterion which was considered in choosing Decatur County was that it had a dynamic county agricultural agent who expressed interest in the study. We felt that access was a particularly critical variable in the pilot study. Now that the methodology is defined, we have a completed study to show leaders of other communities, and we have received state-wide media coverage (there has been considerable media interest even while the study was in progress), we expect that that variable will be less critical.

Why did we choose the two variables of change in farm size and farming system type as criterion variables for selecting counties to be studied? Farming system type allows us to control on ecological characteristics. The type of agriculture that is practiced is important in framing the social history and organization of a community. For instance, dryland wheat and livestock production imply land extensive agriculture, a moderate investment in machinery, and very little labor usage. Irrigated agriculture and attendant feedlot operations imply capital and land intensive agriculture and a greater usage of labor per unit of land than for the wheat and livestock counties. Such differences in the organization of agriculture mean a different kind of financial structure, a different relation between agriculture and agribusiness firms, and different perspectives on the part of farmers themselves. It may mean different forms of social organization, community spirit, etc.

Different rates of change in farm size suggest differential impact on other economic activities in the community through changes in input purchases of farmers and differential impact on consumer purchases. The perception that a community is losing its people or is maintaining its population may have an impact on willingness of people to cooperate in community organizations, etc.

If we do not find clear differences between the counties we choose which can be reasonably traced to these two variables (and we may not, given the multitude of unforseen variables which cannot be controlled using the case study method), their use will still have served a purpose: we will have conducted case studies in diverse circumstances (or at least as diverse as is available within the geographic confines of Kansas), and we will have measured some of that diversity. That will give us greater confidence in drawing conclusions about, for example, the impact of the farm crisis, based on results from the cases we have chosen.

C. Methodology of the Decatur County Study

The study has for purposes of convenience been divided into two parts: the economic component and the social organizational component, although there is much interrelation; in fact, an objective of the study is to explicate the relationship between economic changes and social organization.

1) Economic institutions and their social significance. The analysis of economic institutions was conducted in the following fashion:

a) Annual time series data were collected for the period 1966-1984. The objective was to compare the impact of agricultural sales and income and the impact of non-farm personal income on a number of other variables: those related to total and sectoral employment, number of establishments by sector, retail sales, health and welfare measures, indicators of bank vitality, and other general economic and social indicators. The three independent variables were plotted against various dependent variables. This allowed us to assess whether farm-generated economic activity or non-farm income was more strongly associated with economic and social health of the county.

b) We chose three years in which to examine economic and social well being in more detail. The years chosen were

i) 1979--the most recent year of full agricultural prosperity,

ii) 1982--the year in which agricultural land values peaked,[1]

iii) 1984 or 1985--the most recent year for which data have been collected, a period of agricultural downturn or recession.

We gathered secondary data for these dates in instances where annual time series did not go back to the 1960s or in instances where collection of annual data back to 1966 would have been arduous. In addition, we administered a questionnaire to businesspersons in the community which included questions on employment, sales, profit and loss, and accounts receivable for the three key years. We attempted to interview all important agribusinesses in the county, all four banks in the county (since their statements were public, we were able to obtain the full time series), the Farmers Home Administration in Norton, the Production Credit Association and the Federal Land Bank in Colby, and selected non-agriculturallyrelated businesses in key sectors in Oberlin, the county seat. We promised proprietors confidentiality, i.e., that their figures on sales, profit and loss, and accounts receivable would be merged with those of others (except in cases where the data are part of the public record, as in the case of balance sheets of the banks and the farmers cooperative.) In the interviews we collected a good deal of qualitative data which helped us understand process (in particular, what were their strategies for survival in hard times?) and to get at the reasons for trends in the economic and employment data.

2) Social organization. This portion of the study involved interviews with community leaders-- voluntary, governmental, and church leaders. Two strategies were pursued:

a) an attempt was made to gain a historical perspective on community organization. Particular organizations and projects were followed historically. Organizations such as the Area Chamber of Commerce and the Pride Committee were looked at historically, as were particular projects spawned by these organizations: the community carnival and the large dairy and the feedlot each established by a different group of local investors are examples.

b) the two time periods, 1979 and the present, were chosen as benchmarks in analyzing community solidarity, specific organizations and projects. The objective in this approach was to assess the level and focus of community solidarity in a period of agricultural prosperity and of agricultural recession, and to determine level of activity and organizational strategies of individual organizations during those two time periods.

Finally, we attempted to integrate what was learned in the two parts of the study — the so-called economic and the social organizational components.

II. Economic Impact on Social Variables

A. Impact of farm, non-farm, and total product and income on other economic and social indicators.

The objective of this part of the study was to determine the impact of farming on social and economic change and development in the county. Does farming continue to be the basic industry, or is it being superceded by other activities, particularly those in the service sector? In order to attempt to answer that question, we did a time series analysis in which the association of four independent variables with selected economic and social variables was assessed.

We gathered annual data from various sources—censuses, state and county offices, and selected local businesses—for the time period 1966 to 1984. Four independent variables were initially selected:

1) Total personal income — this aggregate measure was taken from the annual Economic Report to the Governor compiled by economists from the University of Kansas and Kansas State University.

2) Net farm income — also from the Economic Report to the Governor, this figure includes farm proprietors' incomes, wages and salaries to farm labor, and government transfer payments to farmers.

3) We derived a third measure simply by subtracting 2) from 1). This we called Total Non-farm Personal Income. This is net aggregate personal income in the county which does not derive from farming.

4) From the Kansas State Board of Agriculture's data, we chose what was the closest approximation to gross annual sales of farm products which was available. This is the sum of the total value of field crops produced and the total value of livestock and poultry produced during the year (government farm program payments are excluded from this figure). Each crop and type of livestock is valued at its

mean market value for that year. While some crops may be fed to livestock and never enter the market directly and while crops and livestock may not be sold in the year produced, this is a reasonable approximation of the gross purchasing capacity of farmers in the county during a particular year. This variable will be called Gross Value of Farm Production.

Our analysis showed that net farm income had much less predictive power than did gross value of farm production, so the former was dropped from the analysis. Figure 1 shows farm income, non-farm income, and value of farm production plotted against time.

(FIGURE 1 ABOUT HERE)

Dependent variables were grouped in the following categories: 1) employment indicators (obtained from social security data in County Business Patterns), 2) number of establishments with employees (also from County Business Patterns), and 3) general economic and social indicators.

Table 8 summarizes the employment results. Non-farm income showed a stronger relation to the employment variables than did value of farm production. Its relationship was particularly clear with total employment and service employment (see Figures 2 and 3). (Please note that the letters on the plots represent particular years; A is 1966; S is 1983; the letters advance chronologically.) Since most wholesale activity is agriculturally related, one would expect wholesale employment to be associated with value of agricultural product. There is a weak relationship, but wholesale employment relates more strongly to non-farm income.

(TABLE 8 AND FIGURES 2 AND 3 ABOUT HERE)

The results regarding number of establishments with payroll are similar. The clearest relationships are between the non-farm personal income variable and total number of establishments, number of wholesale establishments, and number of service establishments (see Table 9 and Figures 4, 5, and 6).

(TABLE 9 AND FIGURES 4,5 and 6 ABOUT HERE)

Table 10 indicates the strength of the relationships between the independent variables and general economic and social indicators. The only variable which is associated with value of agricultural production is number of vehicle titles issued in the county, suggesting that when farmers have a good crop, they are more likely to purchase a pickup, automobile, or truck (see Figure 7). If we had a measure of farm machinery purchases, they would likely occur in good agricultural years. Perhaps the tendency of farmers to put income back into capital investment explains why there is no association between bank deposits and value of farm production. Also, since the 1970s were years of high inflation and there were strong tax incentives for capital investment and indebtedness, such a strategy was highly rational.

(TABLE 10 AND FIGURE 7 ABOUT HERE)

Real estate valuation is negatively related to non-farm personal income because, as non-farm income has gradually risen over time (in large part due to a decline in numbers of farmers and a growth in numbers of persons in non-farm activities), real estate valuations have declined in real terms since reassessment has not occurred for 20 years (Figure 8).

(FIGURE 8 ABOUT HERE)

We may draw the following conclusions from this section:

1) Non-agricultural income levels are more closely associated with number of establishments and employment levels than is agricultural income or product. There are two likely explanations for this: as the number of farmers declines and as agriculture (while growing in volume of production) becomes a smaller proportion of the gross domestic product of the county, there is a gradual increase in non-farm income. That increase generates employment and new establishments. Table 2 shows a slow secular decline in

number of retail establishments, but apparently those in the service and wholesale sectors are increasing in number — at least those which have a payroll and are in the formal sector — and they are employing more persons. Overall, of course, employment in the county shows a secular decline because of a decline in the number of farmers, although there was modest increase in the labor force from 1970 to 1980 (Table 3).

2) One should be cautious in concluding that farm income and production have only a minor impact compared to non-farm income on the "agricultural" community. As Figure 1 shows, both farm income and farm production are quite variable, while non-farm income shows little variance from a line of steady growth. Since the impact of these independent variables is not immediate, there is a statistical tendency to underestimate the relation between the farm variables and the dependent variables. In further analysis, we plan to lag the independent variables to perhaps pick up some of that relationship.

B. Performance of different economic sectors, 1979 to the present.

As Figure 1 indicates, 1979 was a good agricultural year. The agricultural economy has been in decline since then. Following discussion of the county agricultural agents analysis of the farming situation, we will examine various agriculturally related businesses to see how they have fared and what their strategies for maintaining economic health have been. Then we will examine other businesses in the community of Oberlin to determine what the indirect effects of agricultural decline has been on them.

Farm Related Business Activity

1. Farmer's strategies for survival: the county agricultural agency's perspective.

The county agricultural agent is young, energetic, and outgoing. His perspective on advising farmers during the farm crisis period is to encourage them to use all tools available. When he first came to the county six years ago, the emphasis was on leveraging and getting bigger. Now he is placing emphasis on including government programs as an integral part of a farmer's survival strategy. This includes participating in the farm program so that one can receive deficiency payments, CCC loans, and diversion payments. Only those who have little or no debt and can afford risk should consider not participating. He also recommends buying government-guaranteed crop insurance. Planting of crops not covered by the farm program on diverted acres is an additional recommendation. Sunflowers are growing in acreage in the county partly for that reason. Acreage in sunflowers in the county has increased from 2,500 two years ago to 10,000 in 1984 to perhaps double that this year. The county agent explains an appropriate strategy for profitability:

> Sunflowers will be advantageous to grow so long as the farm program does not change. They can be planted without using up allotted acres. If a farmer has 900 acres, under a wheat-milo-fallow rotation, he would in any given year have 300 acres each in wheat, milo, and summerfallow. If he went into the program, he would cut his wheat 30 percent to 210 acreas and his milo production by 10 percent to 270 acres. He would have 120 acres on which sunflowers could be planted.
>
> In the spring of 1984, some farmers tore up their wheat because of the drought. There are some 80 farmers who had crop insurance. As an example, a farmer could get, say, $100 per acre for insurance, $50 for diversion payments, and then turn around and plant sunflowers on the same land. In 1984, farmers (in Decatur County) received about $4 million in farm payments; the value of wheat production was $7 million.

The agent recommends the following survival strategies: a) use of farm programs, b) use of marketing tools; hedging in particular, c) diversification and cost reduction. While one example of diversification is growing sunflowers, another involves growing dryland corn under a no till or conservation tillage regime. Milo, grown after wheat under no till conditions, will often not germinate well when planted in wheat stubble. The stubble shades the ground and it warms up more slowly than under conventional tillage. Milo requires 70 degree soil temperature for good germination, while corn requires a soil temperature of only 55 degrees. If a drought-resistant variety of corn is used, it should make a good crop, partly because of the added moisture in the soil from using no till practices. A good number of farmers and agribusiness persons were much less enthusiastic about no till. They mentioned problems with disease encouraged by crop residues being constantly on the surface, and more importantly, herbicides which are insufficiently effective.

The county agent envisions an increase in the number of crops which can be taken from a given piece of land in a specified period of time:

> After cutting wheat in early July, you spray with herbicides, and repeat the operation in early spring, planting corn in June. The corn can be followed by milo the next spring, since corn does not leave as much residue as wheat and soil temperature would be higher. The land would be summer fallowed after cutting milo in the fall, and would be planted to wheat the following fall. This wheat-corn-milo-fallow rotation yields three crops in four years, while the usual wheat-milo-fallow rotation gives two crops in three years.

2. Farm machinery dealers — The three principal farm machinery dealerships do not depend on farm implement sales exclusively. Two also have automobile dealerships and the third has a hardware franchise. This has helped cushion the impact of declining machinery sales. Table 11 summarizes the declines in sales by the three implement dealers. It appears that tractor and combine sales halved between 1979 and 1982 (one dealer was not in business in 1979,

having subsequently bought the dealership; he had no records from the previous owner) and halved again between 1982 and 1984. Fragmentary evidence suggests that 1985 may be a worse year than 1984. Automobile and truck sales appear not to have declined as precipitously (11% between 1982 and 1984). Examination of automobile registrations at the county court house revealed that there was a decline in total car and truck registrations of 17 per cent between 1979 and 1984 (from 1474 to 1225 vehicles; 1982 showed 1347 registrations). Total sales by the auto and implement dealers did not decline as rapidly as did sale of tractors and combines. We obtained sales information from two dealers in 1982 and from two in 1979 and for all three in 1984 (one dealer provided sales information for all three time periods). Looking at sales changes for shifting pairs of dealers, we find that business declined about 20 percent between 1982 and 1984 and about 40 percent between 1979 and 84 (one dealer reported his best year -- 1980 -- rather than 1979) and 1984.

While sales declined substantially, there was no commensurate cut in employees. One dealer decreased the number of employees by 3 from 1979 to 1982; the other two reduced their work force by 1 between 1982 and 1984. Employment remained high in part because the operations became more labor intensive. The dealers reported that their shop and parts departments were quite busy, even though farmers only repair something if they have to. One respondent explained that income from parts and repairs would cover the overhead; sales of new machinery would cover salaries and profit. Various strategies are being used to expand sales. The implement companies have tried interest waivers, special discounts for persons who switch from another brand of tractor or combine, and price roll backs. This increased competitiveness has reduced brand loyalty and dealer loyalty. One dealer stated that in hard times farmers, the school districts, and local governments are more likely to buy out of town. A farmer will consult with his banker. If the price of a tractor from an out-of-town dealer is $2,000 less, the banker will tell the farmer to buy out of town, even though he will not get as good service. One dealer explained, "Theoretically, I must do warranty service for a [brand of tractor] bought in Phillipsburg, but I will take care of my own customers first."

Table 11 suggests that sale of implements has not declined as much as has sale of tractors and combines. This is partly because of unpredictable weather and attempts by farmers to diversify into new crops, which often means purchasing a new kind of implement or a new attachment for an old one.

One dealer began stocking after-market (non-brand name) parts for automobiles in the early 1980s. They are considerably cheaper to the customer. He has been able to keep his parts sales stable, to increase his margin in the shop, and to provide a public service. (The dealer must also stock the brand-name parts for warranty work).

(TABLE 11 ABOUT HERE)

All dealers have instituted more stringent credit policies in the past two or three years — credit limits, credit cut offs if accounts are 60 days old, etc.

We obtained profit information from only one dealer. Profits in 1982 and 1985 were about forty percent of what they were in 1979. None has engaged in major expansion in the past few years, although one bought a $70,000 computer system two years ago. His attitude is that the rural economy is bound to get better eventually, and by keeping everything up to date he will be in "a good position" when it does.

3) Elevator operators. Four of the six elevator operators in the county were interviewed. The elevator companies collectively appear to have been able to maintain sales and profitability (see Table 12) by specializing an a

particular growth area, or in the case of the Decatur County Cooperative Association, by cutting product lines and reducing personnel.

