

# Preserving Ohio Farms and Ohio Farmland

Ani Katchova, Professor and Farm Income Enhancement Chair  
Xiaoyi Fang, Rae Ju, Zhining Sun, Vishavdeep Sharma, Charles Smith, students

Farm Income Enhancement Program  
Department of Agricultural, Environmental, and Development Economics

*Presentation to Ohio Farm Bureau  
February 14, 2024*



THE OHIO STATE UNIVERSITY

# Preserving Ohio Farms and Ohio Farmland



Ohio Farmland Dynamics



Ohio Farmer Characteristics



Ohio Beginning Farmer Tax Credit Program



Ohio Farm Benchmarking



Ohio Farm Finances



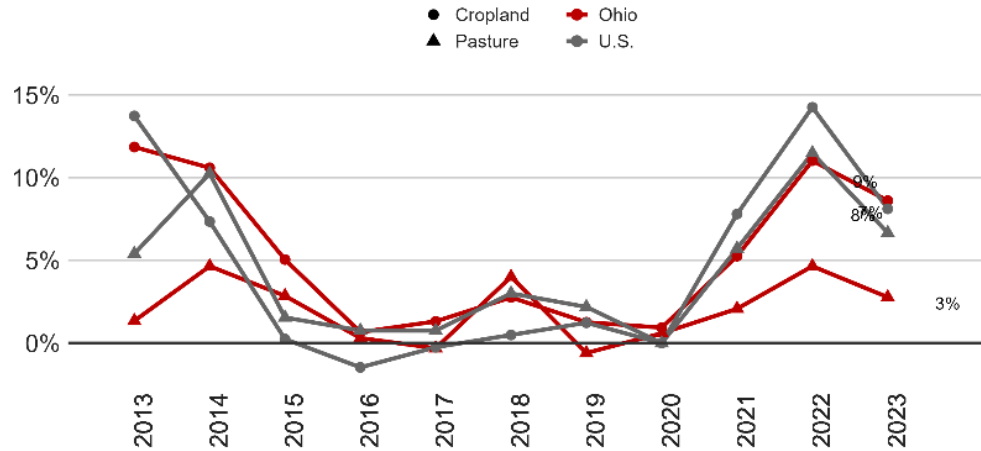
# Ohio Farmland Dynamics



THE OHIO STATE UNIVERSITY

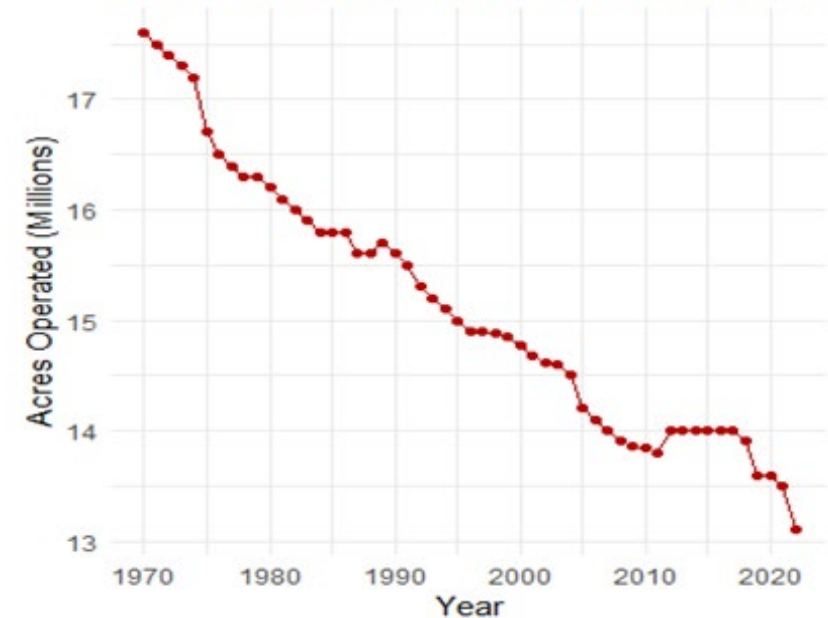
# Farmland Values and Acres Operated in Ohio

