



Farm Transitions in U.S. Agriculture

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Ani Katchova, Associate Professor and Farm Income Enhancement Chair

katchova.1@osu.edu

Introduction

- Farm transitions have been identified as one of the major upcoming structural changes in agriculture that concerns policy makers. Farm transitions can be defined as changes in farm size or structure (growth or contraction of the farm business) or as entry and exit of farm operations in the agricultural sector.
- The well-known challenges of the aging farmer population as well as the need to transition ownership and control of farmland has led to concerns about the large share of farmland that is likely to change hands in the near future and the need to provide support and training for beginning farmers to start their businesses.
- There are significant challenges for young farmers (less than 35 years old) and beginning farmers (10 years or less of experience) to start their businesses and develop successful and profitable operations. Young farmer groups often state that their most significant challenge is acquiring access to farmland. Most young and beginning farmers do not inherit their land, and, instead, purchase or lease farmland to start their businesses and grow over time.
- The Agricultural Act of 2014 (also known as the 2014 U.S. Farm Bill) has special programs and provisions supporting beginning farmers and ranchers for beginning farmer development, facilitating farmland transition to the next generation of farmers, providing crop insurance premium subsidies, offering FSA microloans, and improving outreach and communication to military veterans about farming and ranching opportunities.

Our research

We use data from the U.S. Census of Agriculture to address 3 issues on farm transitions:

- We know that farmers are aging, farmers typically don't retire from farming and that there are fewer beginning farmers. What is the age distribution of all farmers and beginning farmers?
- How do young and beginning farmers enter agriculture and grow over time in terms of owning and renting farmland?
- How many beginning farmers start operating every year? What are the exit rates for U.S. farms?

Farmer age distribution

- We find that farmers' age distribution is approximately normal or bell-shaped with the highest number of farms in the middle-age group.
- We notice overall shift of distribution to the right over time, indicating aging of farmers and fewer young farmers.
- In contrast to conventional wisdom that beginning farmers are either young or older (second-career) farmers, beginning farmers' age distribution is also normal or bell-shaped, but peaking a decade earlier than that for established farmers. The age distribution for beginning farmers is also shifting to the right over time – beginning farmers are aging too and there are fewer young beginning farmers.

Farmland positions and growth for young and beginning farmers

Comparing owned and rented land for younger vs. older farmers

- Across the age distribution, younger farmers own less land and older farmers own more land (even after retirement age). Rented acres are similar for younger and mid-age farmers; less rented land for farmers older than 50.
- Land rented to others is not much (slightly higher for older farmers).
- Farm size (total acres operated) is higher across the age distribution for younger farmers (driven by more ownership) and is more stable for farmers older than 50 (higher land ownership offsets less renting of land).

Growth of owned and rented land over time

- Young farmers under 35 rapidly expand their operations by both owning more land and leasing more land over time – annual growth rates were 7.5% for owned land, 5.6% for rented land, and 6.3% for operated land from 2002 to 2012.
- Older farmers had a reduction in their farm size – owned acres declined slightly (0.2% reduction), but rented acres declined by 2.9% annually leading to an annual reduction in operated acres by 1.3% between 2002 and 2012.

Entry and exit rates for U.S. farms

- Secretary Vilsack has mentioned a goal of 100,000 new farmers every year.
- USDA's Census of Agriculture shows only about 27,000 to 30,000 new farmers entering in a given year, mostly because new farmers are not known to USDA-NASS in the first 3-6 years of operating.
- Using the question, "in what year did you start farming this farm business?," and comparing the number of farms across years, we estimate that there are about 70,000-80,000 new farmers entering every year.
- We estimate that exit rates for farmers are close to 4% for the first 6-10 years of operating, about 2.5-2.8% for 10-40 years of operating, and increasing to 7.5% for over 50 years of operating.

Conclusions and policy implications

- Historically, farm bill policy has been supporting beginning farmers with 10 years or less of experience, regardless of their age. Young farmers may be motivated to expand their operations and significantly contribute to agricultural production, whereas older beginning may be entering farming for the lifestyle and/or financial benefits and may be helping to revitalize rural communities.
- Depending on their age, we show that beginning farmers have different capital needs in terms of purchasing or leasing farmland and that they likely need different support programs to start their businesses. Young farmers may have similar needs to initially acquire farmland as older beginning farmers, but subsequently young farmers may need additional capital or may face more credit constraints for purchasing additional farmland to expand their operations.
- These considerations make it important for policy makers to have a clearer sense of their policy goals in targeting beginning farmers, including targeting young farmers and tailoring farm policy support for their needs.

*Results presented here are based on joint research with Mary Ahearn (USDA-ERS).