Each elevator has a different strategy for maintaining profitability. One deals almost exclusively in buying, selling, and storing grain, another makes little money on grain, but he manages the operation for a regionally-based grain company and has been unable to convince the company — since it is grain company, that the grain operation should be abandoned. Most of his profits come from feeds and fertilizer; he has doubled fertilizer sales since 1979. He has chemical application equipment to rent or sell to farmers. The elevator will do custom work for farmers to show them how to do a new operation. This encourages them to use his chemicals. This year, he sold 3 sprayers to farmers who are now using his chemicals.

He believes in the symbiosis of chemical application and fertilizer usage. "We started trash farming, but didn't sell fertilizer; the organic matter was tying up the nitrogen." He began encouraging chemical farming about five years ago.

> We have several farmers who have sprayed wheat stubble so they can continuous crop wheat; we had one guy who planted sunflowers in his wheat stubble. We have for rental two large floaters and two small ones.

A third elevator operator supplements his grain operations with a modest but growing feed business. The feed company has intensified its marketing strategy by adding regional sales representatives so that each one serves 5 or 6 counties rather than 20 as before. The elevator's feed manager (who is also their feed deliveryman) goes with the sales representative to make sales calls. This in essence beefs up the elevator's sales force and has resulted in expanding sales.

The Decatur County Cooperative Association has a diversified operation with about half its sales from grain. It handles about half the grain purchased from farmers in the county.

One operator explained that profitability in grain merchandising and storage depends not on price of the grain but on volume; hence, farmer over-production actually benefits the elevator. One problem is that there is inadequate storage available in the county. This makes the smaller elevator operators' second guessing of the weather and government programs even more critical than would otherwise be true. If they incorrectly guess the size of the new crop or if farm programs change, they can find themselves with a high proportion of unused storage capacity until the next crops are harvested. Except for the cooperative, which is large enough to operate on volume, most elevators make their money in storage. Thus, 1981 was a bad year since wheat froze in the spring and there was considerable unused storage capacity during the middle half of the year until fall crops were harvested. There were also some problems in 1984, when the previous fall's wheat did not come up well because of a dry fall, and some elevators stood partially empty from spring until fall crops were harvested.

One operator reported problems with initiation of the PIK (Payment in Kind) program in 1983. He sought CCC (Commodity Credit Corporation, the government agency which loans money to farmers on their grain, and takes possession of it at the end of 9 months if the farmer is not able to sell the grain at a price higher than the loan price[3]) permission to move government-owned wheat out of his elevator before wheat harvest, because he anticipated they would soon being selling it; the PIK program had not yet been formally announced. His request was refused. He had little capacity for buying new wheat. Not long after harvest the government began selling its wheat and moving it out. He was left high and dry.

In general, however, CCC programs help insure adequate wheat for storage in country elevators during times of low market prices and large government stocks. For instance, as was pointed out by another elevator operator, the large wheat crop this year will guarantee a year's storage income. Because prices are so low, farmers have taken out government loans. Since there is no place to move the grain, neither the farmer nor the government is likely to request that it be moved from the country elevator.

Concern was expressed by the Oberlin elevator operators about Lincoln Grain in Colby, which that city provided with municipal bonds to expand its operation, and then contracted with the railroad for special freight rates. Other informants felt this had had little impact on Decatur County, but in any case margins appear to be tighter than they were in the 1970s, due in part to railroad deregulation.

One operator felt that the number one problem of his elevator was deregulation of the railroads, which allows railroads to make special deals with particular shippers. More importantly, he fears that some railroads may go broke or have to cut back on their lines in order to remain economically viable in the deregulated atmosphere. He added that deregulation is not all bad. It has reduced freight rates to the Gulf from a high of $1.13 to about $.80 per bushel.

The unit train concept can disadvantage smaller firms and communities, if they are not well organized to take advantage of it. The cooperative manager organized the two other elevators to cooperate in filling a unit train last year. Unit trains must have a single origin and a single destination. They consist of 54 cars and must be filled within 24 hours of arrival. The freight rate to the Gulf is 6 cents less than for regular trains. This cooperation worked well, although it was necessary to make an arrangement with the railroad unions to load the cars in a single 24-hours period. They plan to do it again this year. This allows for greater turnover of grain at harvest time, thus conserving limited storage space.

Three of the elevator operators indicated use of hedging to protect the value of crops they have purchased from the farmer. Sunflowers also introduce a new wrinkle in the grain business. One of the elevators buys all of its sunflowers on contract. This is because of the uncertainty of the market. Ninety percent of the oil and whole seeds are exported. Mexico is the U.S.' chief customer. Since petroleum prices have dropped, they are seeking them at the lowest possible price. Contracting is done in the following fashion:

> A farmer will come in and say, 'I have X acres and will contract 6000 pounds per acres [half his expected production can be contracted] at 0.50 per hundredweight.' We then contract the sunflowers to a broker who represents an exporter such as Cargill, Dreyfus, or Continental. They will probably then sell short an equal amount on the exchange in Minneapolis.

In response to the farm crisis, the two elevators which sold machinery have dropped most of those lines in the last couple of years. One maintains a "thin-margin" policy, whereby the firm will special order a particular machine, but will not keep it in stock. On the other hand, other product lines have been expanded -- fertilizer, chemicals, feed, and in the case of the cooperative, fuel. Two operators indicated that they tried to work with the banks to educate them that if they are going to let a farmer farm, s/he should be allowed to do it right--using the "proper" amount of fertilizer and chemicals.

Of the various elevator operators, the Decatur County Cooperative Association has been most affected by the farm crisis. The manager listed that as their second greatest problem after railroad deregulation. Grain respresents a lower proportion of its gross sales than the other elevators (only 50 to 60 percent), and it provides the widest variety of farm inputs of any of the elevators. By calendar year 1983, it had reached a critical point and actually experienced negative savings (the equivalent of profits for a cooperative), although its grain margins in 1983 (3.2%) were higher than those for the year before and after it. With the aid of the Bank for Cooperatives in Wichita, the chief source of credit for farm cooperatives, financial fitness analyses were already being conducted of the various product lines to determine what types of merchandise should be continued and which should be dropped. An important part of this slimming down process was a reduction in number of employees which declined from 32 to 23 full-time workers from 1982 to 1984. A number of the full-time workers were replaced by part-time, seasonal help.

The two elevator companies which reported bad debts indicated a definite increase since 1982 (see Table 12). The bulk of those debts have resulted from farmers going out of business. One elevator manager indicated he had received notice of some six farm bankruptcies in the past year in the county. One manager stated (only partly facetiously) that he spends three-fourths of his time on accounts receivable. One firm has instituted a 5 percent discount for cash purchases, as they found that 25 percent of their margin is lost by the added expense of carrying a charge account.

4. Construction firms. In a rural county such as Decatur, construction is often farm related. We interviewed the two principal construction companies -- one which is a combination lumber yard, ready mix firm, and steel building erector, and one which besides building, repairing and modifying homes also has an air conditioning, floor covering, interior building supplies, and saddle and riding equipment business. The former is principally farm oriented while the latter does most of its business in the town of Oberlin. As is indicated in Table 13, both have experienced a decline in sales and in

profits since 1979. Both have been affected by the farm crisis and the housing construction slump, although to different degrees.

The more farm-oriented firm has experienced the greatest sales declines in ready mix and metal building construction. It sold only one building last year. Where five or six years ago the firm, which sells about 90% of the ready mix concrete in Oberlin, had three ready-mix trucks, it now has only one. The lumber business has declined to a lesser degree.

Farmers are doing very little construction. It used to be that many would come in in December and buy $1000 worth of supplies for delivery after January 1 (to reduce their taxes in the year about to end; farmers are allowed to use the cash method of accounting for income tax purposes). Now that does not happen at all. Normally, fifty percent of this firm's business was farm-oriented; now it is 75 percent urban and 25 percent agricultural. They keep their construction crew occupied; whereas they would sub-contract out some of the more detailed work, they now do it all themselves.

Both firms are long-term family operations, and each expanded during the more heady days of the 1970s—the one expanded its lumber yard and the other its floor space. For the the more urban oriented firm, store sales have been down somewhat in the past few years. Carpet sales have declined, but paint sales remained steady. Whereas new house construction once accounted for nearly 90 percent of their total sales, it now represents only about 10 percent. The construction crew still stays busy doing repairs or additions on houses they have built over the years. Heating and air conditioning now account for about one-third of the business, there being no apparent drop-off in that demand. Eighty percent of their construction work is with persons over 65, since the downturn in the economy has not significantly affected those on a fixed income. On the other hand, their work on farms is down about half over the past few years. They do a good deal of gutter work, and this aspect of the business (as with all servicing activities) seems to be holding steady, both in town and in the country. In fact, the firm has developed a strategy of diversification from general construction to a service orientation.

One firm has had an increase in accounts receivable, but as of yet has not developed a strategy for dealing with them. Since most of its customers are older people, it has not felt pressure to do so. The other has actually shown a slight decline in receivables as a result of computerizing accounts and more aggressively pursuing accounts which are 45 days old or older. Installation of computers has also allowed the firm to keep track of inventory more precisely. This construction company has also been obliged to sharply reduce its work force (see Table 13).

(TABLE 13 ABOUT HERE)

The construction industry has been hard hit by the farm crisis and the high interest rates. It is not anticipated that with the recent decline in interest rates that new housing construction will begin soon. There are perhaps 25 houses on the market in Oberlin, due in part to the cutback in employment opportunities which results from firms like the cooperative and the construction firm reducing expenses by trimming their workforce.

5. The banking system. The rural banking system which is relevant to farmers consists of the following components: a) the farm credit system--the Federal Land Bank and the Production Credit Association, b) private commercial banks, c) the Farmers Home Administration, and d) insurance companies, which loan money for land purchase. We have not interviewed any insurance companies, so they will not be discussed in this draft. A member of the board of the Federal Land Bank indicated that John Hancock has financed land purchases in the area.

The farm credit system is a farmer-owned cooperative credit system.

Borrowers purchase stock equal to five percent of the money they borrow from the Federal Land Bank Association, (FLBA) and 10 percent in the case of the Production Credit Association (PCA). This entitles the farmer to one vote in the association. In the case of the PCA, s/he may remain a member for two years after paying back the loan, and if no new loan is obtained, ceases to be a member. Members select a board of directors; each member has one vote. The board of directors hires the manager, sets general policy within the guidelines of the Farm Credit System, and in some cases reviews loan applications and participates in decisions on foreclosures.

5a. The Federal Land Bank

The Federal Land Bank Association of Colby covers seven counties in northwest Kansas, including Decatur County. It makes loans of from 5 to 40 years to farmers and ranchers, rural residents, and selected farm related businesses. The loans are secured by first liens on real estate. It is a member of the Wichita Federal Land Bank, one of twelve regional Land Banks. The Land Banks sell securities on the major bond markets to raise capital for loaning to farmers through their local FLBAs. According to a long-term board member of the local association, FLB bonds are considered among the safest in the business, with a bond rating higher than any other entity, except the Federal government. (This is now changing as the Farm Credit system gets into more and more difficulty; Wall Street Journal, October 7, 1985: 14). While not guaranteed by the Federal Government the FLB has fought to keep Federal in its name to continue to link it to the security of Federal bonds.

The FLB board member says that his Association makes about 60 percent of farm real estate loans in the seven-county area. Most of the rest are held by private individuals, some by insurance companies, about five percent by the Farmers Home Administration, and a very small amount by private commercial banks.

Table 14 shows the economic perfomance of the FLBA of Colby since 1979. It is clear that after 1982, the Association's economic situation became more difficult. The decline in land values resulted in the FLBA scrutinizing new loans more carefully. The appraised value of land used to secure new FLBA loans dropped 25 percent from 1982 to 1984. (Statewide, land values fell about one quarter between 1982 and 1985.) Previously, the perspective in the FLBA office was that the more you loaned the more you made, but standards have changed to meet the times. In 1971 and 1979, Congress raised the maximum percentage of the value of land being used as collateral which could be loaned from 65 to 80 and then to 90. Now the FLB has returned to the earlier 65 percent figure. This helps to explain why less money is being loaned — in addition to the fact that land is valued less than it was. Secondly, as is explained in the FLBA Newsletter (March 1985), farmers are mortgaging less land per loan (probably a return to a more financially conservative view), and, lastly, lower commodity prices have reduced cash flow. Thus from 1982 to 1984, the average amount of a new loan decreased from $149,000 to $82,000 (a 45 percent decrease). The average debt load of farmers receiving new loans has decreaed 37 percent in the two years, reflecting the projected inability of the more highly leveraged farmers to cash flow their operation. There has also been an increase in new borrowers with off-farm income from 51 to 89 percent. Off-farm income is more and more necessary to provide adequate cash flow to make payments on the land (FLBA of Colby, March 1985).

(TABLE 14 ABOUT HERE)

The net earnings of the FLBA of Colby peaked in 1982 at $423,000, and by 1984 had plummetted to $63,000. This was due to two major factors: a) delinquent loans increased to 4 percent in 1983, to 4.8 in 1984, and 5.6 at the end of the 1985 fiscal year (June 30, 1985). This latter figure actually means that about 10 percent of loan volume (as opposed to number of loans) is delinquent. b) As a result of those delinquencies and other borrowers who are approaching delinquent status, more personnel are needed:

The slack time for employees created by the decrease in new loans made has more than been taken by the problem loans. More time is spent trying to work out a problem loan than in making a new loan. As a result, we have added another loan officer and a clerk position in an attempt to keep up both categories of loans. (W. A. Dowell, 1984).

The FBLA board is discussing hiring two people to take care of acquired properties. Thus, salaries have increased somewhat as a percentage of operating expenses and operating expenses have increased nearly 50 percent as a proportion of loan volume -- due partly to a decline in loan volume. This is not an isolated phenomenon. The recently announced reorganizaton of the administrative structure of the Farm Credit system is an attempt to reduce administrative costs. The Colby FLBA will acquire two additional counties so as to cover the same geographic area as does the PCA in Colby. The two entities will eventually be housed in the same building, and may even share loan officers. This would have the advantage that a farmer's short-term and long-term credit needs could be examined together. Such changes must be approved by each Association, and, at least for the time being, each FLBA and PCA will keep its organizational integrity.

We were informed by an official of the FLBA that it has not foreclosed on many farmers, but the number is expected to grow. They have no figures by county, but Decatur County has one of the better records in the district. Only two foreclosures have taken place there. The official said, "I can only think right now of 10 or less possible foreclosures in Decatur County, 50 percent of which would be deed transfers." When a farmer is moving toward foreclosure, the FLBA encourages the farmer himself to sell through a neighbor or a realtor. If the FLB has to sell it, it goes for about 10 percent less than it would otherwise, because people know the FLBA has to sell. It does the FLBA no good to hold the land, accumulating losses. Land put up for sale is normally bought by nearby farmers — the situation of both cases in Decatur County. "Only larger farmers are buying land. There are no investors buying land," indicated the FLBA official.

The FLBA handles properties it has acquired in the following way: pasture is rented to farmers on a cash rent basis; irrigated ground is leased on a 25-75 percent sharecropping system (FLBA pays for 25 percent of the fertilizer). It would be very expensive to do custom farming under irrigation. Rain-fed farm land is custom farmed so it can be sold at a moment's notice. Custom farmers are chosen from good farmers in the area. The FLBA tells them, "Farm it like you would your own."

"Instead of going as far as foreclosure, many farmers are coming in and giving the FLBA the deed to their land. This simplifies things for everyone," stated the board member with whom we spoke.

The FLBA is considering setting up differential interest rates for good risk farmers, because there is fear that they may move to commercial banks or insurance companies. It has been necessary for the FLBA to raise rates to cover the bad loans. (The rate as of June, 1985, was 12.5 percent, up from 11.75 in June 1984 and June of 1983.) This has caused a lot of complaint from other borrowers. They come to the loan officers and say, "Get rid of that debtor. Get someone on that land who can make a profit."

Who is currently in trouble? According to one FLBA official:

> We don't see that many older farmers who are forced out. Most are between 30 and 40 — those who borrowed heavily to help their sons. Lots are 60 to 62, but haven't paid much into social security because of

bad crops.

