

SUCCESSION AND ENTERPRISE ADAPTATION AT THE RURAL URBAN INTERFACE

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HIGHLIGHTS

Passing the farm down to the next generation (succession) is a critical issue at the rural-urban interface (RUI). We identify several different strategies farm families employ to create opportunities for the next generation of farmers. Key findings include:

- Succession plays a critical role in enterprise adaptation and persistence.
- Succession is a key influence on the ways in which households manage risk and expand their farm enterprises at the RUI.
- Farms that could not identify an heir are more likely to be entering (or already in) a state of decline or failing to make substantial new investments in the enterprise.
- When an heir was identified, four types of adaptations were observed:
 1. **The Expanders** – farms expanding by increasing their land base.
 2. **The Intensifiers** – farms transitioning into higher value crops on the same land base.
 3. **The Stackers** – family members stacking their production, processing and marketing roles within the same farm business on the same land base.
 4. **Entrepreneurial Stackers** – farm families stacking complimentary, but independent, farm enterprises off each other's production systems on the same land base.

STUDY BACKGROUND AND PURPOSE

In recent years, the press, government, and academics have documented the existence of an aging farm population, a lack of succession planning, and the existence of fewer heirs choosing farming as an occupation. The absence of an heir or a farm succession plan can pose a serious threat to the widespread persistence of family farming.

The failure to pass the farm on to the next generation can also impact whether farmland remains available for agricultural use. Farmers without a farming heir may simply sell the land for nonfarm purposes at retirement. This threat is even greater at the Rural-Urban Interface (RUI), where land is more vulnerable to nonfarm development.

Agriculture at the RUI is highly diverse and ranges from commodity production (corn, beans, dairy, etc.) to those pursuing entrepreneurial farming strategies. We term these entrepreneurial farmers *Alternative Food and Agriculture Enterprises* (AFAE) as they focus on direct marketing outlets geared toward new urban clientele. These direct marketing streams have been promoted as a way farms can compete with higher land costs at the RUI while also increasing farm profitability and viability.

In this report, we present research examining how farm households engaged in commodity and AFAE production are dealing with intergenerational succession issues while simultaneously addressing farm viability.

METHODOLOGY

Face-to-face semi-structured interviewed with 53 individuals representing 35 farm families were

conducted in the Columbus metropolitan area in Ohio and the Grand Rapids metropolitan area in Michigan to understand how household factors influence farm adaptation and succession at the RUI. Both metro regions are agriculturally diverse and are considered to be RUI areas.

MODELS OF FARM SUCCESSION AT THE RUI

Traditionally, when farmers wanted to expand or bring children into an operation they were able to purchase more land. At the RUI, land is scarce, fragmented and expensive, making the inheritance process more complex and uncertain. Succession plans may be known or unknown (Figure 1). When no heir is available farms will most often fall into a mode of decline and disinvestment. However, when an heir can be identified the farm generally enters a mode of growth and in some cases redevelopment as it prepares to include additional family members.

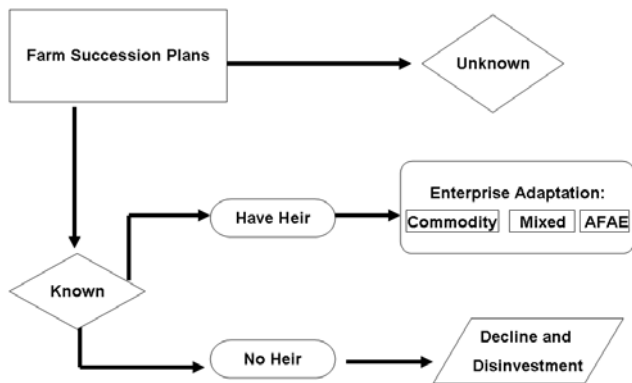


FIGURE 1: MODEL OF INFLUENCE FARM SUCCESSION HAS ON ENTERPRISE ADAPTATION AND PERSISTENCE

This research found that farms that could not identify an heir fell into two groups: 1) those that opted to put their land into preservation through some sort of land trust; and 2) farms that were clearly in a state of decline and disinvestment, making no improvements to existing infrastructure and entering a state of winding down.

When an heir could be identified four types of adaptations were observed: the Expanders, the Intensifiers, the Stackers and the Entrepreneurial Stackers. Among the farms with an heir very few were choosing a strategy of pure land expansion. The

majority of farms were intensifying production and marketing strategies. Given land is a limited resource at the RUI, many of the AFAE farms were expanding by stacking enterprises (of varying size and intensity) on the same land base to allow more family members to earn a living from the farm. Figure 2 demonstrates when land resources are limited (shown by the lime green arrows at the bottom of the graphic), business can be “stacked” to grow the farm enterprise.

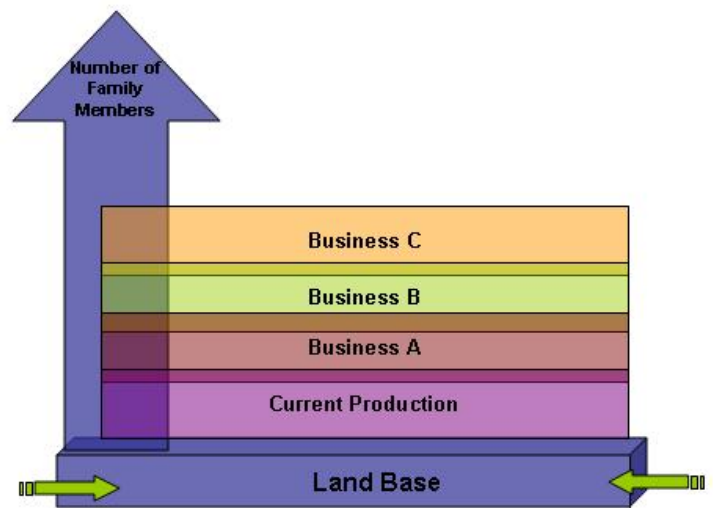


FIGURE 2: MODEL OF EXPANSION, INTENSIFICATION AND ENTREPRENEURIAL STACKING AT THE RUI

The following section describes the patterns generated by the presence of an heir.