Percentage Change in Cropland and Pasture Values, 2013-2023



Source: USDA, NASS, Data as of August 6, 2023

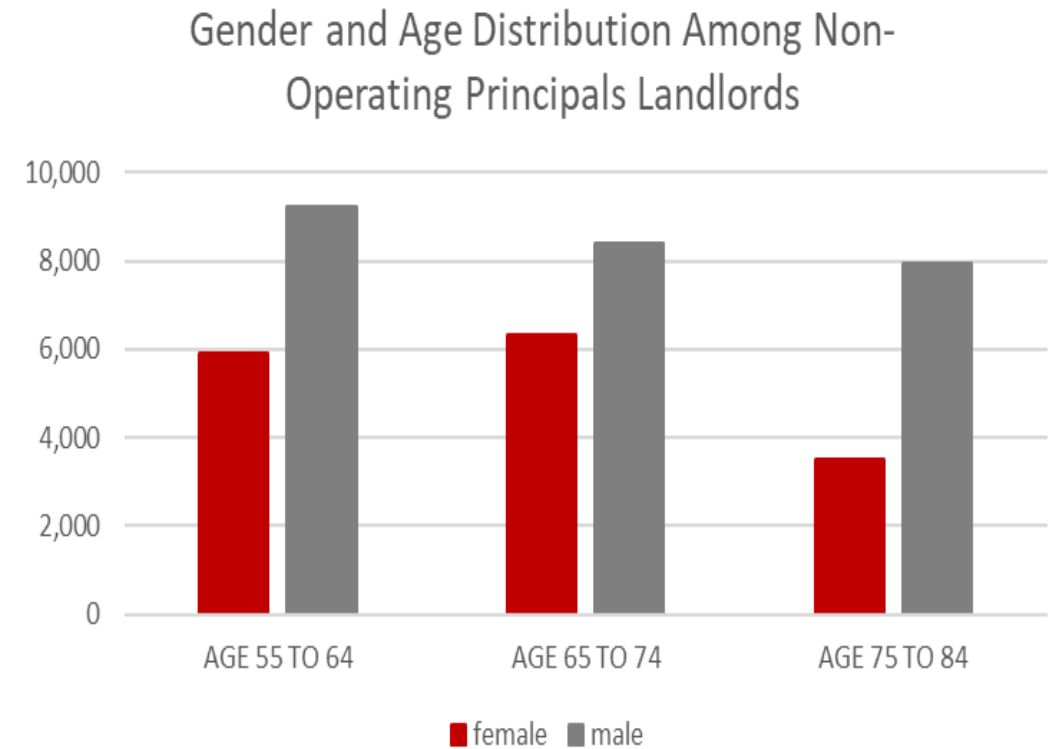
Ohio Farm Operations - Acres Operated



- Cropland values in Ohio have been rising, with a 9% increase in 2023.
- Farmland values have surged in the last three years, but high interest rates may moderate farmland demand and values.
- Operated acres in Ohio have declined rapidly since 2018, with a large drop of 2.96% in 2021.

# Expected Farmland Transfers in Ohio

- 85% of rented farmland in Ohio is owned by non-operator landlords.
- 73% of Ohio farmland is held by individuals older than 55, suggesting transfers of land to the next generation in the future.
- The Ohio Beginning Farmer Tax Credit Program offers incentives for landowners to sell or rent to qualified beginning farmers.





