



PHOTO: SOUTH DAKOTA STATE UNIVERSITY

South Dakota State University researchers Kuo-Liang "Matt" Chang, left, and Soo Hyun Cho study the factors driving farm management decisions — including the crucial decision to pass the farm operation to a younger generation.

Study Explores Farm Management And Transition Decisions

BROOKINGS — Statistics tell a grim story about how difficult it is for one generation of farmers to pass the farm to a new generation. From 2002 to 2007, the number of operators aged 75 years and older increased by 20 percent, but the number of operators under 25 years of age decreased 30 percent.

South Dakota State University researchers Kuo-Liang "Matt" Chang and Soo Hyun Cho say those figures from the U.S. Department of Agriculture demonstrate why it is important to understand the factors driving management decisions — including the crucial decision to pass the farm operation to a younger generation.

Chang and Cho will study the issue this year with the help of a \$20,000 grant from the Harms Fund for Excellence in Management, one of several donor-funded programs in economics and management that are taking shape as South Dakota State University's Department of Economics responds to emerging needs in the state and regional economy.

"The continuous loss of younger population to urban areas has made farmers' managerial decisions and inter-generational transitions extremely difficult. The struggle to maintain daily farm operations with limited labor during the busy seasons considerably challenges the survival of the farm business," Chang said. "We believe farm survival and farm family-to-work management are timely and urgent issues that deserve more attention both from academia and from politicians."

He added that economists often study decisions to exit farming by using over-simplified economic theories and tend to forget the important human-side of the decision-making process. For example, efficiency theory that suggests the decrease of farm population is an inevitable result of technology advancement and falling farm income. But Chang believes that theory is too simple, failing to consider the deep attachment farmers feel for land. Chang believes that farm numbers would have declined even more than they have from the 1950s to the present if efficiency theory adequately explained the trend.

Similarly, Chang and Cho believe the exit barrier theory — the idea that it costs too much to quit — isn't an adequate explanation for why some farm operations keep operating despite very low profits or even losses.

Instead Chang and Cho want to explore what is called life-cycle theory, which applies to all types of career change. They want to look at how that theory is applied in the larger context of farm families. Chang and Cho will conduct a two-year, multidisciplinary study regarding farmers' managerial decisions-making

processes, the family-to-work labor/time arrangement and inter-generation migration patterns.

Kuo-Liang "Matt" Chang is an assistant professor in SDSU's Department of Economics. Soo Hyun Cho is an assistant professor in SDSU's Department of Consumer Sciences.

By applying microlevel data from the U.S. Census Bureau's Survey of Income and Program Participation, or SIPP, the researchers are able to identify challenges farmers face.

"Contrary to numerous neo-classical economic

studies of farm survival that focus mainly on the perspective of production efficiency, this project emphasizes the role of family on farmer's managerial and career decision-making," Cho said. "We are specifically interested in how family wealth, family financial arrangement and family-to-work management affect farmers' labor participation, retirement decision and migration (exit or entry) patterns."

The project builds on a study that Chang and his colleagues did earlier that looked at health care as a factor in farmers' decisions to exit the workforce. The study suggested that farmer's health condition and access to health insurance have noticeably larger marginal impacts on farmers' exit decisions than income and other socio-economic variables commonly considered by economists.

If a second phase of the study is funded in 2012, Chang and Cho want to look beyond financial capital to explore other factors that could be affecting farmers' decisions. They want to pick up on the work of economists elsewhere and explore the roles of cultural capital (knowledge, know-how, norms and experience), social capital (networks, social connection and community) and symbolic capital (identity, tradition, pride and spiritual connection) on such decisions.

"We want to emphasize the importance of emotional support gained from the family and the need for farmers to carry on the cultural and symbolic tradition to their children in the farm families' managerial and career decision-making process," Chang said.

In addition to supporting Chang and Cho in their research, the Harms Fund for Excellence in Management — established by SDSU Department of Economics alumnus Duane Harms, president and owner of Brookings-based Harms Oil Co. — is also providing \$15,000 for a separate project that prepares SDSU students as management interns to work on economic development issues in South Dakota Horizons Program communities. SDSU's Department of Economics is supplying a matching contribution to each of the projects.

Help In Sour Times?

Congress Looks For Ways To Aid Struggling Dairy Farmers

BY CURTIS TATE

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WASHINGTON — With a gallon of milk costing as much as or more than a gallon of gasoline this summer, a consumer scanning the supermarket shelves might think the situation is a cash cow for dairy farmers.

In reality, it isn't. As the price of milk hovers around \$4 a gallon, dairy farmers nationwide still are struggling with the aftermath of what's dubbed the Great Dairy Recession.

"For a young guy starting out in dairy farming, it's tough," said Jim Heckman, a farmer in Walker Township, Pa., who sold his dairy herd in May. "I wish them the best of luck, but I don't think they'll make it."