The official added that many farmers are "teetering on the brink." Although he has no direct evidence, he believes that spouse abuse is occurring. There are instances in which they have called up borrowers. The wife answers and says, "He doesn't live here any more." The husband has just picked up and left.

The FLBA is now working with the KSU farm management program in doing cash flow analysis to assist farmers whose equity is decreasing rapidly. The FLBA does all it can to "go the extra mile" with the borrower. It has developed a four-point forbearance policy. The farmer will be allowed to continue farming if s/he can answer yes to these questions:

a) Is the borrower doing his honest best in managing the farm and using outside income to make the farm go?

b) Is the borrower applying the proceeds of production over and above necessary living expenses to payment of primary obligations?

c) Is the borrower taking proper care of the security? (buildings, the soil, etc.)?

d) Is the borrower capable of working his way out of the existing debt load in the long run?

Forbearance then leads to refinancing (provision of working capital), extension, reamortization, or a combination of partial liquidation and reamortization (FLBA of Colby, March 1985).

The FLBA operates on a blend of bonds. It will take a while and a large volume of loans at the current lower rate for interest rates charged to farmers to decrease significantly. Were it not for the losses, they could begin bringing rates down. If they have to increase their interest rates further, the more solvent borrowers will pay off their loans. This would put the bonds in jeopardy. In contrast to the loans which can be paid off by farmers at any time, the bonds can only be paid off when due. Still, the FLBA board member argued, FLB rates are the cheapest around.

5b) The Production Credit Associaton (PCA). The Northwest Kansas Production Credit Association, headquartered in Colby, is affiliated with the Federal Intermediate Credit Bank (FICB) of Wichita, one of 12 regional banks servicing local PCAs. the FICB discounts the loans made to individual rural member of the PCA. Money is raised through farm credit bonds of 6-9 months duration. PCA loan rates are variable and change monthly. (FLBA rates change quarterly.) Some PCAs are in trouble because they did not build their capital structure to accommodate the risks involved, said a PCA official. That can be seen in Table 15. Earnings peaked in 1981, hit a low in 1983, and recuperated somewhat in 1984. If one adds loan chargeoffs to net earnings, one gets a figure which is fairly constant over the period, 1980 to 1984. That is, loan chargeoffs are the principal explanation for variation in net earnings of the PCA.

Another potential problem is the growth in operating expenses vis-a-vis outstanding loans. As loan volume has declined since 1982 and more effort has been put into loan recoveries, operating expenses have continued to rise. The Farm Credit System administrative reorganization could help the Northwest Kansas PCA. The much augmented, but still modest, loan default rate resulted in an increase in interest rates betwen 1983 and 1984. By June 1984, they had declined slightly to 14.3 percent. This reflects the fact that the PCA, because it sells short term bonds, can react more quickly to changes in national interest rates than can the FLBAs.

PCA loans are classified as to the single source that is estimated to provide over half the repayment. As of June 1, 1985, PCA lons were classified as follows:

Diversified	32%
Crops 25%	
Feedlot cattle (mostly commercial feedlots)	14%
Wheat 6%	
Stocker cattle	6%
Cow-calf operations	4%
Feed grains (corn and milo)	3%
Miscellaneous	6%

A growing proportion of loans are going to feedlot cattle (and to people with non-farm income). The loss of recent wheat crops and high interest rates have resulted in fewer loans for wheat. Most of PCA credit is intermediate -- 3 to 7 years. (Judging from the difference in the first two lines in Table 15, there is a substantial amount of partial repayment and drawing out of additional money during the year in lines of credit.) Much of the credit goes for machinery, irrigation (10-year loans), and facilities. Many farmers carry machinery in their operating loans. Loans for irrigation equipment have declined from 24 percent of the portfolio when irrigation was at its height to less than 20 percent now.

The N-W Kansas PCA, according to one of its officials, has always been cautious and "crunched the numbers" before making loans. Because they set up loans on a yearly basis and release tranches semi-annually or quarterly, they can catch a problem loan early. (The FLBA sees a client only once a year and releases all the money at the beginning of the year.) The major management tool is trend analysis. This PCA has always used cash flow projections, but they were hand calculated. They now have a Burroughs computer to do the calculations.

The PCA keeps the spread between their loan rate and the rate at which they borrow commensurate with the risk. Currenty the spread is high as they attempt to rebuild their capital. The spread in 1984 was about 2.25 percent, up from 1.5 in 1982. Their net worth declined between 1983 and 1984. Net worth consists of stock and reserves. No dividends were paid in either year; the earnings were allocated to reserves.

Some farmers split their short and intermediate financing (the PCA would finance the cattle and the private bank would make the operating loan, for example), but most clients work only with the PCA. A farmer will go to the PCA if the desired loan is too large for a commercial bank. The PCA has no formal loan limit, except on capital structures. The PCA can require crop insurance (and usually does), but the farmer can get it from any source, although they sell it themselves. All-risk insurance is becoming more popular. The percent of the farmer's equity on which the loan will be made depends on the liquidity of the collateral and availability of other assets. The precise percentage to be loaned is at the discretion of the loan officer. Machinery is valued at curent market price. (The high price of new machinery has kept the used machinery market active.) A lower percentage is loaned on growing crops or machinery than on cattle or crops in the bin. Because of the high cost of credit, most borrowers are making themselves more liquid, e.g., by selling grain rather than storing it long term.

5c) Commercial Banks. There are four commercial banks in Decatur County -- two in Oberlin, the county seat, and two in the much smaller secondary towns of Norcatur and Jennnings. Figure 9 shows deposits over time for each of the banks. Deposits have remained remarkably stable for the two more rural banks. Farmers National Bank showed slow growth and has taken off since the early eighties. Decatur County National Bank also showed steady growth through 1981 and then experienced a decline in deposits. Nineteen eighty-one was the peak year for the oil industry in the county. Since Decatur County National Bank was heavily involved in oil related investment, there may be a relationship between the decine in oil activity and its deposits.

Figure 10 shows the tremendous jump in Decatur County National Bank's loan to deposit ratio in 1977, when a new president came in. He invested heavily in the oil industry and is currently under indictment for alleged payment of a large check to a non-existent person. The bank is currently listed as one of 17 banks in Kansas with non-performing loans in excess of its assets.

(FIGURE 10 ABOUT HERE)

While the acquisition of a wheeler-dealer president might be an anomaly, it is probably related to the abnormally low loan-to deposit ratio which preceeded his coming. The pendulum swang from an overly cautious loan policy to one which is best characterized as reckless abandon. The absolute drop in deposits after 1983 may represent an uncertainty on the part of some depositors about the bank's future.

In contrast, the Farmers National Bank, while steadily increasing in total deposits, gradually decreased its loan-to-deposit ratio from the .60 region and above in the 1960s to around .50 in the 1980s. Given the increased risk involved in making agricultural loans in the 1980s, this behavior appears appropriate. In the case of the Citizens State Bank of Norcatur, we were told that, "When PCA started loaning on inflated land values, we had to loosen up." Thus, beginning in 1979, its loan to deposit ratio began to increase from the mid thirties to the mid forties. This was perhaps a salutory response.

One banker philosophized that there have been two kinds of bankers in the county -- a) those represented by R. Betts, president of the Decatur County Bank prior to 1977, and Kenneth Ward, the semi-retired president of the Citizen's State Bank of Noractur. Both represent the traditional conservatism for which rural bankers are noted. The other extreme is represented by Farrell McAtee, Betts' successor, and by Lee Needham, who was president of the First State Bank in Jennings. The First State Bank was closed by bank regulators in 1976, prior to the deregulation of banking. He was providing shotguns and other bonuses to persons who would deposit savings in his bank. According to one informant,

> 1976 was when the cattle market started to go downhill, but the demise of the First State Bank was not related to the economy. It had to do with extravagant management decisions and the fact that Needham got into trouble with a couple of hot shot bond men.

The First State Bank closed on a Friday. The Jennings National Bank opened the following Monday. The deposits were purchased by the new bank from FDIC and no one lost any money.

The current farm crisis has turned the tide in the direction of the more conservative banker, not only because prudence is appropriate behavior, but also because it is difficult to loan large amounts of money either for agriculture or for other activities in the county. Three of the banks have at least two thirds of their loans in agriculture. The two smaller, more rural banks have 75 and 90 percent of their loans in farming. The Farmers National Bank is the only one of the three which has loaned significant amounts of money for farm real estate — 8-10 percent of its agricultural portfolio. One of the banks only recently began taking mortgages on farmers' land when it is necessary to take it as security for reorganized operating loans. The bank has a long-term policy against making farm real estate loans. One of the rural bankers explained that the bank turns down few loans to farmers in their immediate area. Their loan-to-deposit ratio is low because the farmers are cautious borrowers.

One bank has foreclosed on two farmers and is involved in a Chapter 11 bankruptcy (reorganization) procedure. A second bank had to foreclose on two farmers last year. According to the bank's CEO, "Both were older farmers who did not want to adjust. I advised them a couple of years ago that they should sell out while they still had equity. They had expanded and were unwilling to cut back." The third bank has recommended liquidation for three clients: "I asked one guy to sell two quarters, and we took the mortgage on three quarters." (interview with CEO). The fourth bank has apparently not foreclosed on any clients.

The banks are all going to cash flow analysis — some more rapidly than others. One bank uses two principal sources of information in deciding whether to make a loan: a) Schedule F of the farmer's 1040 income tax form (only about 15 percent of their farmer clients use Extension Farm Management or a private accounting consultant), and b) a cash flow statement worked out by the bank or cooperatively between the client and the bank. On production loans, they had been using 6-month notes, with all money borrowed during that half year coming due at the same time. Now they are moving to separate notes for each enterprise timed to come due around the time that produce from that enterprise will be sold by the farmer. They used to provide farmers with a line of credit at the beginning of the agricultural year based on the expected needs during the year. Under the current situation, they found this too difficult to monitor.

Another banker uses the same tools plus a simple form of modeling to determine "what if?" (What if you sold this quarter? What if you quit the hog operation? etc.) This banker has also encouraged farmers to diversify. He mentioned growing pinto beans and raising millet for bird seed (There is a bird seed company in Flagler, Colorado, which would serve as a market for the millet). He also counsels farmers to use farm programs and to cut expenses. There are, according to him, increasing numbers of farmers who are utilizing soil tests to avoid putting on too much fertilizer. "I think people are finding they don't need as much fertlizer as they were using."

This contrasts with the behavior of another banker, who works with the local elevator operator to insure that clients use adequate amounts of fertilizer. He also was the only banker to encourage farmers to use no till to cut costs. The bank had financed puchase of four sprayers by farmers in the past year. He felt that especially for the big farmer who is not in the farm program, the only way to come out with a positive balance is to use no till methods. He says that whereas in the 1970s farmers were buying a new tractor every 5-7 years because they could get investment tax credits, he does not listen very sympathetically when clients come in to talk about new machinery or tractors. This bank began cash flow analysis only this past year. A local farmer was using a spread sheet and shared the software with the bank. The bank now does a monthly analysis free of charge for its clients. They set up a line of credit for operating loans. All notes come due at the same time. They provide loans at a preferential rate to farmers with good security and cash flow. When farmers sell their crops, the bank encourages them to put the income against the note. Then if the farmer needs money for living expenses, the bank will provide an advance. That reduced the farmers total interest costs. He also mentioned that working wives provided an important contribution to the cash flow of many farm families who are clients.

The fourth banker was not entirely enamored with cash flow analysis. He said bank examiners are making the bank charge loans off as bad debts when they show no ability to repay in the short term (i.e., show no cash flow), even though the farm may have a positive net worth. He does not recommend use of farm programs by all clients. "If they are getting down to the nitty gritty where they are having problems, we have a package which requires that they use government programs and crop insurance." Most of the banks sell all-risk or multi-peril insurance, and recommend that, at least for those clients who cannot afford to take risk, that they avail themselves of such insurance (although they are free to buy it from whomever they please).

Three of the four bankers were optimistic about their own futures, but some indicated concern about their clients. One said the bank was in good shape financially, but "My only fear for this bank is that we will lose our farmers." Surprisingly, he said that with deregulation of banking, it was the older farmers who showed no loyalty to their local bank. Another expressed concern about multi-bank holding companies (no banker indicated favoring them). He feared that communities the size of Norcatur and Jennings, and maybe even those the size of Oberlin, would "dry up." He felt out-of-town bankers do not know the clients or the community. "People in the rural communities won't get individualized services from a centralized bank." The banks in both Jennings and Noractur had financed the local cafes, and the Jennings bank has a loan to the community grocery store. A third banker was quite pessimistic. He predicted that within two years 10 percent of the land in the county would not be farmed. Marginal land would simply be turned back to grass or be abandoned because of the low price of agricultural commodities. He feels the farmers in the greatest amount of trouble are the middle-sized farmers — those with 400 to 800 acres. These tend to be young persons who are expanding. They are a small portion of total number of farmers, but represent a major portion of agricultual debt. The very small and very large ones have off-farm income. "I can show you units where the farmer owns everything and still can't make money. I have seen good farmers who aren't buying land, but debt has gradually increased for them." Chronically low commodity prices are gradually putting some farmers seriously into debt.

If employment is an indicator of financial health, banks are doing alright. One of the rural banks has expanded from 4 to 7 employees since 1979; the other has just added one employee at the beginning of this calendar year.

5d. Farmers Home Administration (FmHA). The Farmers Home Administration, like the Federal Land Bank and PCA, is controlled by a local board serving staggered three year terms and a hired professional staff. It administers two farm loan programs. Each is based on two levels of interest. The first is the farm ownership program in which an individual farmer may request a loan of up to $200,000. The rate of interest which a particular farmer receives depends upon his cash flow. If his cash flow would be positive at the higher 10 3/4 percent rate, he will receive the money at that rate. If it would only be positive at the lower 5 1/4 rate, he would receive it at that rate, guaranteed not to change for 3 years. At the conclusion of the 3 years, his cash flow would be evaluated. If it would be positive at that point at the higher so-called market rate, his interest would rise to the higher level. The farm ownership program involves loans for three kinds of activities: 1) refinancing, 2) purchase of land, and 3) in a few cases, loans for building structures. The loans are for 30-40 years.

The other kind of farm loan program is called operating loans. They are provided for the purchase of machinery, cattle or annual crop production. The length of the loan depends on the life of the collateral being financed. For annual crops, the loan must be paid back within the year. The two tier interest rate system works the same way as in the land ownership program. In mid-1985, the lower rate is 7 1/4 and the higher and the higher rate is 10 1/4 percent.

By mid-1985 there was no money available for the farm ownership program. It will only be available when fiscal 1986 appropriations can be spent beginning October 1. There is adequate funding for the operating loan program. The FmHA County Supervisor for Decatur, Rawlins ' Norton Counties, is doing the paper work so that all that will have to be done on new farm ownership loans on October 1 is to sign them. Currently 70-80% of the request for farm ownership loans are for refinancing, while 55-60% of the portfolio consists of refinancing loans.

Loan eligibility is determined by county a committee elected from local farmers. Norton and Decatur counties have a joint farmer committee. The following factors are taken into consideration. 1) A farm must utilize no more than 7500 person hours of labor in a year. A farm management handbook has appropriate conversion rates. For instance, they figure 1.25 hours per acre of summer fallowed wheat and 9 hours per litter in a hog farrowing operation. The various enterprises are summed and if the total equals less than 7500, the farmer qualifies under this provision. That is close to four-person years, and therefore, virtually all family farms qualify in this regard. 2) If the farm is so small that farming is not an essential element in the family's making a living, that farm is not eligible for a Farmers Home Loan. While there are no hard and fast quantifiable regulations, the county committee's decide whether a farmer qualifies under this provision. 3) The farmer must have management capability, also assessed by the county committee.

It would appear that a very large number of farmers qualify for Farmers Home Administration Loans. We asked why there was not a huge waiting listing. He replied that many people were too proud to come in and ask for loans from the Farmers Home Administration. FmHA is considered the lender of last resort and its borrowers are to a degree stigmatized.

