

## **Characteristics of Beginning Farmers in Ohio and Potential Impact of the Ohio Beginning Farmer Tax Credit Program**

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### **Highlights**

- Ohio's new and beginning farmers are individuals who intend to enter the farming industry or have less than ten years of experience as a farm owner/operator in Ohio.
- Ohio's new and beginning farmers compared to established farmers, tend to be younger, operate smaller farms, and less likely to state farming as their primary occupation.
- The Ohio Beginning Farmer Tax Credit Program supports new and beginning farmers by providing income tax credits to: 1) beginning farmers who attend a financial management program, and 2) landowners that sell or rent farmland to beginning farmers.

### **Introduction**

This report looks at the differences between new and beginning farmers and established farmers in Ohio. We use data from the 2017 Census of Agriculture to understand the demographics of new and beginning farmers in Ohio. The report also discusses how the Ohio Beginning Farmer Tax Credit Program can help lower barriers of entry for new farmers and improve their success in the agricultural sector.

### **Data from the Census of Agriculture**

The data for this report was obtained from the Census of Agriculture, which is conducted by the US Department of Agriculture (USDA) every five years. The Census of Agriculture collects information on various aspects of agricultural production, demographics, and economic factors for farmers and ranchers across the United States. The data used in this report comes from the 2017 Census of Agriculture, which is publicly accessible on the USDA National Agricultural Statistics Service website.

### **Profile of Ohio Beginning Farmers**

According to the definition provided by the Ohio Department of Agriculture, a beginning farmer in Ohio must meet several specific criteria. An individual must be a resident of Ohio who intends

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to enter the farming industry or has less than ten years of experience as a farm owner/operator in Ohio. In addition, the individual must not hold any partnership, membership, shareholder, or trustee positions related to the assets they intend to acquire or lease. The individual must have net worth of less than \$800,000, among other requirements.

Analysis of the 2017 Census of Agriculture offers valuable insights on Ohio’s new and beginning farmers. Figure 1 shows that about a quarter of all farm and principal farm producers in Ohio are new and beginning farmers while the rest are established farmers.

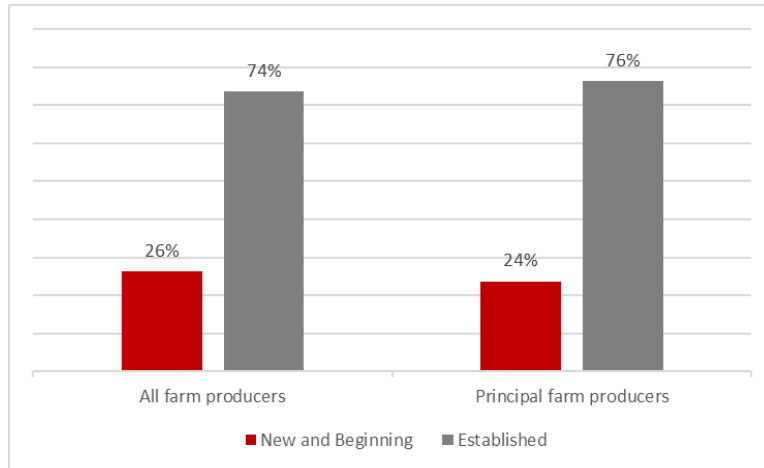


Figure 1: Farm Producers, Grouped by New and Beginning versus Established Farmers in Ohio

Contrary to a common assumption that new and beginning farmers are young, the age distribution of new and beginning farmers in Ohio spans a wide range of age groups (Katchova and Ahearn, 2016). Figure 2 demonstrates that while 32% of new and beginning farmers are 34 years of age or younger, a significant portion of them (9%) are 65 or older. On average, new and beginning farmers are younger than established farmers but there are also older new and beginning farmers in Ohio.

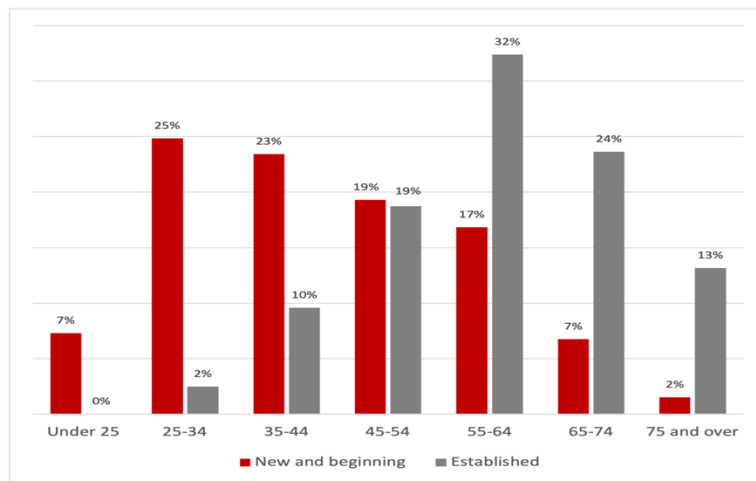


Figure 2: Age Distribution of Ohio Farmers, Grouped by New and Beginning versus Established Farmers

Next, we examine gender, farming occupation, and off-farm work which reveals more differences between new and beginning farmers and their established counterparts in Ohio, as shown in Figure 3. Although males still dominate both groups, the proportion of males among new and beginning farmers is smaller (61%) than among established farmers (68%). Only 24% of new and beginning farmers in Ohio report their primary occupation as farming, indicating diverse income sources. Over half of new and beginning farmers in Ohio engage in off-farm work for more than 200 days, unlike established farmers who are less involved in off-farm work.

