

GENERAL EXPLANATION Continued

The average age of partners involved in the 81,738 partnerships was 49.4 years. In general, most partnerships show a substantial range of ages between the oldest and youngest partners, thus, indicating that the partnership structure is being used widely as a means to bring in and involve younger family members in the operation and to provide a means of intergenerational transfer. The average age of partners for partnerships with two partners was 50.0 with 58.2 being the average age of the oldest partner and 41.9 the average age of the other partner involved. Looking at partnerships with three partners, the average age of the oldest partner was 62.4 years, while the average age of the other partners was 42.0. For partnerships with four partners, the average age of the oldest partner was 60.6 years as opposed to 43.1 years for the other partners. For partnerships with five partners, the average age of the oldest partner was 64.0 years and the average age of other partners was 43.7 years. Detailed data on age by subjects are available in tables 25 thru 38.

Expected Organizational Changes

Existing partnerships were requested to indicate expected organizational changes during 1977, 1978, or 1979. Of the 80,500 partnerships which responded to this inquiry, 67,500 or almost 84 percent indicated that they don't plan any changes. These partnerships operated an average of 902 acres with average sales of \$84,500. The 1,459 partnerships which indicated that they expected to add more partners had sales of \$146,100 per farm compared with the sales of less than \$90,000 per farm reported by the 1,454 partnerships which indicated that they expected to decrease the number of partners.

Often it has been stated that the partnership organizational structure is a stepping stone to the corporate organizational structure. The evidence of this survey is not overwhelming. However, it is noteworthy that the 1,421 farm partnerships which plan to incorporate had average sales of \$172,347, or more than 2 times the average sales for all partnerships reporting this item. These farms operated 1.7

million acres of land, and they expect to incorporate with 5,314 shareholders, or 3.7 shareholders per corporation.

The largest two categories of expected organizational changes are 1. change to sole proprietorship and 2. discontinue business, 4,182 and 4,106 farms respectively. The 4,182 farms that expect to change to the sole proprietorship operated 4.6 million acres and had sales of \$68,677 per farm, or 19 percent less than the average partnership. The 4,106 farm partnerships who expect to discontinue business had the lowest sales per farm at \$55,700. Detailed data by expected organizational change are shown in table 31.

Contingency Plans

Respondents were requested to indicate the contingency plans of their operations. That is, what would happen to their operation if one or more of the partners withdrew or died? Over 50 percent of the respondents indicated that their operation would continue with remaining partners, heirs, or add new partners. Such farms operated slightly less than 1,100 acres per farm and had sales of \$4.1 billion, or almost \$100,000 per farm. Almost 14 percent of the respondents indicated that their operation would dissolve, and the shares be distributed.

Such operations averaged slightly more than 1,000 acres per farm and had sales of \$83,600 per farm. Slightly more than 35 percent of the farms indicated that no plans or provisions had been made. Note that these 28,835 farms averaged 671 acres per farm and had sales of less than \$64,000 per farm. Detailed data by contingency plans are available in table 29.

Contingency plans by number of partners in partnership reveals some interesting results. For partnerships, with two partners, slightly less than 45 percent indicated that they plan to continue with remaining partners heirs, or add new partners. However, for partnerships with four partners or more over 72 percent have contingency plans; 72.5 percent, 75.9 percent; and 78.8 percent for partnerships with four partners, five partners, and six partners or more, respectively.

On the whole, slightly less than 14 percent of the partnerships indicated that they intend to dissolve and distribute the shares of the partnerships. For partnerships with two partners, 16.1 percent planned to dissolve and distribute the shares. For partnerships with three partners, only 7.4 percent of the partnerships indicated such action.

Of the partnerships without contingency plans by number of partners in

Table 10. Expected Organizational Changes of Farm Partnerships

(1974 partnerships operating in 1976)

	Farms		Land in farms		Value of agricultural products sold	
	Number	Percent	Acres	Average per farm (acres)	Value (\$1,000)	Average per farm (dollars)
Partnership response.....	80,517	100.0	75,651,768	940	6,829,626	84,822
None.....	67,490	83.8	60,841,634	901	5,701,913	84,485
Add more partners.....	1,459	1.8	2,546,428	1,745	213,139	146,085
Decrease number of partners.....	1,454	1.8	1,584,188	1,090	130,247	89,578
Incorporate.....	1,421	1.8	1,727,513	1,216	244,905	172,347
Change to sole proprietorship.....	4,182	5.2	4,626,122	1,106	287,209	68,677
Discontinue business.....	4,106	5.1	3,957,086	964	228,704	55,700
Other plans.....	405	.5	368,797	911	23,509	58,048

Table 11. Contingency Plans for Farm Partnerships

(1974 partnerships operating in 1976)

	Farms		Land in farms		Value of agricultural products sold	
	Number	Percent	Acres	Average per farm (acres)	Value (\$1,000)	Average per farm (dollars)
Total partnerships.....	81,738	100.0	76,471,483	936	6,925,672	84,730
Continue with remaining partners.....	40,956	50.1	44,586,868	1,089	4,091,285	99,895
Dissolve and distribute shares.....	11,329	13.9	11,563,917	1,021	947,320	83,619
No plans or provisions.....	28,835	35.3	19,355,548	671	1,841,183	63,852
Other plans.....	329	.4	798,190	2,426	24,793	75,358
Farms not reporting.....	289	.4	166,960	578	21,091	72,980