# Ohio Farmland – Foreign Investments

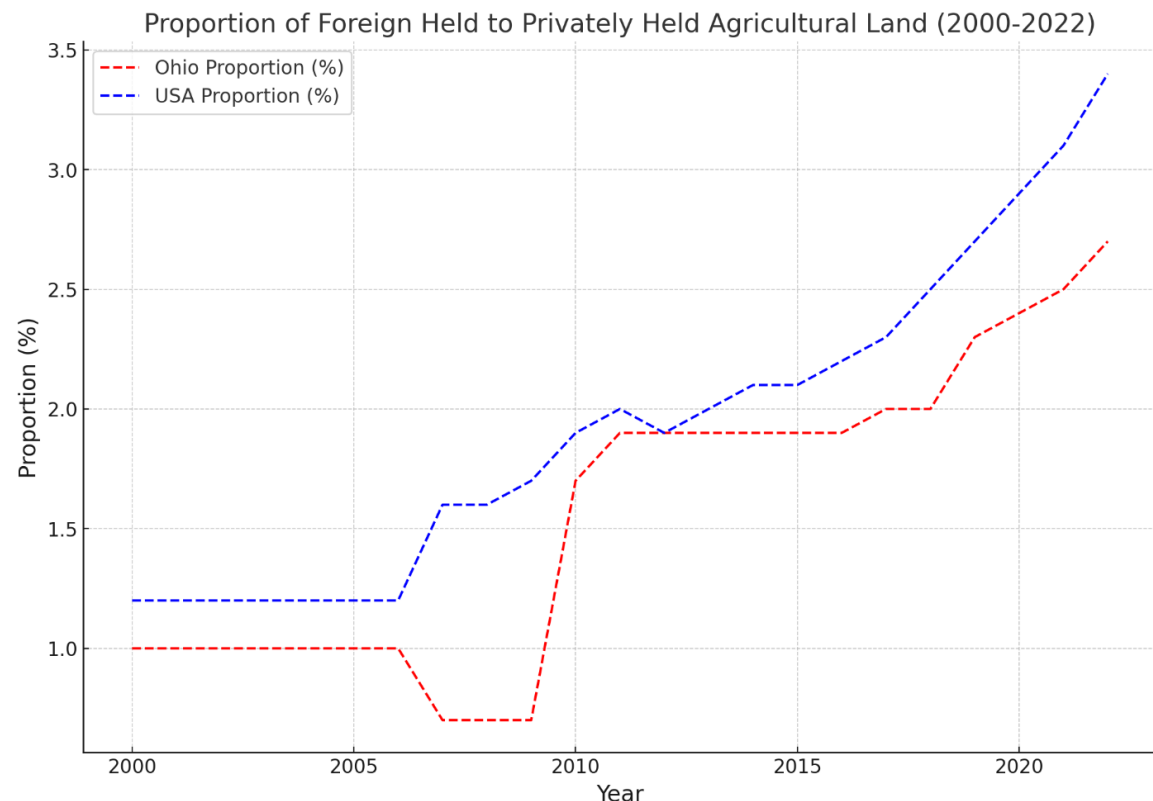


THE OHIO STATE UNIVERSITY

# Foreign Investments in Farmland

- Legislation that requires foreign investors to disclose transactions of US agricultural land:
  - Agricultural Foreign Investment Disclosure Act (AFIDA) – federal law
  - Save our Farmland and Protect our National Security Act - Ohio law effective since October 2023.
- About 3.4% of agricultural land in the US is held by foreign investors in 2022.
- About 2.7% of Ohio ag land is foreign held, which is lower than the US rate.