While milk prices have rebounded since 2009, feed prices have stayed high, and farmers now are just breaking even, though many of them remain heavily in debt.

Thousands of farmers, from Vermont and Pennsylvania to Idaho and California, have exited the dairy business, according to industry numbers. According to the U.S. Department of Agriculture, there were 65,000 dairy farms in 2009, a decline of 33 percent from 2001. Despite the decline in the number of farms, milk production rose 15 percent in the same period.

Some in Congress want to replace longstanding safety nets for dairy farmers with new ones that better reflect the challenges they face.

The debate comes as Congress gears up its debt-reducing "supercommittee" compelled to cut billions in federal programs, potentially affecting dairy subsidies. The outcome of any new policy, meanwhile, could affect not only those who milk cows and process dairy products, but consumers' costs as well.

"The current dairy safety net failed a lot of producers," said Chris Galen, the senior vice president for communications at the National Milk Producers Federation. "Farmers are terrified because they don't have a strong leg to stand on."

Adding to their uncertainty: Groups representing dairy farmers and processors can't agree on one key component of dairy reform, and no one can predict how ongoing discussions in Washington about reducing federal deficits could affect efforts to help farmers.

The USDA has long supported dairy farmers, but those programs took shape during the Great Depression, when dairy farming was a very different business.

"There used to be a time when milk supply was local. You had a cow on your farm and fed your family or shared with your neighbors," said Michael Marsh, the chief executive officer of the Western United Dairymen. "It hasn't been local for decades now."

The good times for dairy farmers ended in late 2008. Prices collapsed with demand in a weakened economy, and a healthy export market turned sour. At the same time, the cost of feed skyrocketed, driven in part by the diversion of corn for ethanol production.

Some farmers lost a generation of equity in a matter of months, then borrowed huge sums just to stay afloat. Others sold their dairy cows



CHRISTOPHER WEDDLE/CENTRE DAILY TIMES/MCT
A cow eats hay before being milked at Jim and Diane Heckman's farm in Hublersburg, Pa., in 2009. "For a young guy starting out in dairy farming, it's tough," said Heckman, who sold his dairy herd in May 2011. "I wish them the best of luck, but I don't think they'll make it."

at auction — for meat, not milk.

"It was just catastrophic. We had a couple farmers who took their own lives," Marsh said. "There's no way we can go through that again."

Rep. Collin Peterson, D-Minn., the ranking member of the House of Representatives' Agriculture Committee, outlined last month a draft proposal to help dairy farmers, including overhauls to price supports.

Most of the reforms in Peterson's draft aren't controversial. But not everyone is happy with a program that would set limits on milk production in an effort to prevent oversupply

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MICHAEL MARSH

and price fluctuations. Farmers won't get paid if they produce extra milk.

"It's effective at helping stabilize prices, but different groups and regions have different views," said Chuck Nicholson, an associate professor of agriculture policy at California Polytechnic State University in San Luis Obispo, Calif.

For example, if farmers in one region — say, the Southeast — have reached their production limit, there could be a shortage of milk. It would have to be trucked in from other states, and the higher cost could be passed along to consumers.

Bob Yonkers, the chief economist for the International Dairy Foods Association, said that any effort to constrain milk supply would make U.S. dairy less competitive. In the past decade,

exports have increased from 5 percent of milk production to 12 percent.

"We're tied to the world market," he said. "We didn't used to be."

Rep. Mike Simpson, R-Idaho, who supports Peterson's plan, said he realizes that everyone wants something different.

"I've worked on dairy policy long enough to know that unity is an elusive goal and regional disparities inevitably muddy the waters of reform," Simpson said. "Still, I believe it is important to put a concept on paper."

Still, any dairy reform efforts may be at the mercy of the 12-member debt-reduction "supercommittee" that begins work next month.

Galen of the National Milk Producers Federation worries Congress might not act quickly enough. The federal farm bill expires on Sept. 30, 2012, and struggling dairy farmers need more certainty sooner than that.

"There's a certain sense of urgency," he said. "If the farm bill doesn't get done for another 15 months, it may be too late."

Many farmers aren't waiting. For 39 years, Heckman supplied milk bottlers and cheese and ice cream makers.

"There was always a market for my milk," he said.

He said he started losing money 10 years ago, and in the past few years it got worse. Heckman sold his 28 dairy cows in May.

Heckman, who's 62, said there wasn't much the government could do to make him change his mind.

"As far as me getting back in, no, I don't think so," Heckman said. "Unless Obama comes in and gives me a trillion dollars."

Cliff White of the Centre Daily Times in State College, Pa., contributed.

Mono-Slope Beef Barn Open House Set For Goodwin Aug. 30

BROOKINGS — A mono-slope beef barn open house at the Goodwin Heritage Cattle Inc. farm near Goodwin (S.D.) will highlight a cattle performance, air quality and beef manure management Aug. 30.