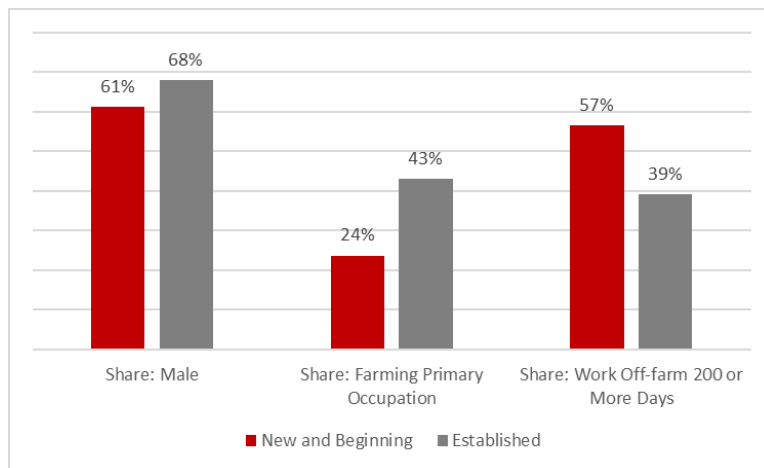


Figure 3: Selected Farmer Characteristics, Grouped by New and Beginning versus Established Farmers

New and beginning farmers in Ohio typically operate smaller farms in terms of operated acres as shown in figure 4. Over half of new and beginning farmers operate less than 50 acres of farmland. New and beginning farmers in Ohio have a comparable percentage of owned or leased acres as do established farmers (figure 5).

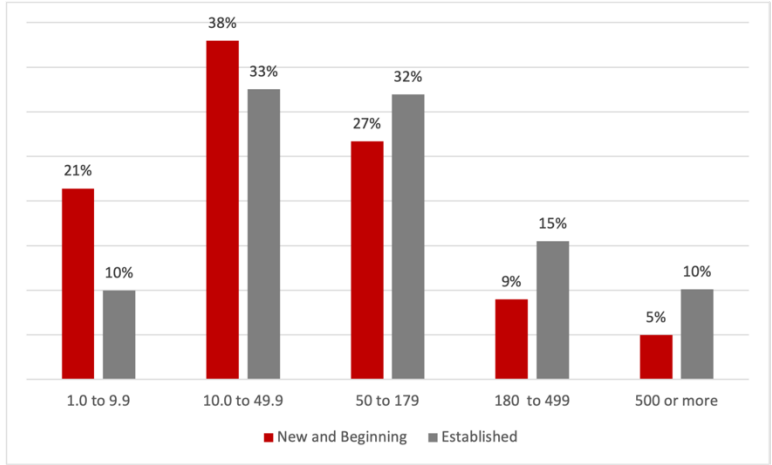


Figure 4: Percentage Distribution of Acres Operated, Grouped by New and Beginning versus Established Farms

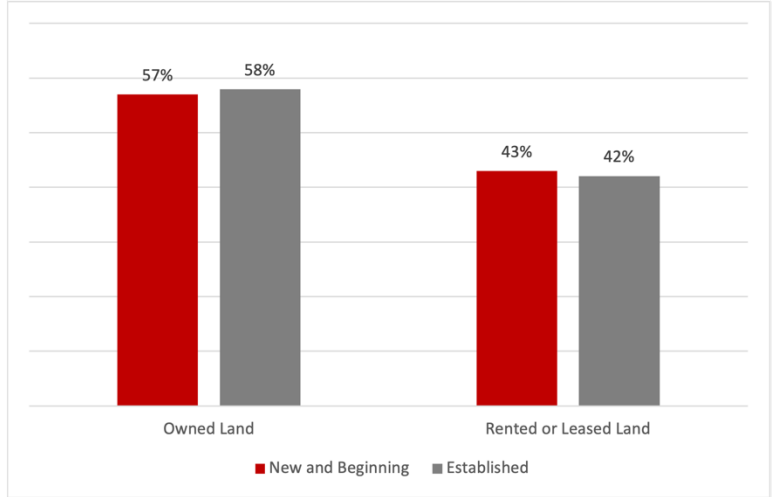


Figure 4: Percentage Distribution Acres Owned/Leased for New and Beginning and Established Farms

According to a USDA definition, economic class of farmers is defined as the market value of agricultural products sold and government payments. Figure 6 shows that there is a higher number of established farms in every economic class especially in the largest value economic classes, compared to new and beginning farmers.