Once the county committee has determined eligibility, then the supervisor schedules a farm visit and looks at the farmers records and does an analysis as to whether cash flow is adequate. Farmers Home Administration has always used a cash flow method in conjunction with collateral. However, it is clear that most farmers that go to FmHA do not have the records to do a proper cash flow analysis.

With respect to refinancing, it is necessary for FmHA and the bank with which the farmer has his current loans to work together. Likewise, in land purchasing, if a farmer does not have enough money for the full down payment, Farmers Home and the Federal Land Bank will work together to develop a loan package.

The DAP program is one in which a private bank must write off at least 10% of the principal, then Farmers Home will guarantee 90% of the remanining loan. This program has not worked very well because the banks are hesitant to write down capital. They are more willing to write down interest, because they perceive tax advantages to doing that. The banks often send people to FmHA who are too far in debt. The banks trump up the value of the farmer's assets in order to be able to write off what is clearly a bad loan. Since FMHA has the right to refuse such loans, there are very few instances where the two entitites have been able to come to an agreement under this provision. The previous supervisor recently left because of feelings of frustration of serving only as loan guantor for the banks.

The moratorium on foreclosures apparently has been extended beyond June 30th of this year. The only time that the FmHA can foreclose is if the client begins to sell off his security or if the Federal Land Bank is foreclosing and FmHA has the second mortgage. At present FmHA is also prohibited from selling what are called inventory farms, land which they have acquired through foreclosure. This was an administrative decision in Washington designed to prevent further declines in agricultural property values. This particular office has such properties in both Norton and

Rawlins Counties, but not in Decatur County. Such farms are farmed under cash leases whose annual availability must be advertised in the local newspapers.

Decatur County has the least delinquencies of the three counties in the unit. Decatur County had 17 delinquent loans with five people; Norton, 23 delinquent loans with 17 people, and Rawlins, 56 delinquent loans with 21 different individuals. Rawlins has such a high rate because at an earlier time they had a loan officer who made a number of loans which he shouldn't have made. The Rawlins County portfolio was inherited from the Oakley office and that loan officer had to answer to the Oakley office.

The various programs which FmHA in the three county area has are listed with the number of borrowers: 1) rural housing, 214 borrowers; 2) farm ownership, 227 borrowers; 3) operating loans, 95 borrowers; 4) section 504 grants, 225 borrowers (the 504 grants are made to elderly persons with little income beyond their Social Security for home fix-up. The person must live in the home three years after the repairs are made or otherwise must pay it back.); 5) emergency loans, 51 borrowers; economic emergency loans, 62 borrowers; sewer and water, 17 borrowers; for a total of 254 active farm borrowers. The average size of a farm ownership loan is somewhere between $60,000-$80,000, with a significant number of small farmers and another large group of farmers who have borrowed the maximum of $200,000.

It appears that the accounting services which FmHA provides are rather minimal. Only those farmers who come to them and ask for assistance will receive any financial advice for improving their economic situation. Since their loan monies have been increasing in recent years, it would appear they have little time for providing financial counseling.

While most Federal Land Bank clients have detailed accounts for the past five years, Farmers Home clients will probably have only the Schedule F from their income tax. The Federal Land Bank borrowers who come to Farmers Home will tend to be customers who do not keep good records. Some of the largest farmers in Decatur and other counties are clients of the Farmers Home Administration.

The FmHA has no quotas for a particular mix between the two levels of interest which are charged under two farm loan programs. Those farmers who refinance loans under the Farm Ownership Program will often convert short term debt into long term debt. Farmers Home has greater flexibility than the Federal Land Bank since it can take a second mortgage while the Federal Land Bank must take a first mortgage. Most of the refinancings which are done by FmHA are done with private banks rather than with the Federal Land Bank. As I indicated, any bank whether the Federal Land Bank or another private bank, must approve of the farmers going to FmHA to refinance the loan.

Non-Agricultural Business

1. The petroleum business. Oil is important economically in Decatur County in two ways: a) a modest amount of oil is produced in the county. Currently there are some 300 producing wells; strippers (those producing less than 10 bbls/day) make up 95 percent of them. b) Oberlin happens to be centrally located to a number of oil fields in Northwest Kansas and southwest Nebraska. One informant, knowledgeable about the oil business, indicated that the good school system in Oberlin was also a consideration. Therefore several companies involved in the oil drilling and producing business have located in or on the outskirts of Oberlin, providing substantial employment at various times since 1974. The oil drilling and producing industry became important in Decatur County in 1974 following the OPEC-induced oil price increases in 1973 (see Table 16), which shows oil-related employment for selected areas. The high point in oil activity in the county was 1981. At

that time, the price of crude oil as as high as \$37/bbl. It has now slipped to the lower twenties. Several informants — especially ones involved in the oil business — did not view that boom period entirely positively. The boom attracted persons who did not know much about the oil business:

> Leasing hit its high point here in '81 or '82. There were no incentives to drill in Canada, and their crews needed something to do. They were paying up to \$25 per acre[3] and leased land which had no potential. They dropped most of those leases; now we are down in the \$5-\$10 range after getting the farmers settled down. There were also people who brought investors in to the business who didn't know anything about oil. The investors lost their shirts, the fly-by-night operators got out of town, and farmers are now a lot wiser about leasing (interview, petroleum consultant, June 1985).

(TABLE 16 ABOUT HERE)

Others have indicated that wells were drilled which should not have been. Oil was pumped rapidly in order to achieve cash flow, thereby decreasing the flow of oil from the well over its life time. Oil well servicing companies complained of unpaid bills by the wildcat drillers, and of unreliable employees "from urban areas" whom they had to hire because of a labor shortage in the area. The petroleum consultant explained the impact of the boom this way:

> I would hate to see another boom. It wasn't good for the industry nor for the country. It wasn't good for the industry because of the fly-by-night people and because the prosperity attracted taxes which were O.K. when there was \$40 oil, but which makes for premature abandonment at \$25.

A good deal of opposition was expressed by petroleum people and politicians to the oil severance tax instituted by the state in 1983. Many Decatur County people view the severance tax as a transfer payment from rural to urban school districts, since only 7 percent of it is returned to the county. (In fact, it is more complicated than that since rural non-oil producing counties also benefit from the tax.)

Another way in which the oil industry affects Decatur County is through property taxes. Through a series of unintended consequences resulting from different methods of property tax assessment, oil assessments have come to make up a major proportion of property taxes. According to the county oil assessor, assessed valuation of operating oil wells is based on both present and potential production for the next ten years. Elements taken into account include current market price for crude oil, specific gravity of the oil being produced (a measure of quality), and that well's production trend. Thus, assessed valuation of oil production is closely linked to the current market price of the product. Agricultural land, on the other hand, is not a product, but a means of producing a product, and is not assessed at current market value. Since real estate (both urban and rural) has not been reappraised in Kansas since 1964, the mill levy is based not on current market value of the land, but on its value over 20 years ago. Kansas law states that property taxes (mill levies) should be based on 30 percent of assessed valuation (rather than 100 percent). De facto real estate mill levies are based on about 7 percent of <u>present</u> market value statewide. The result is that oil assessments made up as high as one-fourth of total assessed valuations in 1982 (see Table 17), an amount greater than half that of total real estate valuations. While how one judges such relationships in terms of equity depends on what values one holds, one thing is clear -- oil valuations fluctuate much more than do those for other categories -- especially real estate as currently calculated. (We will see later that the decision in 1984 to institute a sales tax and to reduce property taxes by the amount of anticipated income from the sales tax carries a similar level of uncertainty.) While the decline in oil assessed valuation had little negative effect on the county school system due to the large amount of state aid, its greatest impact appears to be on the towns of the county.

(TABLE 17 ABOUT HERE)

Owners or managers of the two largest oil service firms operating in Decatur County were interviewed. One is a family operated firm where the husband and wife operate as partners. They moved to Oberlin in 1973 from Hill City. Their house is their headquarters and communications center via two-way radio operated by the wife. About half their employees are based in Oberlin and the other half in Hill City and Oakley. They attribute the low turnover of their employees to the personal interest they take in them both on and off the job (including attending weddings).

The other firm is a "camp" of the largest oil service company in the world — Haliburton. The manager has had that position for about eight years, two years after Haliburton established its camp in Oberlin in 1975. Haliburton guarantees its contract (field) employees 60 hours of pay per week, including 20 hours overtime. Workers are on call seven days straight and are off two. Therefore they must live in the immediate vicinity of Oberlin. Fewer than 40 percent of their employees are from outside the county; all presently live in Decatur County. Since they must remain close to headquarters when on call, a large percentage of the payroll — perhaps the largest payroll in the county — is spent locally. The manager indicated that they attempt to buy locally when possible (they purchase their fuel locally; parts are puchased in Oberlin or McCook when possible; tires in McCook; but major equipment is obtained from the parent company in Duncan, Oklahoma. Thus, the principal impact of the company is through its payroll.

(See Table 18 for the combined employment of the two companies over time.) Much the same can be said for the other company; not many of their supplies are available in Oberlin. They do buy their pickups locally.

(TABLE 18 ABOUT HERE)

The oil business is a major employer in the County, employing nearly 8 percent of the work force at its height. It has not had an ameliorating effect on the farm-based economic crisis, since the cycles of the two sectors have dipped at about the same time. Did having oil wells or oil leases help farmers avoid the farm crunch? The petroleum consultant says no: "Lots of people when they got an oil well just went out and bought more machinery."

2. The Manufacturing Firm Oberlin's manufacturing firm has been through several changes over the years. Until the early 1970s, the facility was used as a tractor-trailer factory. When the current owners bought the building in the mid-1970s, production was switched to building portable geologist's labs and housing for the oil industry, which was doing well in the area at the time. The firm has another plant in Oklahoma.

At its peak in the late 1970s, the firm employed 17 workers and six "executives" and supervisors. They sold their units in about 15 oil states around the midwest. Some oil companies bought the units outright, while others were sold to companies which rented to oil companies. Their peak year for sales was 1979.

Moving into the 1980s, the oil business began to slow down in the midwest, and the firm's sales began to decline as a result. By 1982 sales had been cut by thirty to forty percent, and their payroll had to be reduced to only five full-time workers. In mid-1985, a contract fell through, and the remainder of the workers had to be laid off. The owners are currently uncertain as to what they are going to do. It is possible that they will sell the facility.

The farm crisis has had one indirect impact on the firm. The owner stated that they could easily have gone into manufacturing some type of farm implement, but most farmers are currently not able to buy much new equipment, so the market is not there.

Currently, then, there is no active manufacturing facility in Oberlin. As long as both the farming and oil sectors remain down, it is unlikely that a business related to either of these industries would be feasible; this has the added impact on the community of reducing the number of available off-farm jobs. Whether or not manufacturing ever plays a major role in Oberlin's economy remains to be seen, but, at least for the short run, it appears that it will not.

The manufacturing plants had been responsive to locally driver demand. The across the board decline in commodity prices leaves little potential for producing production inputs.

3. Apparel stores. Three clothing store owners were interviewed. One had just purchased the store and had no figures on sales or profit-loss. The clothing business seems to have been affected only slightly by the farm crisis. Both stores had expanded recently. One had puchased an adjacent building from a bank (the previous owner had gone bankrupt), and had increased his floor space, although he had not expanded his product line. The addition had been open only a couple of weeks when we interviewed him in June. The other store owner had purchased two new stores in nearby county seat towns in 1983 and 1985. In 1980, he added some new lines to his inventory as business was picking up.

Sales seem to have remained rather steady. One store peaked in 1983; the other a couple of years earlier. In the latter case, while sales fell 15% between 1982 and 1984, he reported a sales increase in the first half of 1985 of 12 percent over the comparable period in 1984. One store owner reported that he had noted the effects of the farm crisis in his clients' buying habits. Sales of men's clothes had clearly declined while women's and childrens clothing remained reasonably stable. Male farmers would stop buying for themselves first.

While sales have held up so far, profits were clearly down in 1984 (Table 19). It is not clear whether the decline in margins is due to local factors (greater local competition) or national factors (greater competition from foreign-produced textiles and clothing resulting in decreased margins nation-wide; that greater competition results from the over-valued dollar).

(TABLE 19 ABOUT HERE)

Some growth in accounts receivable was reported but it is unclear whether it is related to the farm crisis.

4. Drug Stores. There are two drug stores in the community. Overall, the drug store business has not been affected by the farm crisis. Although both reported a decline in gift and card lines, health and beauty lines are strong. The store which is experiencing greater expansion indicated an increase in prescriptions as a percentage of sales from 55% in 1979 to 64% in 1984. Profits are up as are number of part-time employees (See Table 20). Both reported an increase in accounts receivable - one experiencing a tripling between 1979 and 1984. The other indicated more careful screening of potential charge-account customers.

(TABLE 20 ABOUT HERE)

5. Supermarkets and Locker Company. There are two food stores or supermarkets and one locker company-butcher shop in Oberlin. There was a steady growth in grocery sales until 1982 in response to the growth in oil activity and a good agricultural economy in the early part of the past decade. Since 1982, sales have leveled off and shown a slight decline. Total employment in the grocery business has grown, continuing to increase

between 1982 and 1984. (We don't have a breakdown regarding shifts between full-time and part-time employees; in 1984, 27 of the 34 employees were full time.) (See Table 21).

(TABLE 21 ABOUT HERE)

The two store owners report the following trends in response to the farm crisis (and the decline in the oil business and closure of the manufacturing company): a decline in sales of high-margin "luxury" items such as cookies and junk food; an increase in generic brand purchases; decline in purchases for canning; decrease in purchases of halves and quarters of beef to the point that one supermarket stopped selling them. One store recently put in a deli which provides take out meals in order to boost sales; it appears to be doing well. The other has expanded the generic line as a strategy for maintaining sales and profits.

Profits of the supermarkets appear to be down somewhat. They are not presented here because expansion in one case and distribution of surplus to stockholders render comparative profit figures unreliable. Between 1982 and 1984 gross profits of one store declined 6 percent. The reasons for the slight declining in profits include changes in purchasing habits discussed above and some unmeasured degree of competition from the U-Save (box-your-own) store in McCook, mentioned by both grocers. One indicated he adjusted his prices in order to remain competitive with the U-Save store.

Both stores operate on a cash basis, except for institutional customers and thus have no problems with accounts receivable. Both indicated a significant rise in job applications, one stating that farmers represented a large portion of applicants. Both stores are family owned. The locker service has been owned by the same family for 14 years. Sales volume expanded steadily until about four years ago (1981), when cattlemen began to feel the pinch of the farming decline. Custom butchering for farmers declines about 50 percent since 1980. Town people are still buying halves of beef; in fact, last year was a very good year in that regard.

6. Furniture stores. The furniture business has been affected by the farm crisis and oil slump. The two furniture store owners were interviewed. While one experienced an increase in profits, sales declined 12 percent between 1980 and 1984 (more if inflation were taken into account). The other experienced a decline in profits, presumably the result of declining sales, as the proprietor expressed regret at having expanded. Both have reduced employees in an attempt to cut costs.

	1979	1984
Number of full-time workers in two furniture stores (includes proprietors)	7	4

Both felt the farm crisis affected their busineses. One had experienced problems with unsecured loans to individuals who went bankrupt. The other noted a decline in sales to farmers, which have partially been made up by expansion of their sales area.

Both proprietors indicated that the floor covering market was steady while furniture had declined. Furthermore, there is more overhead cost in furniture if it moves slowly. One had previously hired a person to do carpet installation. Three years ago, they began contracting it out to another local person. Both proprietors are rather conservative in their financial affairs. In one case, the proprietors paid cash for the business 14 years ago. They said, "We could have never made it on borrowed money."

7. General merchandising stores. This retail category seems to have taken a beating in recent years. Two of such proprietors in Oberlin were interviewed. Both are local franchises of well known national chains. One respondent indicated that Oberlin is "over hardwared." One proprietor is in the process of liquidating, not having made a profit since buying the

business in 1981. Initially, the store offered a full line of household goods, including appliances, some automotive supplies, paint, electrical supplies, even records, tapes, fish and pet supplies. There was also a small rental business (carpet cleaners, U-Haul, etc.).