This open house is part of an ongoing tri-state project with South Dakota State University, Iowa State University Extension and the USDA Meat Animal Research Center at Clay Center, Neb. The open house will run from 10 a.m. to 3 p.m.

The open house is geared toward producers, agri-business staff and policy makers. To provide topic-specific information, the open house will consist of stations providing 15-minute informal presentations focusing on different aspects of mono-slope barns. Stations will operate from 10 a.m. to noon and again from 1 p.m. to 3 p.m.

Station topics include:

- How we manage the barn
- Cattle performance
- Cost-sharing opportunities
- Managing the pack for animal comfort and reduced emissions

- Value and nutrient management of mono-slope manure
- The air quality project and air quality regulations
- Analyzing the gases and particulate matter (dust)

Lunch will be provided from noon to 1 p.m. The open house and lunch is sponsored by Water-

town Ag Chamber of Commerce, Glacial Lakes Ethanol, South Dakota Farm Bureau, Coteau Hills Cattlemen, Ag United for South Dakota, Banner Associates and Landmark Builders.

The tri-state project is funded by the U.S. Department of Agriculture Air Quality Program. It involves monitoring air emissions over a two-year period to determine baseline data for gases and dust produced in mono-slope beef facilities. The study is also evaluating two manure-handling systems to determine which emits lower levels of gases. This is the second of two Open Houses; the first open house was held near Royal, Iowa in June.

There is no charge to attend, but preregistration is encouraged by Aug. 26 to have an accurate count for lunch and materials. To preregister, contact Candy Willms at 605-688-5141 or Candy.willms@sdsstate.edu. You can view and download a flyer describing the event, its location and preregistration information at iGrow.org.

To learn more contact, Steve Pohl, Structures Specialist, South Dakota State University, 605-688-5662, Stephen.pohl@sdsstate.edu or Erin Cortus, Air Quality and Waste Management Specialist, South Dakota State University, 605-688-5144, erin.cortus@sdsstate.edu.

Oral Farm Leases For Next Growing Season Renew Automatically Sept. 1

BROOKINGS — Oral farm leases will renew automatically for the next growing season Sept. 1, 2011, unless written notice of intent to terminate or modify the existing lease is given before Sept. 1, a South Dakota State University specialist said.

SDSU Extension Farm Financial Management Specialist Burton Pflueger said any lease that renews automatically carries the same terms and conditions as the existing lease. Once such notice is given, the existing lease still remains in effect until March 1, 2012, at which time the new contract becomes effective.

These rules apply to both the tenant and the landowner and the only exception is when one party fails to live up to the terms of the original agreement. Pflueger said any landlord or tenant who wants to terminate or modify an existing oral contract must notify the other party by Sept. 1.

"With the uncertainties of expected crop yields and current commodity prices and the effect they may have on economic conditions for this year and for the following crop year, changes in existing leases may be in order," Pflueger said.

Every year, the South Dakota Cooperative Extension Service receives calls from tenants and landlords who sought to make modifications to their farm leases but did not provide written notice for termination to the other party prior to Sept. 1, Pflueger said. When wrongful termination occurs and the case goes to court, the injured party is normally awarded a "normal" profit from the land, and sometimes punitive damages.

The date of automatic renewal was changed from Nov. 1 to Sept. 1 several years ago to protect tenants who plant fall-seeded crops such as winter wheat. Sometimes farmers and landlords forget about this change, especially where there are no fall-seeded crops grown or when the agreement is for grassland.

"It should also be noted that any lease agreement for more than one year must be a written lease if it is to be valid. An oral agreement for two or more years cannot be enforced by the courts," Pflueger said. "It is best to have all land lease contracts in writing. Having a written lease can prevent a lot of misunderstanding if one of the parties becomes incapacitated or forgets the details of the agreement."

Labor Day Deadlines

The Yankton Daily Press & Dakotan will be closed Monday, September 5, for the Labor Day holiday.

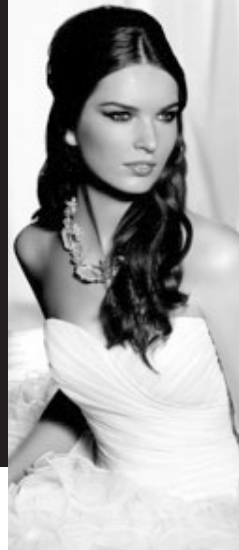
The following deadlines will apply:

Out On The Town — Noon, Wednesday, August 31
Tuesday, September 6 newspaper — 5 p.m., Wednesday, August 31
Wednesday, September 7 newspaper — 5 p.m., Thursday, September 1
Thursday, September 8 newspaper — 5 p.m., Friday, September 2

There will be no newspaper on Monday, September 5, 2011

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