HEIR IDENTIFIED

1. THE EXPANDERS

A pattern of ‘expansion’ was observed most frequently among commodity farmers. These farmers chose a strategy of expansion, by increasing their acreage (through rent or purchase) and thereby increased the volume they could produce and sell into bulk commodity markets. Opportunities for the next generation were created largely by acquiring more land and expanding the existing business.¹

¹ The study period overlapped with a time in which a great deal of discussion was being generated over several proposed ethanol plants in Central Ohio. The bulk of the commodity producers operated grain farms located in Central Ohio and many openly discussed the

When asked if they had ever considered adapting AFAE strategies, Commodity farmers frequently replied they had thought about the possibility but quickly dismissed the idea as they had no interest in direct marketing. Respondents frequently commented they would rather sell their product through a broker, others preferred and recognized the competitive advantage they could maintain through specialization rather than being a production generalist.

2. THE INTENSIFIERS

Since land is a very limited resource at the RUI, some farms were going through a process of intensification. These *Intensifiers* were increasing production of higher value crops (such as nursery crops or higher value commodity crops) in order to support more family members on the same piece of land. This group was actively investing in new equipment and buildings.

3. THE STACKERS

A pattern of stacking talents within the same business was found among farms engaged in both pure AFAE activities and those engaged in a mix of commodity and AFAE production. Among these *Stackers*, some family members were in charge of field crops, others were in charge of fruit and vegetable crops, while yet others turned the harvest into value added products (jams, pie, etc.) and were in charge of direct marketing these goods. Many of these families began to stack enterprises during the farm crisis of the 1980's when falling commodity prices encouraged them to look for alternative farm enterprises to support the family. These farms have also taken advantage of skills family members had developed off the farm particularly those related to marketing and education.

Some families were making room for the new interests and talents of the next generation by adding on new enterprises to the existing one, such as adding on a landscaping business, however these new streams of revenue are viewed as, and legally structured to be part of, the same overall business.

potential benefits a nearby ethanol plant would have for their farm.

A common pattern among the *Stackers* was for the division of labor to be split across generations, with older family members responsible for production and younger members in charge of marketing. This split in responsibility created some tension and uncertainty as to the future of the production aspects of the farm. Some children were unsure who would take over production responsibilities when their parents retired or passed on; some speculated they might transition into a production role, while others anticipated they might shift into a greater managerial role, hiring a farm manager to oversee production.

4. THE ENTREPRENEURIAL STACKERS

The fourth pattern observed were those families able to operate on a set amount of land to stack complimentary farm enterprises, and build off each other's production systems to provide independent, yet complimentary, income streams. This strategy of *Entrepreneurial Stacking* (most often observed in grass based animal production systems) allowed for more family members to be a part of the farm enterprise without the need to acquire more land.²

A case typifying the *Entrepreneurial Stacker* system is a fifth generation farm that until the mid 1990s was a confinement dairy operation, barely able to support one family. Making the conscious decision to adopt a holistic grazing system, the operation became certified organic and sold their milk into the bulk commodity fluid organic milk market and diversified their product line. Individual family members have added additional enterprises including: grass-based meats (beef, pork, lamb, pastured poultry); pastured eggs; and artisan cheese production. To capture a greater share of the consumer dollar the family built an on-farm retail store and sold their products through local retailers throughout the region. This

² The term "Entrepreneurial Stackers" is adapted from concepts described by Joel Salatin (2001) where farmers are encouraged to adopt an integrated closed loop pasture based agricultural system allowing complimentary enterprises to exist on the same land base. In a similar vein, the term *Entrepreneurial Stacking* refers to families stacking complimentary businesses as a greater number of individuals are able to generate additional income streams off the same land base and utilize common resources.

strategy allows the farm to support four families full time.

CONCLUSIONS

- The persistence of agriculture and the diversity of farm types found at the RUI is partially a result of the succession process. Families structure the farm enterprise to create opportunities for the next generation.
- Adaptations designed to grow a business identified in this research (expander, intensifier, stacker and entrepreneurial stacker) enable farms to compete with the limited land base, higher land prices, and land fragmentation characterizing the RUI.
- The particular adaptation strategies farm families pursue are a reflection of house hold goals, production and marketing interests.
- At the landscape level it appears that many farms are implementing AFAEs, this research reveals there is actually great diversity in AFAE business structures and growth patterns that are driven in part by succession.
- The diversity of farms at the RUI ensures that at no one point in time are all farms vulnerable to down swings in the market, fluctuating land use pressures and changing household conditions. This heterogeneity contributes to the resilience and persistence of agriculture at the RUI, and should be fostered.
- When designing local land protection and economic development policies at the RUI it is important account for the role succession has in farm persistence and adaptation.

REFERENCES

Salatin, J. 2001. Family Friendly Farming: A Multigenerational Home-Based Business Testament. Swoope, Va. Polyface.

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Project web site: <http://cffpi.osu.edu/agadapt.htm>



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