# Proportion of Foreign Held Agricultural Land

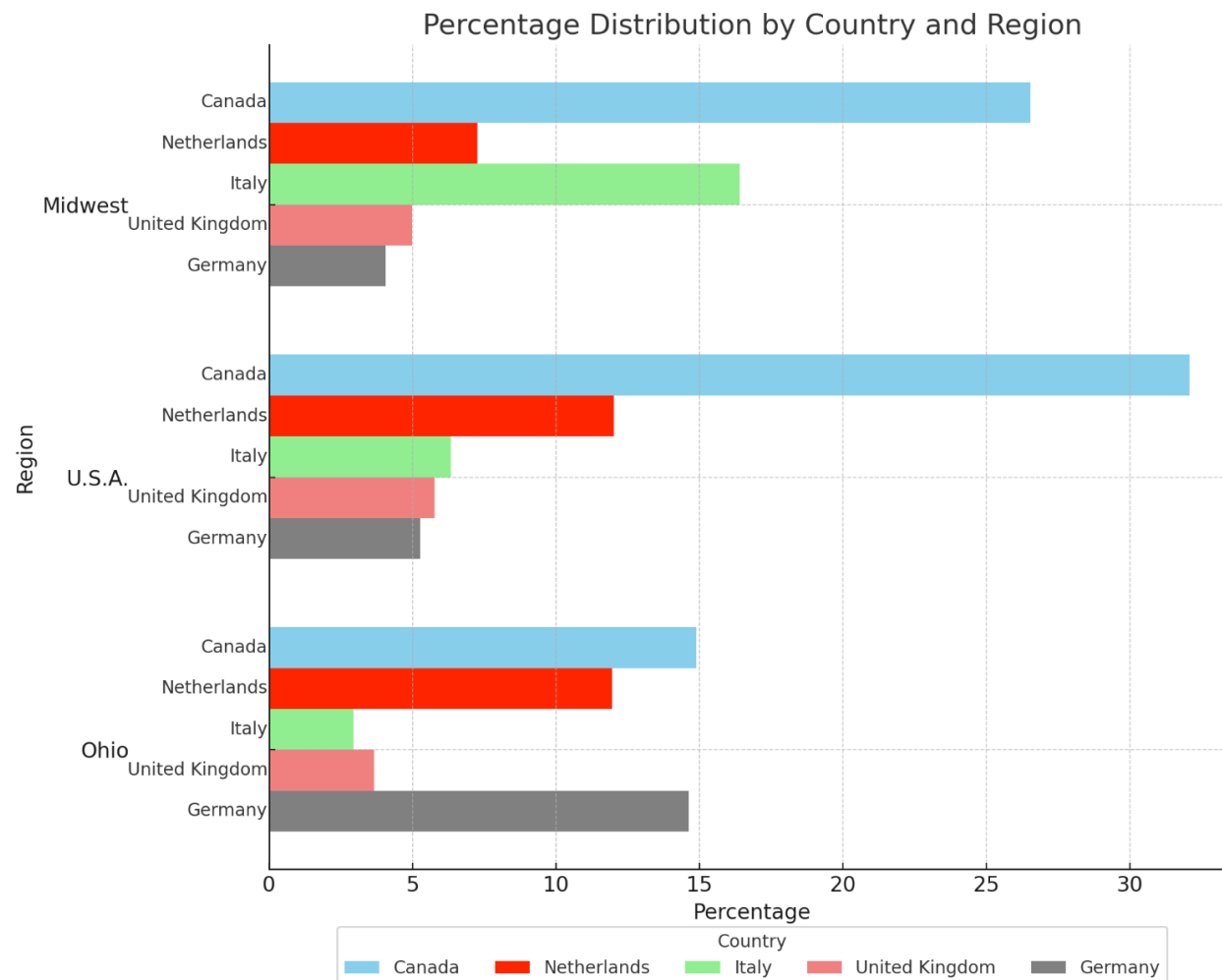


- Ohio has a lower proportion of foreign held ag land than the United States.
- The proportion of foreign held ag land has more than doubled in the last 15 years.
- The rate of foreign held ag land has increased rapidly since 2017.



# Distribution of Foreign Held Agricultural Land

- For Ohio, the largest proportion of foreign held agricultural land was held by Canadian (15%), German (15%) and Dutch (12%) investors in 2022.
- For the U.S., about a third of the foreign held ag land was held by Canadian investors in 2022.