Both stores experienced a decline in business from 1982 on. (See Table 22). One proprietor indicated that "luxury" items, such as TV's, furniture and coffeemakers virtually stopped selling. Two items which held up were chain saws and (until the manufacturer went bankrupt) wood burning stoves. He indicated that, because competition is so keen and people are looking for bargains, having sales on particular items did not serve to draw customers into the store. Impulse buying virtually stopped. He stopped having sales last fall.

(TABLE 22 ABOUT HERE)

Both experienced problems with accounts receivable. One proprietor has taken a few clients to small claims court. The other indicated serious problems in financing young people. The credit plan associated with the nationwide merchandise firm was bought by another company and went bankrupt. The local store then arranged financing through a firm in McCook, which also went bankrupt. This hurt the store's sales on more expensive items such as TV's. Also farmers who once paid cash could no longer afford to do so.

8. The County Newspaper. The Oberlin Herald has been the only newspaper in the county since 1976. The publisher bought the newspaper 10 years ago and moved into the community to run the paper. They currently have 6 staff members--two full time besides the publisher-editor. This is a reduction of two part-time employees from peak employment in the early eighties. Measured in column-inches, advertising has shown a steady decline since the peak in 1979 (see Table 23), a situation which the publisher believes is directly attributable to the economic situation. They print 3,300 copies. The

thousand five hundred subscriptions are from out of county — mostly former residents. The publisher says that a good small-town newspaper has a circulation equal to the number of inhabitants of the town. They are 700 over that figure.

The publisher explains, "We aare a daily newspaper which comes out once a week. People look to the Herald to find out what is going on in Oberlin. A line forms on Wednesday afternoon to pick up the paper." The Herald does not attempt to go beyond the borders of the county in its news coverage. It focuses on "hard" news such as governmental meetings, on cultural happenings, and on about how people feel about their community. Their goal is to cover the city council or the county commission meetings by acting as a mirror — as if the entire community were sitting in the room. The newspaper does not print only the good news. For instance, they publish all traffic violations and other convictions, which sometimes riles influential members of the community. The publisher sometimes gets heat from long-time residents: "If you get out of line, second and third generation people especially will tell you." He says that editorials are designed to provoke thought, not to make people angry, although that sometimes happens. A case in point was a recent editorial criticizing the school board for spending $70,000 on buses, carpets, etc., while being unwilling to spend $11,000 on curriculum evaluation. When asked in what way the out-of-town subscribers affect the content of the newspaper, he replied that they cover local agricultural issues in greater depth than they otherwise would, since most of those people have farm backgrounds.

The publisher stated proudly, "We use less syndicated material than almost any newspaper in the region. On a per capita basis we put out more copy than the Denver Post." They will print local legislator's newsletters when the liegislature is in session. They run a soil conservation column, a column by the Extension Home Economist and occasionally information from the Agricultural Stabilization and Conservation Service will be run verbatim. The agricultural editor writes stories based on interviews with the county agricultural agent, who was pleased that he did not have to write a regular column. They do at least one feature a week on the society page, written by the society editor. Society news is brought in in written form by readers and by correspondents (They have 10 "stringer" correspondents throughout the county), but it is often cut or modified.

The Oberlin Herald is a dynamic small town newspaper. While circulation is good, it is clearly vulnerable to economic winds — particularly the agricultural crisis.

The Health Sector

The medical facilities in Oberlin are quite good for a community of its size. They have an important economic as well as social impact on the community. Both city and county governments have been active in building up the facilities and recruiting personnel. They have also been active in planning health care facilities for the county. The Decatur County Hospital is licensed for 24 beds; they actually have 28.

Oberlin has five medical doctors — four family physicians and one surgeon. The two most recent arrivals came in 1983 when their ages were 29 and 30. The surgeon came in 1978. The good local facilities and active community involvement have been key in attracting and keeping young medical professionals.

Chief competitors to the Decatur County Hospital are the Norton County Hospital and Hadley and St. Anthony in Hays. Oberlin thus serves as a health service center for quite a wide hinterland. By specializing in health care for the elderly, there has been a spill-over effect on other businesses in town, especially the pharmacies.

The Decatur County Hospital administers a skilled long-term care unit in addition to the hospital. The Good Samaritan intermediate LTC unit, also county owned, is operated by Good Samaritan of Sioux Falls South Dakota. The County Hospital and long-term care (LTC) unit are operated by Lutheran Hospitals and Homes Society of Fargo, North Dakota. Between 25 and 64 miles of Oberlin there are six other intermediate care units amounting to 385 beds, but there are no skilled care units within that radius. The nearest one is in Hays. The skilled LTC unit has 38 beds. The skilled LTC unit has LPNs around the clock and RNs are available at the hospital. In order for a skilled unit to work it is necessary to have 1) highly skilled nurses and 2) doctors interested in the facility. In Oberlin there are two doctors with such interest. The hospital adminstration and board plan to ask the county commissioners for at least 20 more beds. Of the 38 persons in the unit, perhaps 20 do not need skilled care. While one cannot be sure of the direction of causality, there is a relationship between the growing elderly population and LTC facilities. In Decatur County, there was a 20 percent decrease in persons between 65 and 74 between 1970 and 1980 (from 582 to 465 persons), and a 12 percent growth of persons 75 and over (from 421 to 512) ("Future health care. . .", pp. 13-14). Elderly persons are the pricipal users of the hospital also. In 1983, 52 percent of admissions were of persons 65 and over ("Future health care. . .", p. 17).

New Medicare regulations were implemented in the county in July 1984 limiting the number of days' hospitalization and the amount which would be paid for particular ailments or operations. This had a sharp negative impact on monthly patient-days for the period of July through September (reduced to about 275 patient-days/mo from previous monthly figures always well above 300. The hospital administrator explained that doctors simply did not know how to deal with the new regulations. Once they figured how to work with the new system (writing orders in new ways, for instance), admissions began to increase.

It is possible to have a full hospital and still lose money. Medicare patients cannot be too large a percentage of all patients. Medicare does not pay the full fee charged by the hospital and covered by commercial health plans. The hospital must absorb the difference. In 1983, Medicare patients made up nearly 70 percent of total payors (Commercial health insurance providers and Blue Cross-Blue Shield made up 27%, and the remaining 3% included self pay and medicaid). That apparently is an increase in Medicare patients, since deductions from revenue as a percent of gross revenue increased from 15.3% in 1979 to 23.7% in 1983. The standard charge is entered on the books for all patients; later the difference between that amount and the amount which Medicare actually pays is entered as a deduction from revenue ("Future health care. . .", p. 19).

The relation of regulations, doctors' practices, and hospital profitability have been studied by the hospital administration, attempting to keep the hospital in the black. These relationships put a good deal of pressure on doctors to fill out the paper work necessary to admit the patients. As a result of careful cost and payments analysis, the hospital and long term care facilty are financially sounder than they were several years ago. The farm crisis has meant that farmers without health insurance or with a large deductible are postponing hospitalizable medical treatment. Thus there has been a notable shift in the proportion of patients who are Medicare patients, rather than totally privately financed or covered by private insurance. At this point, the medical facilities are hit harder by changing Medicare regulations than by declines in the farm economy. For example, there is concern among many of the health practitioners in Decatur county that freezes on the amounts which Medicare will pay would severely damage the quality of care to the individual and undermine the institutional stability of the health care system there.

In spite of the increase in Medicare patients, the hospital appears to still be doing well financially. In 1983, net gain was $40,000. In recent years it has fluctuated from a high in 1981 of $125,000 to $3.500 in 1979 (ibid., p. 18). Total patient days peaked in 1980 with 5,678. In 1983 they were 4,652. Major declines occurred in the areas of obstetrics, pediatrics, and adult surgery (ibid, p. 18). In general, their break even point regarding occupied beds is 12-15.

The farm crisis had had a minor impact on the distribution of hospital operations. The only area where an impact was likely in recent months was in the area of elective surgery. Number of surgeries for January - April 1985 are the lowest for the same months for the past 5 years. While 66 surgeries were performed in those 4 months in 1985, 95 were performed in the first 4 months of 1984. Total surgeries by year are as follows:

1978	154 (surgeon came during that year; had consulting surgeon before)
1979	265
1980	N.D.
1981	265
1982	275
1983	255
1984	253

Surgery is the bread and butter for the hospital. The surgeon says that the crops have not been as good this year, so operations such as hernia are postponed. It becomes clear that farm families are cutting in the main area where there is some slack in their budgetary unit: expenditures which directly influence their quality of life. As Table 24 shows, there has been a gradual increase in accounts receivable since 1978, perhaps related to the farm recession.

(TABLE 24 ABOUT HERE)

Total number of employees is currently 107 full and part-time persons. Full time equivalents in April 1985 was 82.6, exactly the same as in April 1984. There has probably been a change of no more than 1 or 2 FTEs over the past several years. If anything there has been a slight increase. The 107 persons include 16 full-time and 14 part-time farm women. There are no male farmers who are employed by the hospital. The hospital has 8 male employees. Job applications have declined over the past year. From Easter break on until early summer there are usually 4 or 5 college kids who stop in asking about jobs. This year, the number has decreased noticeably. The administrator had no explanation for the change.

The county-owned intermediate care facility was established in 1957. A second wing was added in 1974, expanding the capacity from 51 beds to the current 79. The facility has an advisory board from the community and attempts to coordinate with the county hospital, particularly its skilled nursing home. Because of the implementation of the DRG's (Diagnostic Related Groups), nursing homes are finding they must provide additional services in the areas of physical therapy, stroke rehabilitation and occupational therapy. The administrator said, "We have most of what a skilled care home provides." However, they do not have the RN's around the clock which defines a skilled nursing facility. They provide a hot wax treatment, a whirl pool, ceramics and other crafts and occupationally related therapies. They have an occupational and physical therapy consultant.

The relation between the two county nursing homes is continually being worked out. There are some people who should be in the skilled home who are in the intermediate one and vice versa, because family members can indicate that a person not be moved when the capacities of that individual change. They would like to provide a "pleasant atmosphere without lots of people who are in wheel chairs or who lack mental faculties." This has not been possible. It would also appear that the type of insurance available to people determines which home they go into. A skilled nursing home is covered under Medicare, while an intermediate one is not.

Expanding the number of skilled beds in the skilled nursing home facilty would give the doctors some free beds and increase their flexibility. However, it would result in a lower occupancy rate and more financial difficulties for the intermediate care facility.

The farm crisis has not had a major effect on the nursing home. Demand for beds is still high, although the waiting lists are not as long as they were in 1979, when at least twenty individuals were waiting to be admitted. However, as with elective surgery, farm families and farm-related elderly may be delaying admission to the nursing home until their economic situation improves. There was one case of a patient being removed to be cared for at home when her daughter lost her farm-related job.

About 95% of the residents in the home are from Decatur County. A few moved back to enter the nursing home. Generally, the return migrants would live with family members until there was an opening. This was particularly true before 1975 when they expanded the number of beds. Staff felt the nursing home was not a major attractant of older people but there are instances where that has happened.

About 48% of the residents are on Medicaid. A few have private insurance. For the remainder, the family must cover the $34.75 a day private room cost. For those persons with outside income who are on Medicaid, they may keep only up to $25.00 a month. The remainder of their income would go to the home and Medicaid would make up' the difference between that and the private daily rate.

There are 72 employees in the nursing home (70 women, 2 men), which break down into the following categories:

1) A significant number (probably a majority) of the employees are non-locals, i.e., had not grown up in Oberlin. Two employees' husbands work of oil service companies. There seems to be a considerable amount of turnover, probably because of the low pay.

2) A significant minority are divorcees; one is a single mother. There are also a few widows.

3) Approximately 20 employees are farm women or came immediately from the farm. At least two left the farm because of divorce, at least 2 were farm widows, and at least 3 more left the farm for unspecified reasons.

Employment had remained about the same since the expansion in 1975. In 1979, full-time employees numbered 56 (NW KS Planning and Development Commission, Feb. 1979: 76)

The current age structure of the population suggests that there will continue to be demands made by the aged population on the health care system. This affects the public sector as well as the private health facilities.

There are four public health nurses serving the county. They have just become part of the WIC program. Although a large percentage of their programs continue to serve low income mothers and children, a large part of the public health program is geared to the elderly. In a number of ways, there nurses have become major advocates for the elderly, and show great awareness of the potential impact of changing federal programs on the aged residents of Decatur county.

One of the nurses is the home health agency nurse who visits the elderly and the disabled. The visits are paid for by Medicare, Blue Cross-Blue

Shield or a third party insurance. The head nurse makes home health care visits to clients who do not meet Medicare requirements. Their home visits have increased over the past year by 12% for the year ending July 1985 over that ending July 1984. This is in part due to the stricter requirements on length of hospital stays and may also be related to the economic crisis. In the same time period, blood pressure clinics have decreased in attendance by 19%, perhaps because problem diagnosis might require additional expenditure. Cancer screening clinics have increased 8%. There were only 47 postpartum visits this year and 82 the previous year, reflecting a sharp decrease in the number of births in the county. This is one reason they have stopped their prenatal classes which are now handled by a woman who conducts Lamaze classes, apart from the health department.

The DRGs or diagnosis-related groups, which place a limit on hospital stays means they are providing more home health care and this, along with the greater difficulties of getting grants or tax monies to cover such activities, is creating a significant overload on the county health department. They may have to go to a sliding scale fee for home health visits, which presently apparently are free.

The County Health Department also works with SRS (Kansas Department of Social and Rehabilitation Service) in pre-admission screening for nursing home Medicaid qualification. In order to qualify one must have no more than $1500 in savings, so few people can get Medicaid to pay for their nursing home costs.

The farm crisis has had only a slight impact on the health sector, since it is heavily dependent on transfer payments. In turn, the health sector has provided a source of stable income to the county through the relatively low-paid, but steady jobs available. Further, other economic activities, such as pharmacies, are able to maintain their vitality as a result of the attention the county has paid to its health needs, particularly the health needs of the elderly. However, the strategies devised by community leaders depended on complementary Federal programs. Changes in these, rather than the farm economy, may undermine the relative rosey look of that sector of the economy.

Conclusions

The following economic shifts are relevant to understanding Decatur County's present-day agricultural and associated non-agricultural political economy:

a) The long-term trend toward larger farms and the decline in the number of farm and farmers (see Tables 1 and 3) has resulted in a steady decline in number of retail establishments since 1948 (the earliest year for which there is data); numbers of persons working in the retail sector grew slowly between 1940 and 1970 (see Tables 2 and 3), after which there was a decline of 20 percent between 1970 and 1980.

b) Beginning in 1974 after the OPEC oil price hike, petroleum-related employment began to grow in Decatur County. Only in 1983 did employment in the petroleum production industry take a sharp plunge—from no more than 8 percent of the employed work force to half that proportion of the labor force in 1983 (Table 16). This decline occurred as a result of the world-wide oil glut. The greatest impact on other economic activities was probably on the real estate business and therefore on home construction. (The construction industry had shown secular growth through the 1980 census; see Table 3). The construction industry appears more affected by the farm crisis than by the decline in the oil business, since farm construction is normally a major component of the building industry in Decatur and other rural counties.

c) The farm crisis. While 1979 was the last really good year for farming, 1982 was a turning point because it marked the high point in agricultural land prices. Farm income has been quite low since 1981 (see Figure 1). The implications of the farm crisis for other economic activities will be summarized in greater detail later in the conclusions.

d) Employment in the service sector has grown steadily since at least 1940. This growth has been associated in part with growing leisure activities as people's disposable income grew in the post-war period partly due to the work force shifting from agriculture to other better remunerated activities. The work force declined more slowly than the total population and actually increased between 1970 and 1980, due to the growing participation of women in the work force (Table 4). The proportion of the population which was elderly more than doubled in the post-World War II period. With extension of social security to the farm population and the establishment of other social welfare programs such as Medicare, substantial transfer payments began entering the county. The development of a strong medical system with a modern hospital, five physicians, two long-term care facilities, and an active county health department provide a large multiplier as the social welfare monies are recycled within the community through creation of employment in this sector. Unlike many other rural Kansas counties which experience a net in-migration of persons between 65 and 74 and net outmigration of those 75 and over, Decatur County has held this older group because of its excellent medical facilities. Employment in the health sector grew over the decades and has remained steady in the eighties in the face of the farm crisis and oil glut.