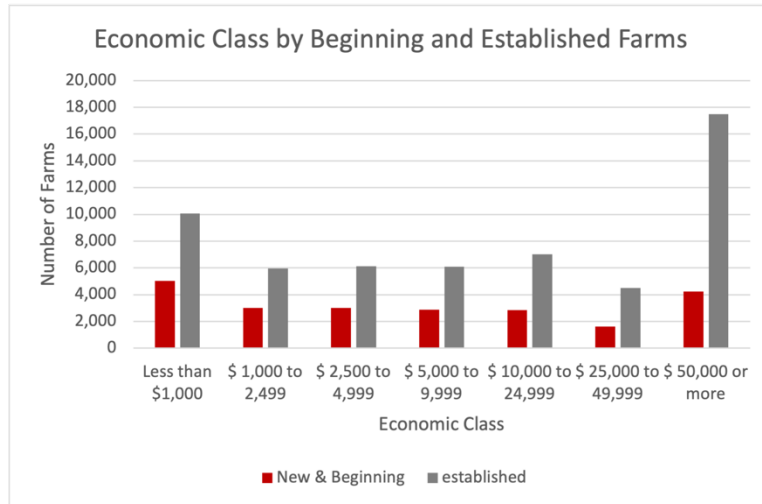


Figure 6: Economic Class, Grouped by New and Beginning versus Established Farmers

The Census of Agriculture reveals that oilseed and grain farming is the most common specialty for new and beginning and for established farmers (figure 7). Most new and beginning farmers tend to specialize in oilseeds and grain farming (25%), other crops (21%), beef cattle (18%) and other livestock (17%). Compared to established farmers, new and beginning farmers in Ohio tend to specialize more in specialty crops, other crops, beef cattle, and other livestock farms.

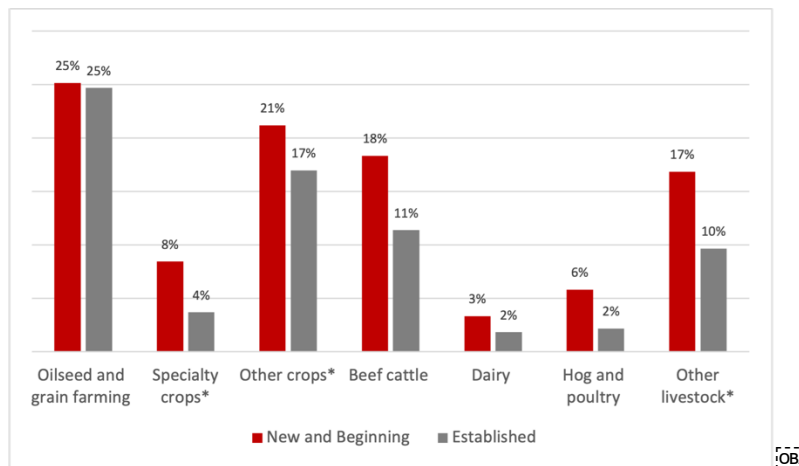


Figure 5: Enterprise Specialty for New and Beginning versus Established Farmers

## **Potential Impact of the Beginning Farmers Tax Credit Program**

In 2022, Ohio implemented a Beginning Farmer Tax Credit Program to support new and beginning farmers in the state. This program aims to address the financial challenges faced by new entrants in the agricultural industry by offering two support mechanisms. The first mechanism provides a tax credit to new and beginning farmers who participate in a state-approved financial management program. By offering this tax credit, the program seeks to alleviate the financial stress of starting and managing a farm business. This incentive encourages beginning farmers to actively engage in financial planning and management, which can contribute to their long-term success.

Qualifying financial management programs provide information on a variety of topics including farm business planning, farm financial statements, cost of production, farm record keeping, farm taxes, farm financing, risk management, and farm business analysis. Beginning farmers who complete a qualifying financial management program pay the cost of the program but are eligible for a non-refundable tax credit upon completion of the program.

The second support mechanism focuses on providing tax credits to qualified farmland owners in Ohio. These tax credits are offered to landowners who sell or rent their farmland to beginning farmers. By incentivizing landowners to work with new and beginning farmers, the program aims to address the aging farmer population trend and promote farmland transition to the next generation. This provision helps to transition operated acres from established to beginning farmers, creating more opportunities for new farmers to start their farm businesses and grow.

The Beginning Farmer Tax Credit Program benefits new and beginning farmers in Ohio. By providing opportunities for financial management program training, the program reduces the barriers to entry. It equips farmers with the necessary skills to navigate the financial aspects of running a farm business. By offering incentives for farmland owners to collaborate with beginning farmers, the program helps to increase access to land and resources for new entrants. The program addresses financial challenges associated with starting a farm business. Continued investment and expansion of such initiatives are crucial for ensuring the future sustainability of Ohio agriculture.

The implementation of the Ohio Beginning Farmer Tax Credit Program holds promise in supporting new and beginning farmers' entry in agriculture and addressing their specific needs. Continued support and resources are essential to foster the success of these beginning farmers and contribute to the success of Ohio's agricultural sector.

## References

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