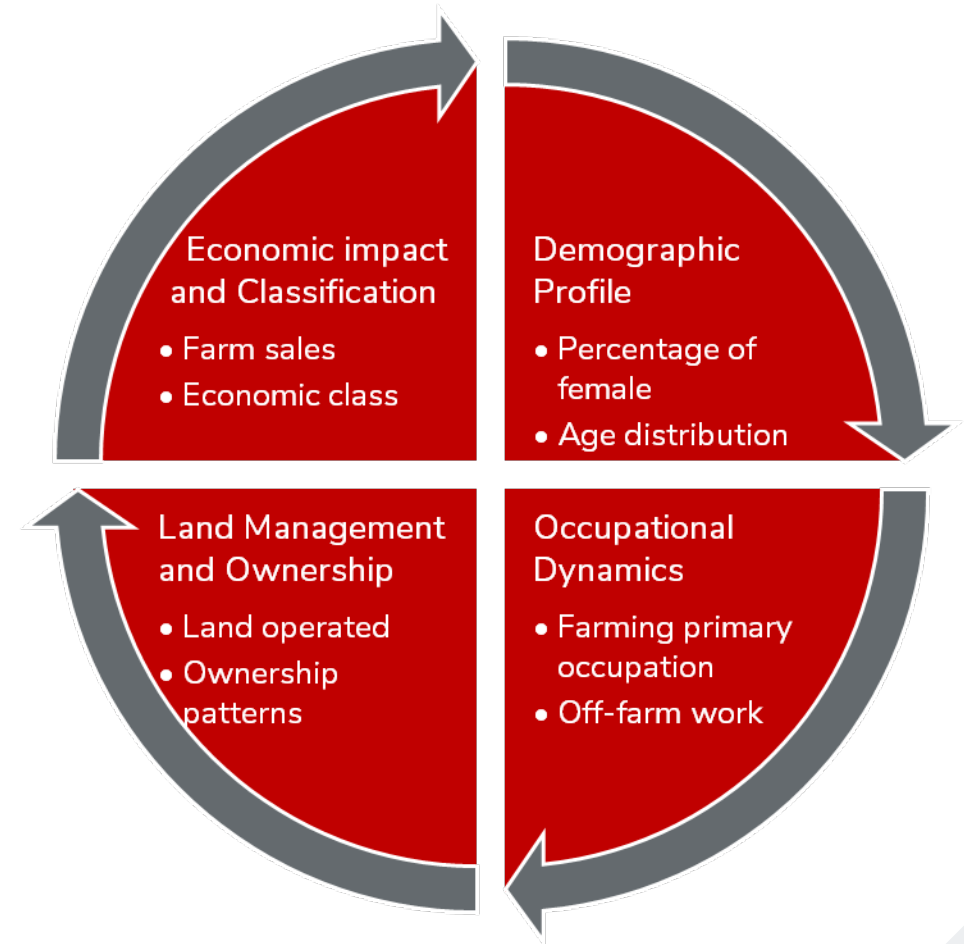
# Ohio Farmer Characteristics



THE OHIO STATE UNIVERSITY

# Characteristics of Women in Agriculture

- Around 34% of all farmers in Ohio are female.
- Both female and male farmers exhibit a similar age distribution pattern, with the majority falling within the 55-64 age range.
- Ohio's female farmers typically manage smaller farms.
- Female farmers in Ohio are less likely to state farming as their primary occupation and tend to have lower market value of products sold.



# Characteristics of Beginning Farmers in Ohio

## 34 years old and younger

- 34% of beginning farmers vs 12% of established farmers



Younger



Operating smaller farms

## Farming as primary occupation

- 24% of beginning farmers vs 43% of established farmers



Farming not as primary occupation



Work off-farm for more than 200 days

## Work off-farm for more than 200 days

- 57% of beginning farmers vs 39% of established farmers

## Operated farm size less than 50 acres

- 59% of beginning farmers vs 43% of established farmers

## Proportion of males

- 61% of beginning farmers vs 68% of established farmers



Lower proportion of males





# Ohio Beginning Farmer Tax Credit Program



THE OHIO STATE UNIVERSITY

# Ohio Beginning Farmer Tax Credit Program

- **Purpose of the program**
  - To encourage the transfer of farmland to a new generation of farmers
  - To help beginning farmers access and acquire farmland
  - Provides 3.99% tax credit for landowners who sell or lease assets to beginning farmers
- **Compared to other tax programs**
  - Ohio's program is the newest program among six states
  - It requires beginning farmers enroll into financial management program
  - \$10 million cap for five years

# Cost Estimation for the Ohio Beginning Farmer Tax Credit Program

- **Cost estimation and cap comparison**
  - Estimated range for cost of the program: \$7.9 million - \$18.4 million
  - Cap for program: \$10 million
- **Calculation method:**
  - $\text{total spending} = \text{arable farmland} * (\text{pasture share} * \text{pasture price} + \text{cropland share} * \text{cropland price}) * \text{turnover rate} * \text{tax credit rate} * \text{share of beginning farmer} * \text{principal job percentage} * \text{share of farmland qualified for the program} * \text{participation rate in program}$