Table 23 summarizes the results of our interviews with economic institutions. The farm crisis did not affect all organizations, whether agricultural or non-agricultural, in the same way. While most agriculturally related firms were negatively affected by the farm crisis (particularly farm machinery dealers and construction firms doing agricultural construction), country elevators were temporarily positively affected by the crisis for two reasons:

a) The farm crisis is partly due to overproduction. The greater the volume of grain handled, the greater the profit, since there is no clear relationship between grain prices and margins.

b) With low grain prices, farmers are more likely to obtain government loans on their grain. This makes it easier for elevator operators to plan for full utilization of their available storage.

The impact of the farm crisis on commercial banks has not yet been severe, because they are not much invloved in lending money for agricultural land. Although each bank has had to foreclose on 2 or 3 persons in the past year or two, this has not represented major losses for the banks. The principal problem for the commercial banks is that it is getting more difficult to find qualified borrowers — either farmers or business persons. The business persons we talked to almost to a person indicated no difficulty in obtaining loans when they needed them. However, in this period of uncertainty not many have immediate plans for expansion. Those farmers who most desire credit are often judged not credit worthy. Those who are solvent have become quite conservative in their willingness to accept debt. Thus most of the banks have a rather low loan-to-deposit ratio and must accept the lower yield which government securities provide for most of their money.

The Northwest Kansas farm credit system, while not in the dire state of other units in that system nationwide, is having to raise interest rates to rebuild capital resulting from loans which went bad in the early 1980s. If the farm crisis continues — and there is every reason to believe it will —

they may lose their best customers to the commercial banks who will give lower rates to those who are most solvent. This would put the Farm Credit System on even more precarious footing. The Farmers Home Administration, while designed to provide subsidized credit to farmers who have cash flow problems and for whom such subsidized credit could make the difference between foreclosure and survival, simply has not been provided adequate resources by Congress to help more than a small portion of those farmers in this intermediate debt situation.

Non-agricultural businesses providing goods or services to consumers can be classified in two groups in terms of the impact of the farm crisis on them. Those not negatively affected by the farm crisis are those related to the health delivery system (the hospital, the nursing homes, and drug stores), and food stores. Food, the most basic of necessities, continues to be purchased in pre-crisis amounts by farmers and non-farmers alike. This suggests that there has not yet been significant out-migration as a result of the farm crisis.

Those non-agricultural firms negatively affected by the farm crisis include automobile dealers (which could perhaps be classified as being directly agriculturally related since many trucks and some automobiles are in reality farm vehicles), hardware and appliance (general merchandise) stores, and furniture stores. People appear to be postponing purchase of large consumer items. Sale of advertising by the newspaper has been declining since 1980, following closely the trend in farm income. This suggests an overall decline in the county's economic climate since 1979.

Experts see no relief in the farm situation for at least the next two years. Decatur County, until 1985, was fortunate in having few farmers who sold out or were foreclosed on. The economic situation, in spite of a bumper wheat crop this year, can be expected to get worse. Encouraged by their bankers, the County Agricultural Extension Agent, and by input suppliers, farmers have adopted survival strategies which include reduction of machinery purchases, cutting operating expenses, participation in farm programs at the maximum level, taking out multi-peril insurance, and use of sound accounting and borrowing practices. While some diversification into specialty crops has occurred, judicious pursuit of this objective could have salutory effects for some farmers. Even with low commodity prices, those farmers who did not expand in the 1970s or early 1980s, and therefore have low debt levels, should continue to have modest net incomes. Highly leveraged farmers will find it very difficult to survive. There is likely to be a greater separation of farm ownership from management and labor.

Farm related businesses will continue to suffer. While some have instituted more careful accounting prodedures, especially in collection of accounts receivable, and have dropped unprofitable product lines, if the crisis deepens, there will be more business failures. Abstracting and related businesses are experiencing increased business. There is room for modest employment generation in legal and accounting consulting for farmers and other businessmen. The grain business should continue to be profitable.

While the bank which invested in oil speculation may experience severe economic stress, the commercial banks will remain quite viable, although with lower profits. If the number of farmers declines precipitously, bank consolidation will occur in time. Some consolidation may occur under a system of branch banking. The Farm Credit system in Northwest Kansas is in relatively good shape, but the situation could deteriorate if the crisis is prolonged; the fate of the FLBA and the PCA in Northwest Kansas is tied up with the fate of the Farm Credit system nationally.

If the agricultural crisis is prolonged, apparel store and food stores may join the ranks of non-agricultural businesses with declining sales and profits. If consumer purchases are sharply reduced as a result of the farm crisis, some non-agricultural firms could fail, although such a reduction is unlikely. The relative youth of mainstreet business people suggests an ability to use aggressive merchandising to expand the marketing area and other techniques to avoid serious economic difficulties. The social service sector is insulated from the farm crisis, but it may experience problems should Congress and the President cut social programs further. This would result in employment declines, which would have a negative multiplier effect on the county. It is not likely that the oil business in the county will pick up in the short to medium term. It will be difficult to attract industrial activity to the county during the farm crisis.

While many of the forces impinging on the county are beyond local control — interest rates, government deficits, tax laws, international terms of trade, and a new farm bill— there are narrow limits within which the organized community can ameliorate the effects of the crisis and perhaps generate new sources of economic wellbeing. The next part of our report examines social organization and efforts at economic development in Decatur County.

Footnotes

1 We subsequently learned that 1981 was the year of peak oil-related activity in the county and the surrounding region. Therefore, we used 1981 rather than 1982 as a benchmark year when appropriate. If the data were available, we collected annual data for 1979-1984.

2 Currently the loan price on wheat is $3.17 per bushel. Farmers eligible for the commodity programs (i.e. who have stayed within the acreage limitations for wheat and feedgrains) have virtually all obtained a warehouse receipt, a loan from the government which provides them with the $3.17 per bushel minus the 26 cents per bushel for storage for nine months (and a .5 cents administrative charge from the ASCS office, the Agricultural Stablilization and Conservation Service, the government agency which administers the commodity programs). Should the price of wheat go above the $2.90 net amount recieved by the farmer, s/he may sell the wheat and reimberse the government for the loan plus interest (currently, 7.8%).

3 $25 lease means that the landowner is paid $25 per acre the first year and $1 one for each of the next two. A more usual lease today is $5 the first year and $1 for each of the next two.

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Table 1. Population, Number of farms, and average size of farm, Decatur County and Oberlin, 1900-1982

Date	Population: Decatur Co.	Population: Oberlin		No. of farms	Average farm size
1900	9,234	927		1,593	338.6
1910	8,976	1,157		1,455	365.2
1920	8,121	1,247		1,320	416.9
1925	——	——		1,227	383.3
1930	8,866	1,629		1,340	416.6
1935	——	——		1,414	402.4
1940	7,434	1,878		1,174	478.8
1945	——	——		987	572.9
1950	6,185	2,019		939	588.3
1954	——	——		870	658.3
1960	5,778	2,337	(1959)	796	720.1
1964	——	——		692	818.5
1970	4,988	2,291	(1969)	675	858
1974	——	——		574	929
1980	4,509	2,387	(1978)	542	1006
1982	——	——		516	1037

Table 2. Number of establishments - retail, wholesale, and selected service, Decatur County, 1948-1982

Date	# of retail establishments	# wholesale establishments	selected service establishments
1948	101	23	31
1954	93	21	31
1958	96	20	43
1963	81	20	32
1967	82	23	50
1972	80	18	50
1977	77	20	45
1982	71	25	not available

Sources: U.S. Department of Commerce, Bureau of the Census. Census of Retail Trade, Census of Wholesale Trade, and Census of Business, Selected Services, Kansas.

Note: Selected Services include hotels, motels, etc.; automotive repair services and garages, and recreational services.

Table 3. County employment by industry,
Decatur Country, 1940-1980

Industry		1940	1950	1960	1970	1980
Agriculture	%	59.2	54.7	43.6	32.0	27.4
	#	(1364)	(1345)	(897)	(618)	(550)
Mining	%	(0)	0.1	1.4	3.8	4.7
	#	(0)	(2)	(28)	(74	(94)
Contract Construction	%	3.0	5.3	5.4	4.0	6.2
	#	(6.8)	(130)	(111)	(77)	(125)
Manufacturing	%	0.7	1.5	3.3	4.4	3.1
	#	(15)	(36)	(68)	(85)	(63)
Transportation	%	2.8	3.5	4.1	2.5	5.3
	#	(64)	(85)	(84)	(49)	(107)
Wholesale	%	2.0	2.2	2.1	3.6	4.4
	#	(45)	(55)	(43)	(70)	(89)
Retail	%	11.4	11.5	14.1	18.1	13.9
	#	(264)	(284)	(290)	(350)	(279)
Finance, insurance and real estate	%	1.4	1.6	1.9	3.6	3.7
	#	(33)	(39)	(40)	(69)	(75)
Services	%	15.7	15.6	19.6	22.8	28.5
	#	(362)	(383)	(404)	(440)	(571)
Government (public admin.	%	3.6	4.1	4.6	5.1	2.5
	#	(83)	(101)	(94)	(98)	(50)
Total employed	%	100	100	100	100	100
	#	(2298)	(2460)	(2059)	(1930)	(2005)

Source: U.S. Department of Commerce. Bureau of the Census. Census of Population, 1940, 1950, 1960, 1970, 1980.

Table 4. Female participation in the labor force of Decatur County---
total labor force and principal sectors, 1940-1980

Date	Employed females as % of females 14+*	% of employed persons who are female: Total l.f.	Agri-culture	Retail	Service
1940	13.4	16.0	1.8	22.1	57.7
1950	22.0	20.9	10.1	38.4	45.6
1960	23.5	24.1	1.3	42.1	87.0
1970	32.0	32.2	7.9	71.4	72.4
1980	41.1	37.8	4.8	56.3	73.6

* Fourteen and over for 1940-1960; 16 and over 1970 and 1980.
Source: U.S. Department of Commerce, Bureau of the Census. Census of Population, 1940-1980.

Table 5. Decennial rates of natural increase, net migration, and change in population, Decatur County, 1950-1980

	1950-60	1960-70	1970-80
Natural increase or decrease,%	+11.6	+2.7	-1.0
Net migration,%	-18.2	-16.4	-8.6
Population change,%	-6.6	-13.7	-9.6

Sources: Vital statistics and U.S. Census of Population, 1950-80.

Table 6. Percent of Population 65 and over, Decatur County, 1940-1980.

Year	% over 65
1940	8.8
1950	11.1
1960	15.7
1970	18.9
1980	21.7

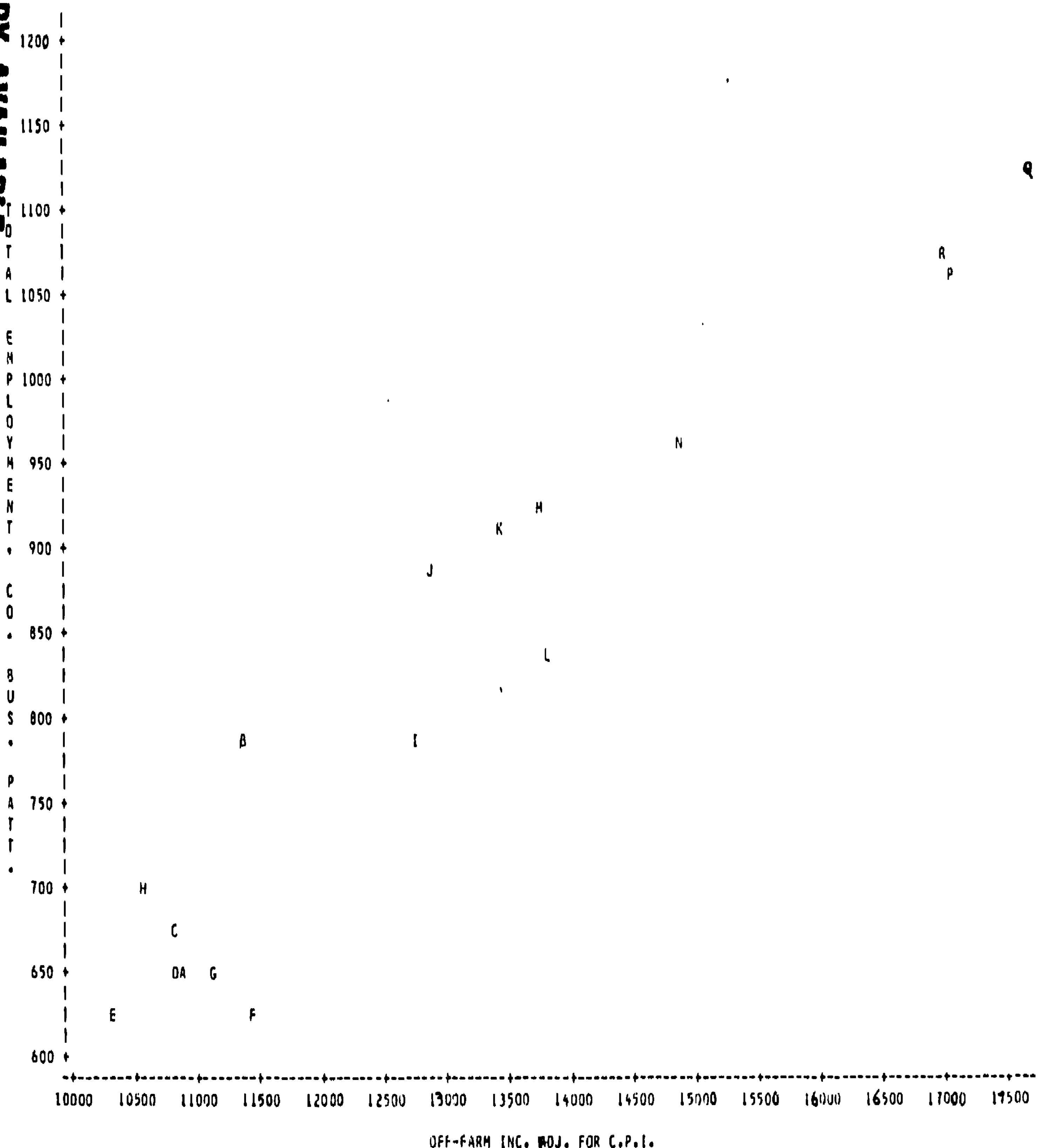
Source: U.S. Census of Population, 1940-80.

Table 7. Percent change in number f medium (500-999) farms and lange n(2000+ acre) farms, Decatur County and wheat-livestock counties of the Great Plains and Western United States, 1969-1982.

	% change in medium farms		
	1969-78	'78-'82	'69-'82
Decatur County, KS	-45	+7	-42
All Wheat-livestock cos:*			
Mean	-20	-9	-25
Standard Deviation	-,+20	-,+17	-,+31
	% change in large farms		
Decatur County, KS	+52	0	+52
All wheat-livestock cos:*			
Mean	+29	+7	+40
Standard Deviation	-,+47	-,+12	-,+58

*72 cases

Figure 2. Plot of total employees of firms with payroll by non-farm personal income, Decatur County, 1966-83



NOTE: 3 OBS HAD MISSING VALUES

Table 8. Association of total personal income, non-farm personal income, and value of agricultural production by employment in establishments with payrolls, Decatur Conty, 1964-84.