# Ohio Farm Benchmarking



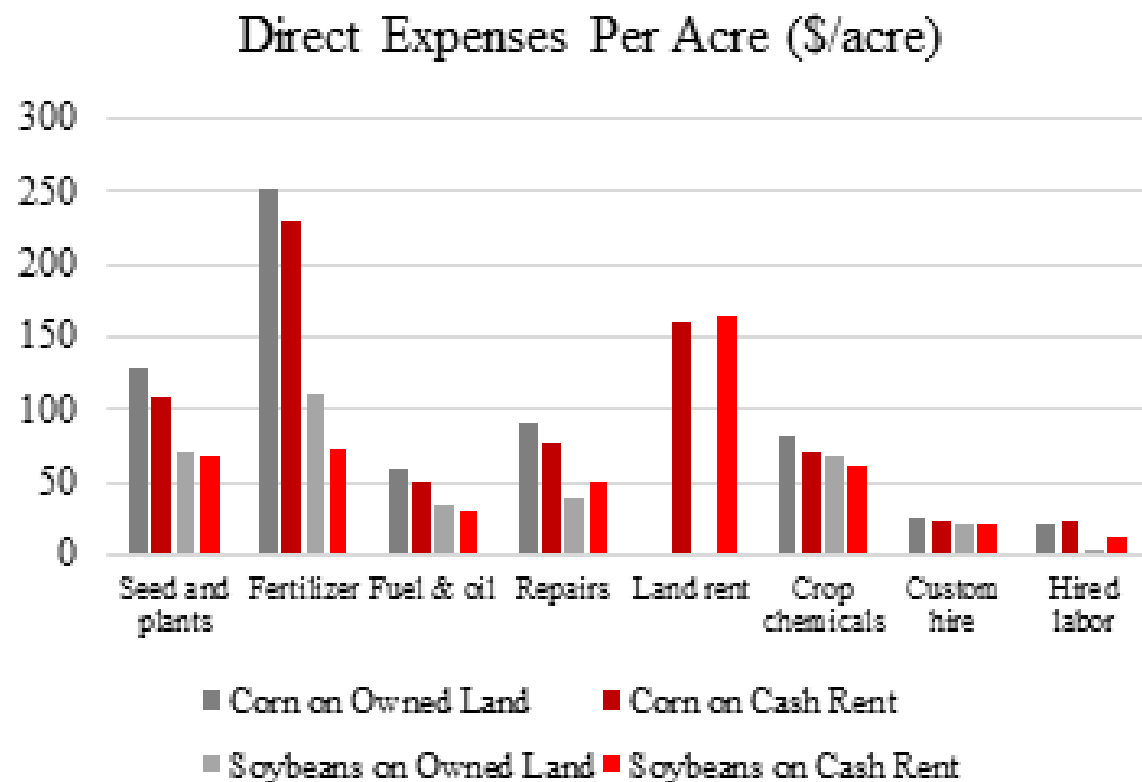
THE OHIO STATE UNIVERSITY



# Ohio Farm Benchmarking

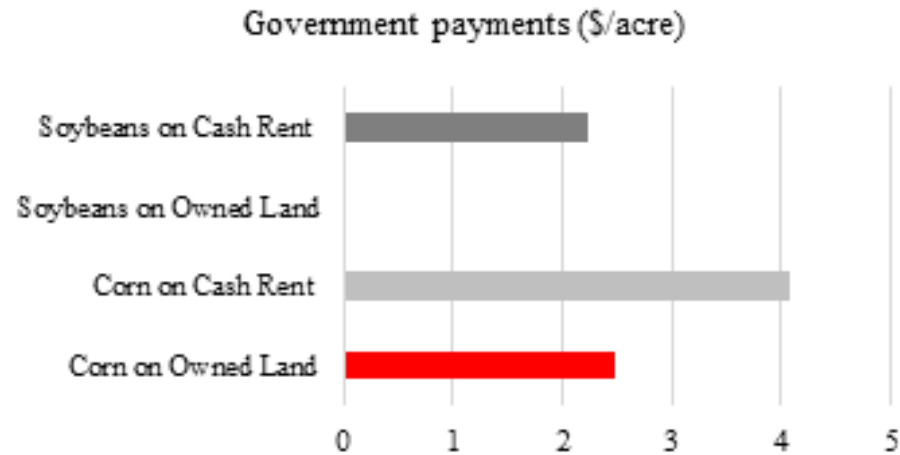
- **Ohio Farm Business Analysis and Benchmarking Program**
  - Conducted by the Ohio State University Extension
  - Provides comprehensive insights into farm business management
  - Comprehensive production and financial data on 30 corn and soybean farms in Ohio
  - Reports are reported by land tenure – for owned acres and for cash rented acres

# Direct Expenses of Crop Production

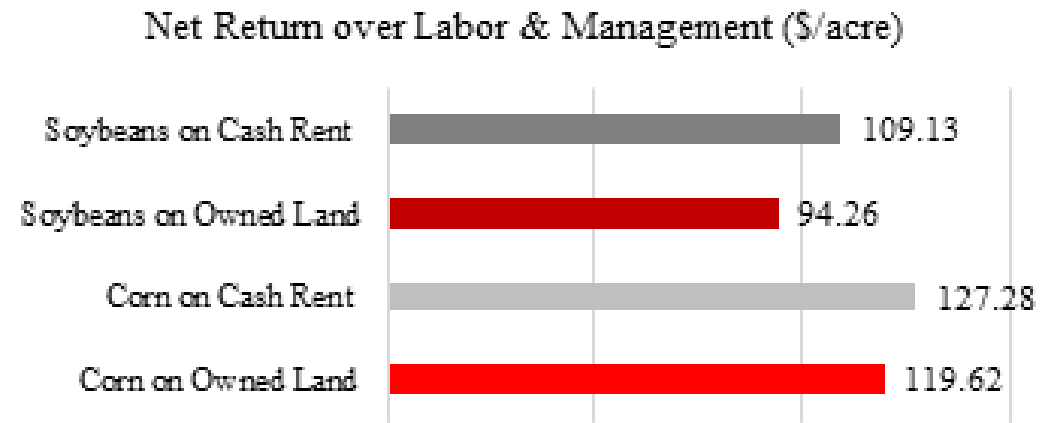


- Significant expenses were allocated to **seed** and **fertilizer** in 2022
- **Corn** production had **higher costs** than soybean production in 2022
- Cash rent enterprises had higher direct expenses compared to owned land enterprises, due to **land rent** costs

# Government Payments and Net Returns



- Government payments were **higher on cash rented** land compared to those on owned land in 2022



- Net returns over labor and management, were higher on cash rented land
- Corn production had higher net returns than soybean production

# Ohio Farm Finances



THE OHIO STATE UNIVERSITY

# Ohio Farm Finance

- According to the USDA Economic Research Service farm income forecast:
- Net farm income is forecasted to decrease by 25.5% in 2024 after a farm income decrease of 16.0% in 2023.
- Farm income decline is expected because of lower crop and livestock cash receipts, higher production costs, and lower government support.
- Direct government payments are forecasted to decrease by 15.9% from 2023, due to lower supplemental and ad hoc disaster assistance.
- This is a second year with expected farm income declines, with real net farm income being forecasted to be below its 20-year average.