Type of establishment	Non-farm Personal Income	Value of Farm Production	Total Personal Income
All establishments	Strongly Positive	No Relation	No Relation
Service	Strongly Positive	No Relation	No Relation
Health & Medical	Positive	Slightly Negative	No Relation
Wholesale	Positive	Slightly Positive	Positive
Contract Construction	Positive	No Relation	No Relation
Mining (petroleum)	No Relation	No Relation	No Relation
Retail Employment	No Relation	No Relation	No Relation
Finance, insurance, and Real Estate	No Relation	No Relation	Slightly Positive

Source: County Business Patterns (dependent variables)

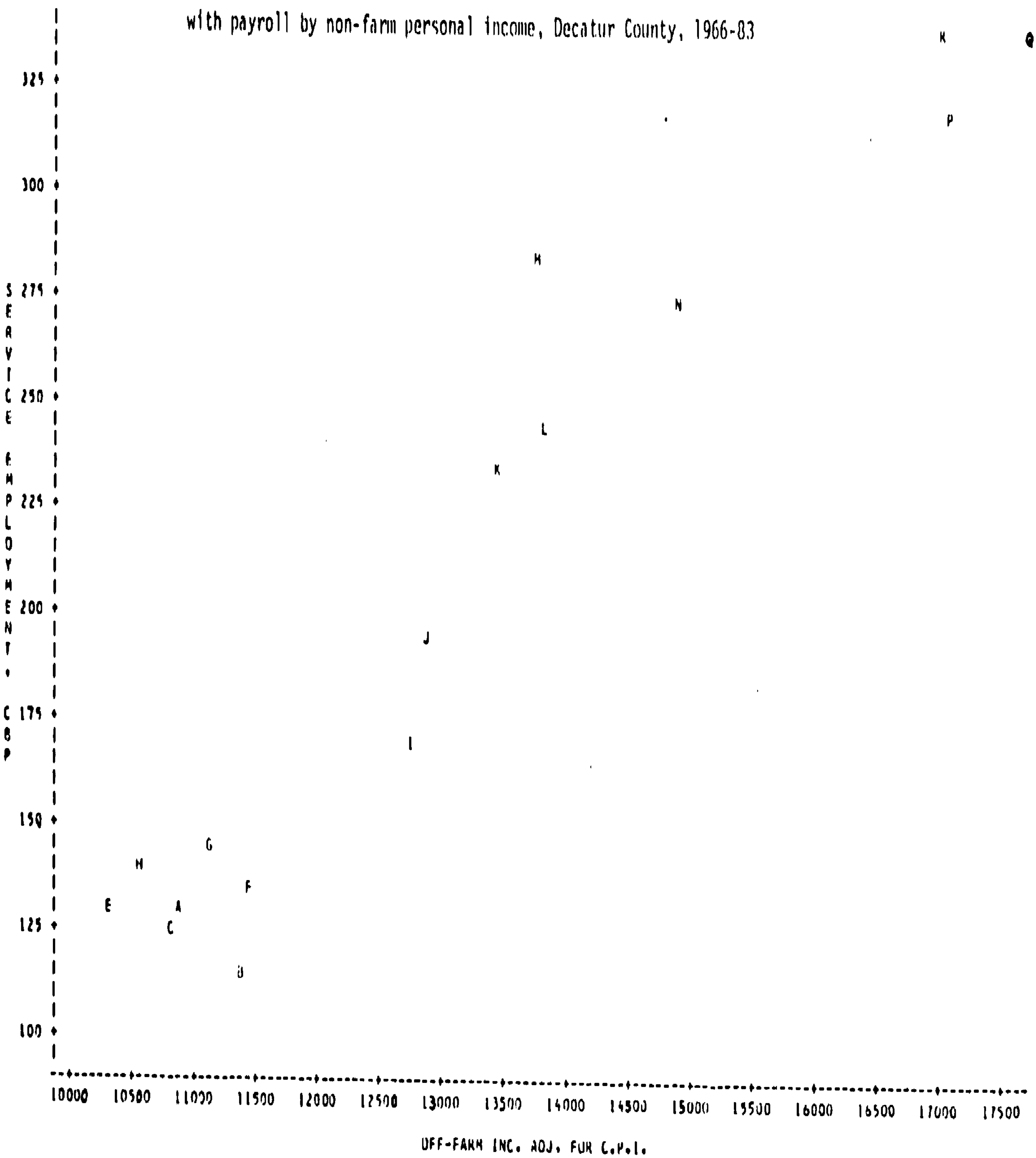
Table 9. Association of total personal income, non-farm personal income, and value of agricultural production with number of establishments with payroll, Decatur County, 1964-84.

Type of Establishment	Non-farm personal income	Value of farm products	Total Personal Income
All establishments	Strongly Positive	No relation	No relation
Wholesale	Strongly Positive	No relation	Positive
Service	Strongly Positive	No relation	Slightly positive
Contract construction	Positive	No relation	No relation

Note: There was no relation between the three independent variables and the number of establishments in the areas of finance, insurance, and real estate; mining (petroleum); and retail trade.

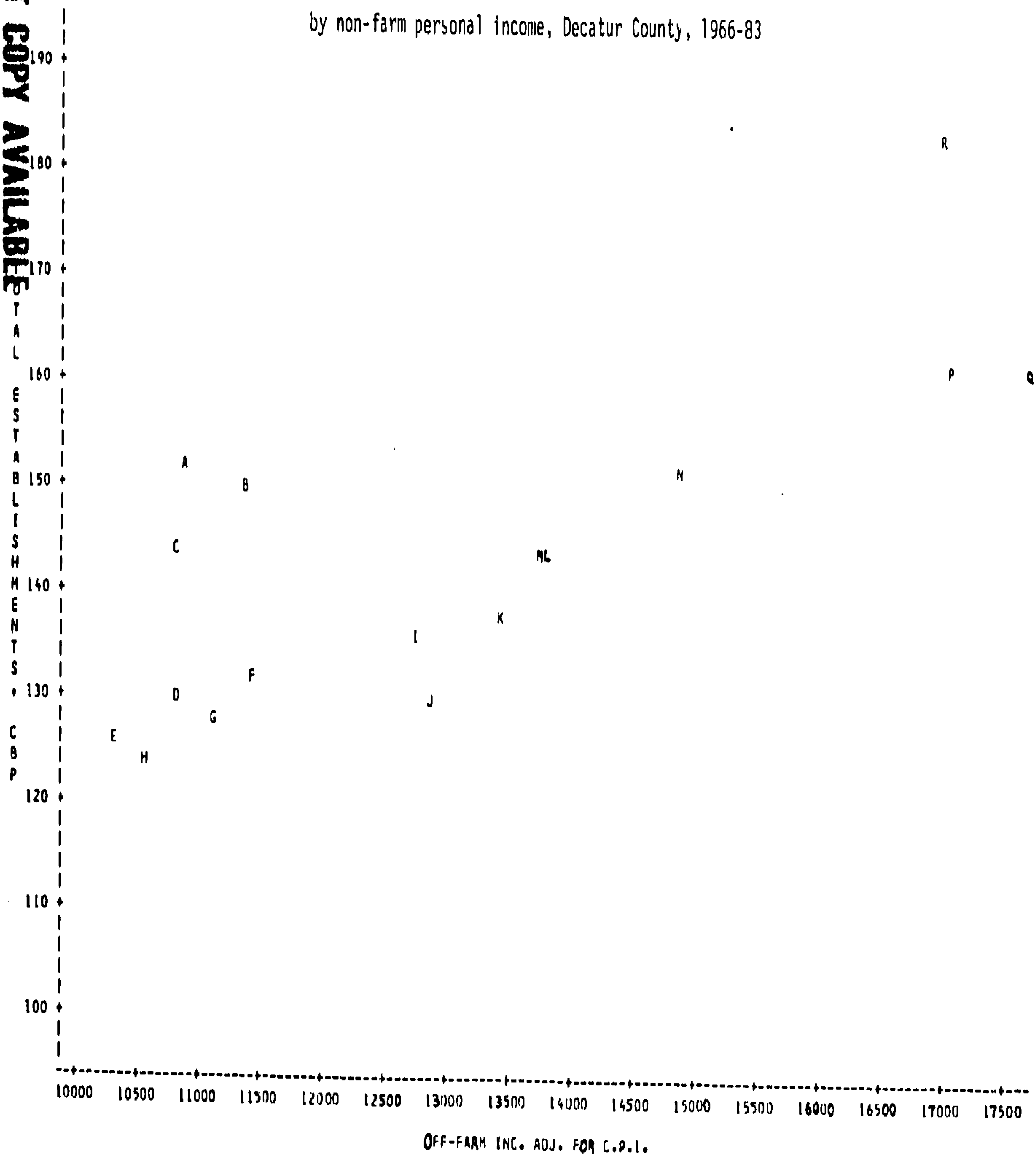
Source: County Businss Patterns (dependent variables).

Figure 3. Plot of employment in service establishments with payroll by non-farm personal income, Decatur County, 1966-83



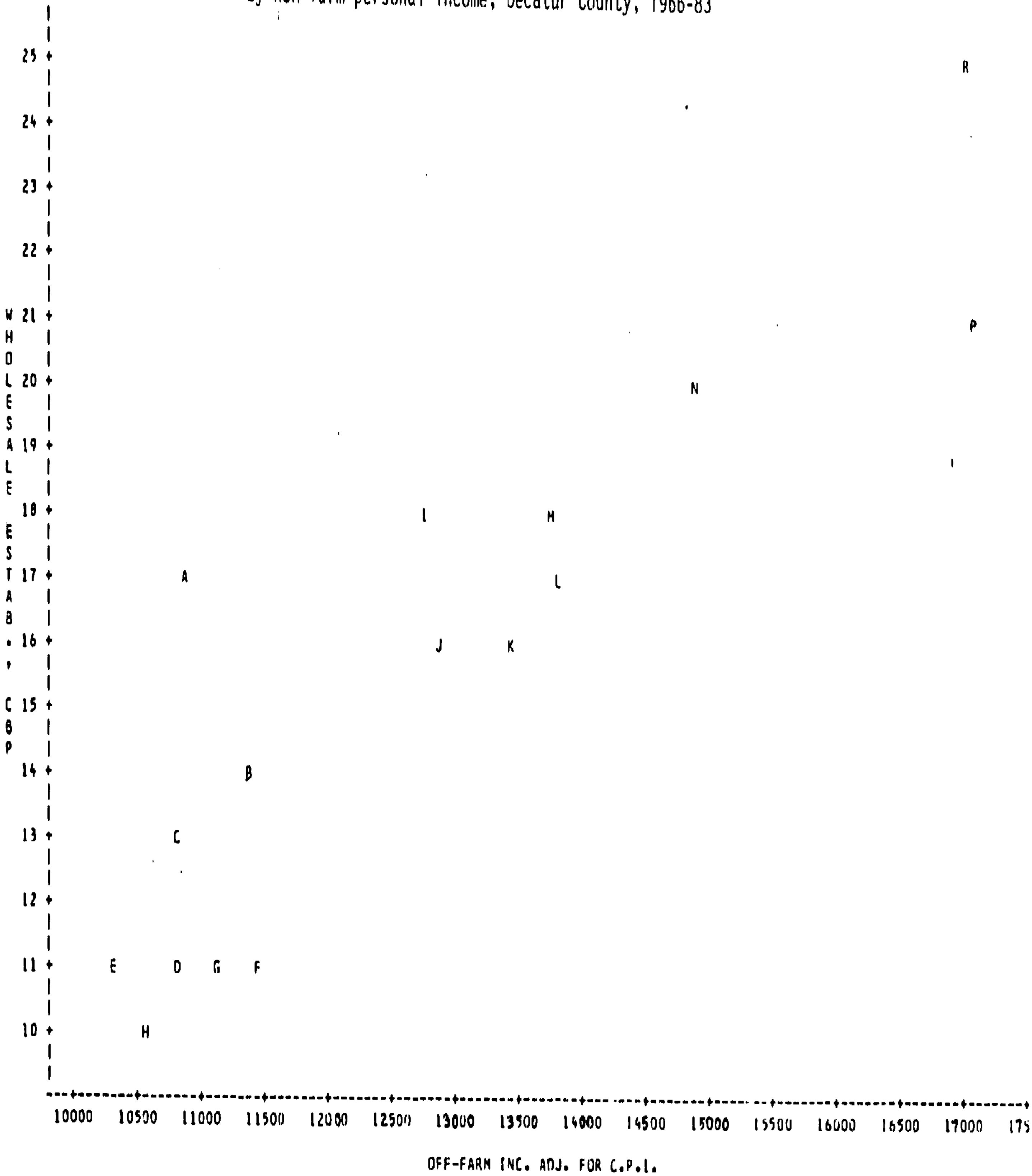
NOTE: 3 OBS HAD MISSING VALUES 1 OBS HIDDEN

Figure 4. Plot of total establishments with payroll by non-farm personal income, Decatur County, 1966-83



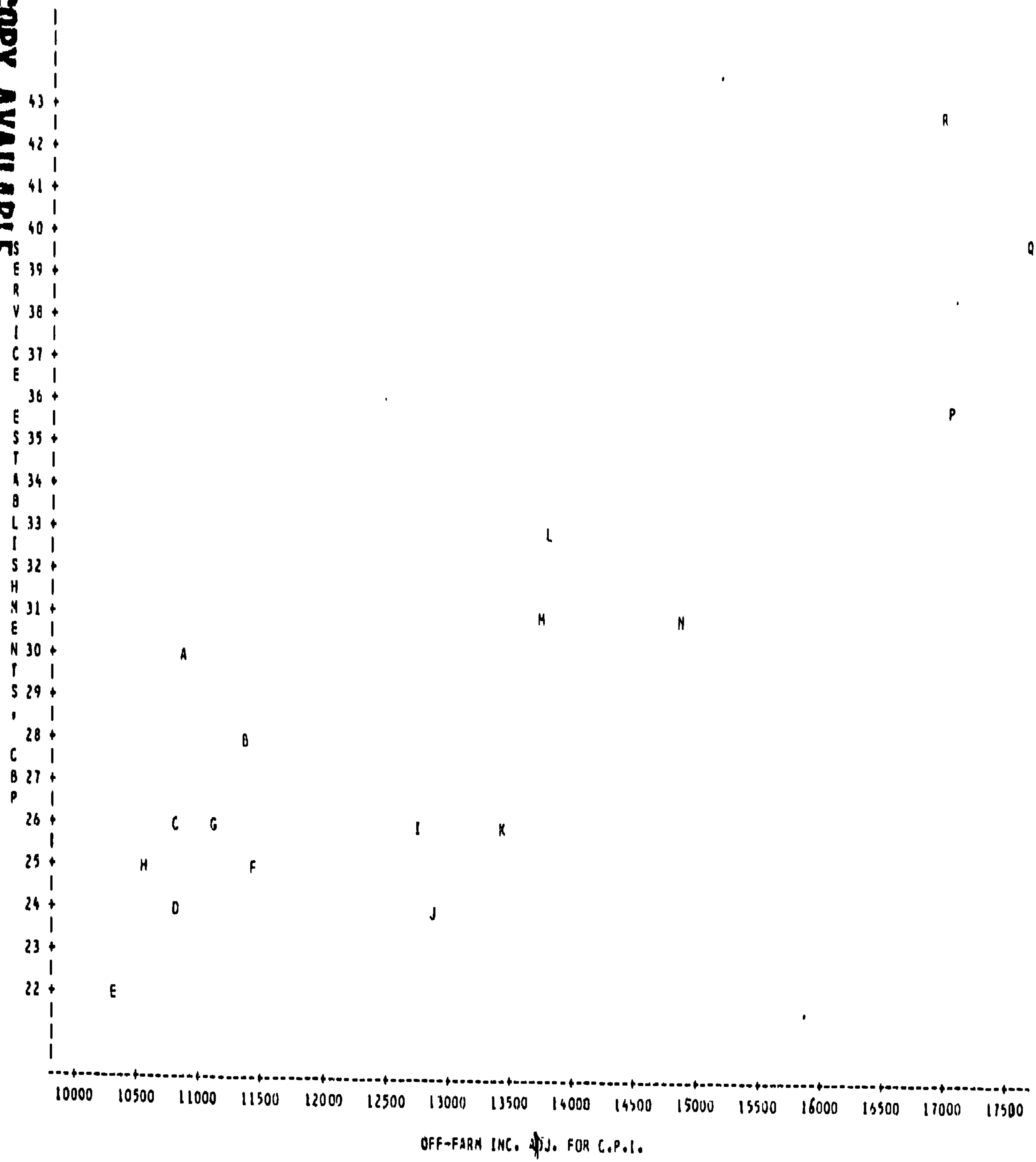
NOTE: 3 OBS HAD MISSING VALUES

Figure 5. Plot of number of wholesale establishments with payroll by non-farm personal income, Decatur County, 1966-83



NOTE: 3 OBS HAD MISSING VALUES

Figure 6. Plot of number of service establishments with payroll by non-farm personal income, Decatur County, 1966-1983



NOTE:

Table 10. Association of total personal income, non-farm personal income, and value of agricultural production with other social and economic indicators, Decatur County, 1964-84.