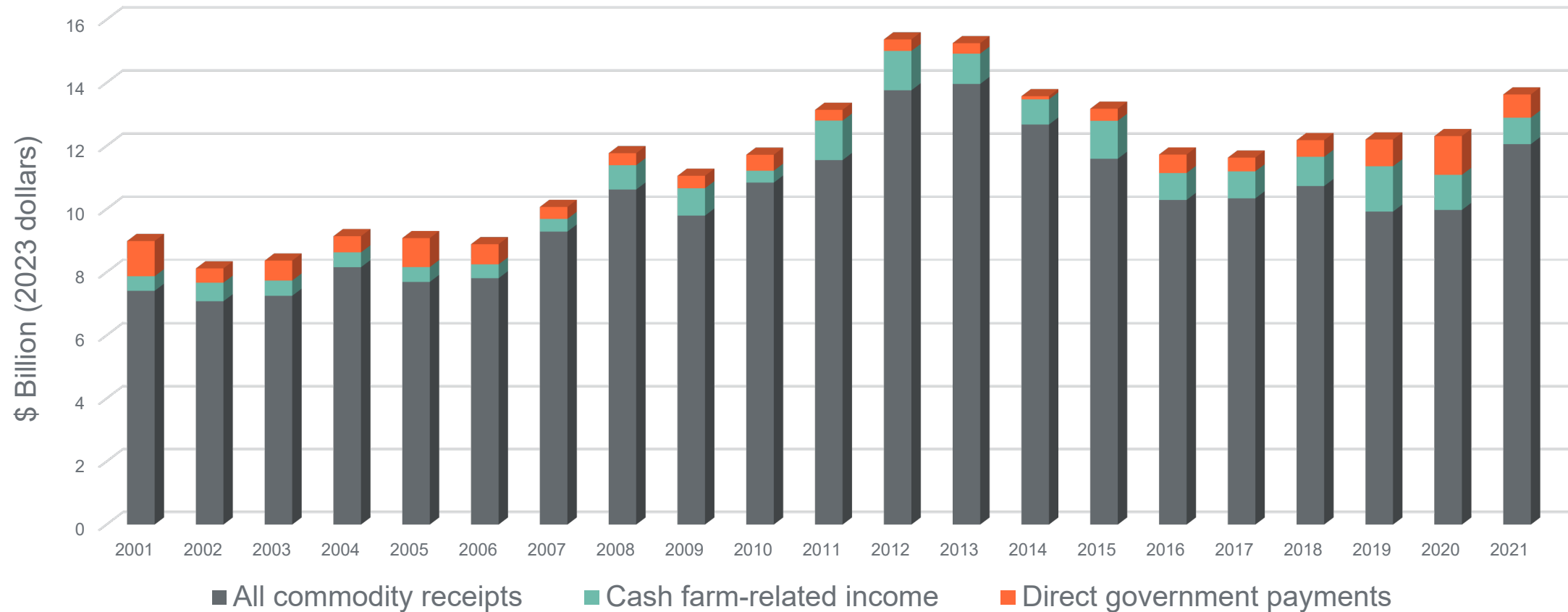
# Ohio Farm Finance during the Pandemic

- Ohio producers had a record high net cash income of \$4.65 billion in 2021 coming from a gross cash income of \$13.63 billion in inflation-adjusted 2023 dollars.
- A major contributor to the high net and gross cash incomes in 2020 and 2021 was not only high commodity prices leading to higher cash receipts but also the record high government payments.
- The gross cash income reached a peak in 2013 at over \$15 billion and was on a decline until 2017.
- The substantial increase in pandemic assistance also coincided with a decreased contribution of PLC and ARC payments (due to higher commodity prices) to total government payments in 2020 and 2021.



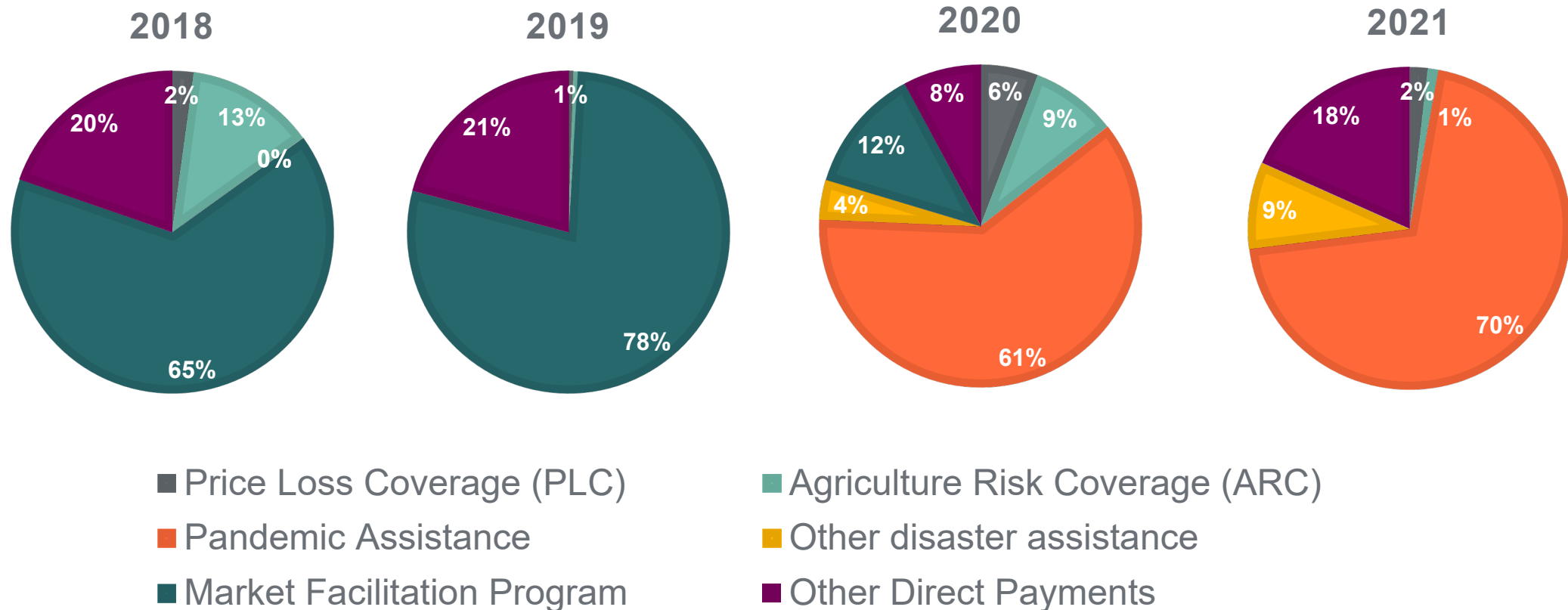
# Ohio Farm Income

Ohio Gross Cash Income Components



Source: USDA, Economic Research Service, Farm Income and Wealth Statistics as of February 7, 2023.

# Distribution of Government Payments in Ohio



Largest proportion of government support was from MFP in 2018-2019 due to the trade wars, and pandemic assistance in 2020-2021.