Social or economic indicator	Non-farm personal income	Value of farm prod.	Total Personal Income
# of vehicle titles by county clerk	No relation	Strongly Positive	Positive
Total bank deposits	Positive	No relation	Positive
Total county valuation	Negative	No relation	Negative
Real estate valuation	Strongly negative	No relation	Negative

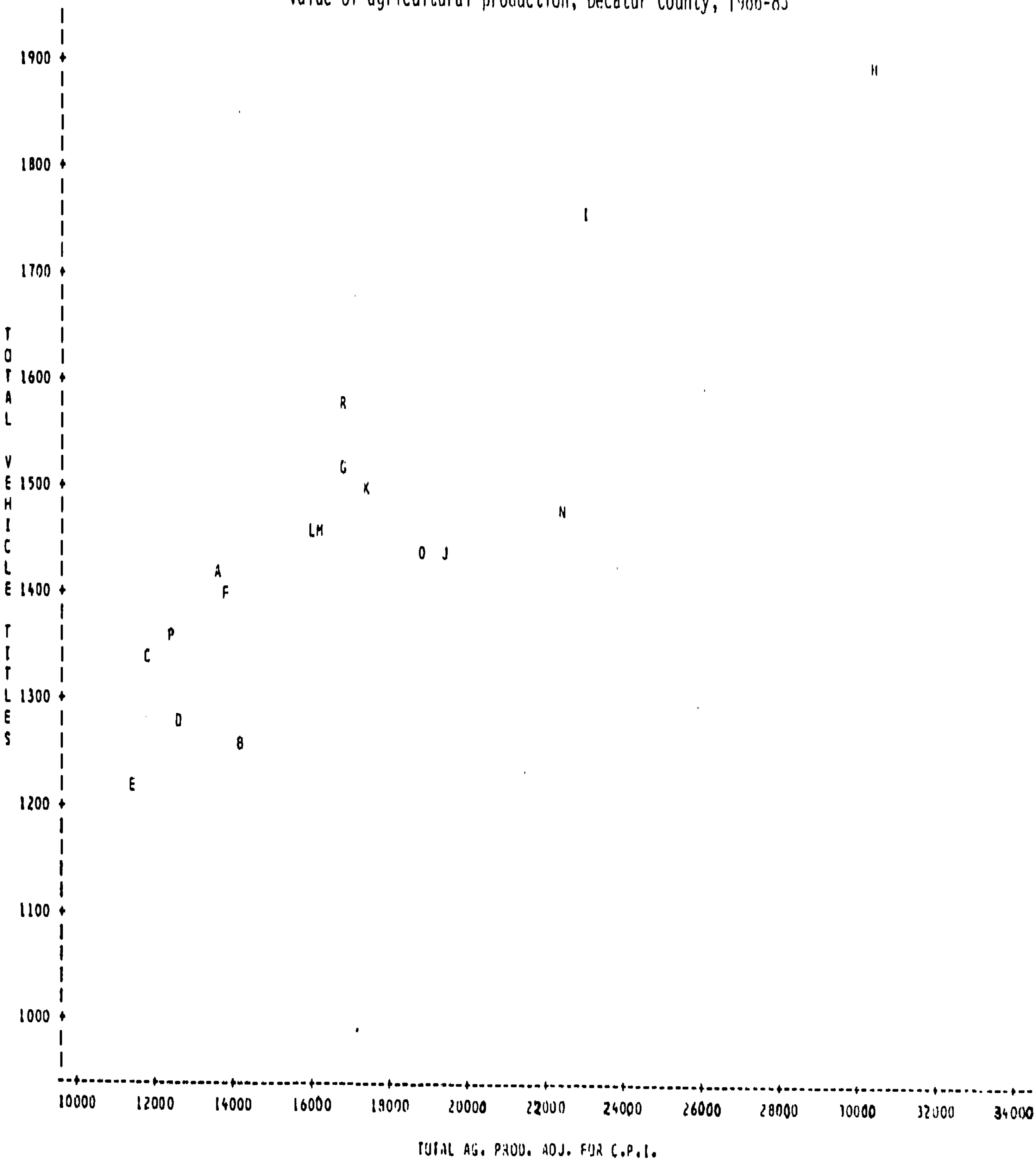
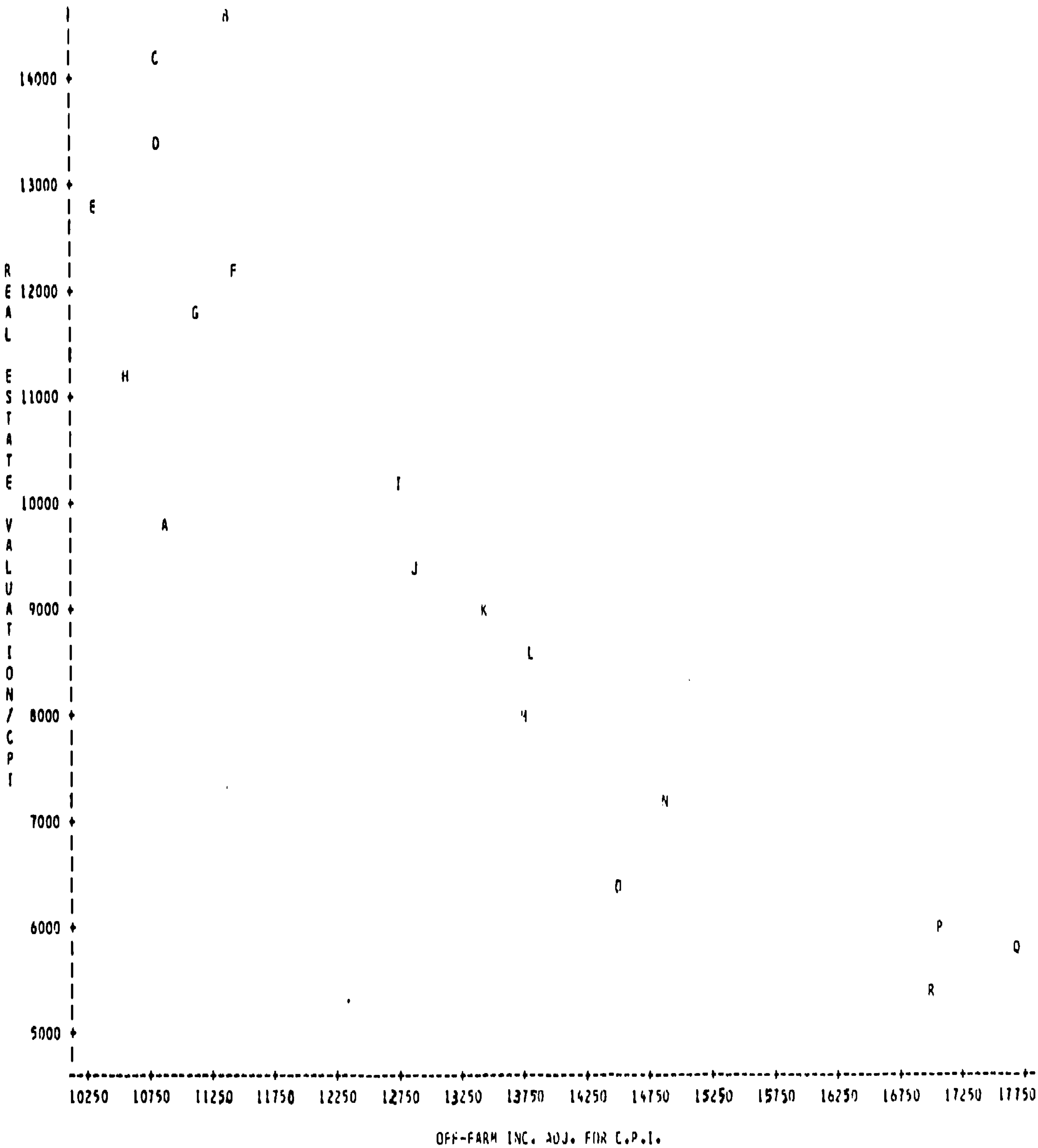


Figure 7. Plot of number of vehicle registrations by value of agricultural production, Decatur County, 1966-83

NOTE: 3 OBS HAD MISSING VALUES

Figure 8. Plot of total real estate valuation by non-farm personal income, Decatur County, 1966-83



NOTE: 2 OBS HAD MISSING VALUES

Table 11. Economic performance of three implement dealerships in Decatur County, 1979,1982,and 1984.

	1979	1982	1984
Number of units sold:			
Tractors	56*	42	20
Combines	43*	23	10
Other implements	—	51**	34**
Cars and trucks	—	166*	147*
Employment	—	47	45

*Includes only 2 of 3 dealers.

**Includes only one dealer.

Table 12. Economic performance of 4 elevators in Decatur County, 1979, 1982, and 1984.

	1979	1982	1984
Gross Sales (000)*	N.A.	14,597	15,314
Coop Alone	10,376	10,900	11,185
Grain Sales:			
3 elevators (1000$)	N.A.	8,197	8,068
Coop Alone	6,406	6,092	5,899
4th elevator (1000bu)	448	483	524
Grain margins and profits:			
Coop margin	4.1%	1.2%	2.4%
Margin of another elevator	—	8.8%	6.9%
Profit of a third elevator ($)**	4,900	4,100	2,900
Profits (3 cases) (1000$)	154	128	134
Bad debts (2 cases) ($)	3,982	9,495	77,521
Full-time employees	45	44	35

*Excludes grain sales of one elevator as they were given to us in bushels.

**Grain only.

Table 13. Economic performance of 2 construction firms, Decatur County, 1979, 1982, and 1984.

	1979	1982	1984
ross sales (1000$)	1,203	1,013	920
et profits (1000$)	66	63	28
ull-time employees*	24	26	16

Part-time employees remained constant at 2 for all three time periods.

Table 14. Economic performance of the Federal Land Bank, Colby, Kansas District

	1979	1982	1984
Loan volume outstanding end of year (millions of $)	113	209	195
Salaries & employee benefits (1000 of $)	115	238	321
Operating expenses (1000 of $)	170	335	439
Salaries as % of operating expenses	68%	71%	73%
Operating expenses as % of loan volume	.15%	.16%	.23%
Net earnings (1000 of $)	93	423	63

Sources: "Annual Report." Federal Land Bank Association of Colby, Kansas, 1984, 1982, and 1979.

Table 15. Economic performance of the Production Credit Association of Colby, Kansas, 1980-1984

	1980	1981	1982	1983	1984
Amount of loans made for the year (millions of $)	133	144	155	147	140
Loans outstanding at end of year (millions of $)	47	54	54	52	44
Operating expenses (1000 of $)	390	489	579	659	712
Operating expenses as % of loans made	.29%	.34%	.37%	.44%	.51%
Net loan charge offs (1000 $)	3	26	88	457	292
Charge offs as % of loans outstanding at end of year	*	.04%	.16%	.87%	.66%
Net earnings (1000 of $)	757	878	720	474	683
Average interest rate to borrowers	14.6	16.2	15.8	13.4	14.7

Source: "Annual Report." Northwest Kansas Production Credit Association, 1984.

Table 16. Mining employment, Decatur County, 1973-83

Date	# of persons employed
1966-1973*	15 (approximately)
1974	119
1975	133
1976	160
1977-81	data withheld
1982	159
1983	88

Source: County Business Patterns

* Data reported for 5 of those years. No clear trend discernible for years which were reported.

Table 17. Relation of total; real estate and oil assessed valuation, Decatur County 1979-1984

Date	Total County Valuation (1000 $) (1)	County Real Estate Valuation (1000 $) (2)	Oil Assessed Valuation (1000 $) (3)	R.E. as % of total co. val. (2)/(1) (4)	Oil as % of total co. val. (3)/(1) (5)
1979	30,380	15,864	4,255	52.5	14.0
1980	33,437	15,977	7,532	47.8	22.5
1981	36,040	16,354	7,864	45.4	21.8
1982	39,406	16,479	10,149	41.8	25.8
1983	33,145	16,339	7,799	49.3	33.5
1984	31,318	16,459	6,206	52.6	19.8

Note: The remainder of assessed valuation comes from personal property and intangibles.

Table 18. Economic performance of two largest oil service companies in Decatur County, 1979, 1982 and 1984

	1979-80	1981-82*	1984
Gross Sales ($1,000)	6,826*	10,550**	8,248
Full-time employees	55-65 (approx)	83***	61

* One firm provided figures only back to 1980, so we used the 1979 figure for one firm and the 1980 figure for the other.

** 1981 was the peak oil year, but for one firm we obtained the 1982 sales rather than 1981, so 1981 was used for one firm and 1982 for the other.

*** 1982 figures for both firms. 1982 was the peak year for emploment.

Table 19. Economic performance of two apparel stores, Oberlin, 1979, 1982, 1984

	1979	1982	1984
Gross sales ($1,000)	400	457	453
Net profits ($1,000)	25	22	.2
Employees:			
Full time	4	4	5
Part time	4	4	5

Note: One additional proprietor interviewed, but she had just purchased the store and had no records of past economic performance. One major apparel store remains to be interviewed.

Table 20. Economic performance of two drug stores, Oberlin, Kansas, 1979, 1982, and 1984

	1979	1982	1984
Gross Sales ($1,000)	*	612	730
Net profits ($1,000)	*	26	45
Employees:			
full time	4	4	4
part time	5	7	10

* Data obtained from only one proprietor; showed significant growth in sales and profits from 1979 to 1982.

Table 21. Economic performance of two supermarkets, Oberlin, Kansas, 1979, 1982, and 1984.

	1979	1982	1984
Sales ($1,000)	3,218	4,343	4,340
Total Employment (full and part time)	24	30	34

Table 22. Economic performance of two general merchandise stores, Oberlin, Kansas, 1982 and 1984

	1982	1984
Gross sales ($1000)	451	366
Net Profit ($1,000)	11	-37
Full-time employees	4	2

Note: One firm was purchased in 1981. Thus, no data were available for 1979.

TABLE 23

Thousands of column-inches of advertising sold by Oberlin Herald annually 1975-1984

Year	Column-inches (1000)
1975	50.3
1976	63.9
1977	64.0
1978	67.6
1979	73.9
1980	65.5
1981	63.8
1982	60.5
1983	60.4
1984	58.0

Table 24. Hospital Finances, Decatur County Hospital, 1978-1984

Date	Net patient revenues*	Accts Receivable**	Accts Rec/ Net Rev.	Payroll
1978	1,084,000	156,000	14.4 %	?
1979	1,234,000	191,000	15.48%	
1980	(couldn't locate data)			
1981	"	"	"	919,000
1982	1,750,000	280,000	16.0%	970,000
1983	1,916,000	390.000	18.9%	1,016,000
1984	2,062,000	430,000	20.9%	1,070,000

*Omits difference between standard charges and what Medicare pays.

**All unpaid bills at end of year.

Table 25.
Effects of Farm Crisis on Decatur County Businesses

	No Negative Affect	Negative Affect
Agricultural Input or Marketing Firms	Elevators	Farm machinery dealers Construction firms Banks Locker Company
Non-agricultural Consumer Businesses	Food stores Drug stores Hospital Nursing homes	Newspaper General merchandise stores Automobile dealers apparel stores (?) Furniture stores Real estate (?)