American Farmland Trust

KEEPING FARMERS ON THE LAND

New Research Underscores Need To Address Farm Transition in New York

In New York, farmers age 65 and older own or manage nearly 30% of the farms, and most are farming without a young farmer alongside them. New research from American Farmland Trust (AFT) and Land For Good (LFG) sheds light on what this means for the future of New York agriculture.

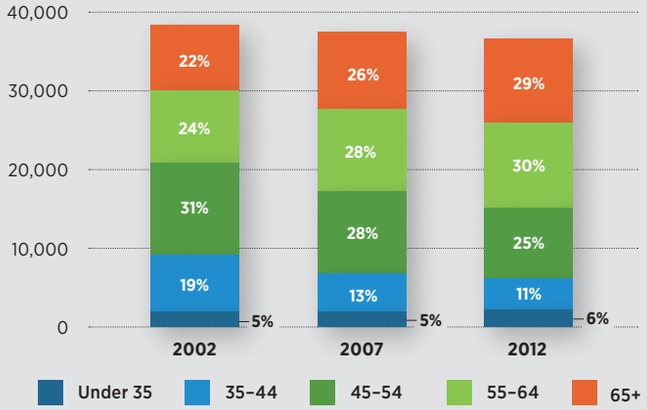
Using Census of Agriculture data from 2002, 2007 and 2012, including a special tabulation of 2012 data, the *Gaining Insights, Gaining Access* project looked at characteristics of New York and New England's farm population at both ends of the spectrum—those at or beyond retirement age, and those young or new to farming. We also held focus groups in seven states of older farmers with no identified successors. These focus groups helped us to learn more about this large and influential farmer subset: what are they farming and with whom; what are their visions of retirement; and what challenges do they see for the future, including the challenge of bringing in new and next generation farmers.

We hope these findings and recommendations spur action on services and policies related to farmland access, farm transfer and succession. A full analysis is available on AFT's Farmland Information Center website, at www.farmlandinfo.org.

Since 2002, the number of senior farmers (65+) has grown, while the number of young farmers (under 45) has declined. What will be needed to keep farmland in farming and farmers on the land as growing numbers of senior farmers begin to exit farming?

Trends: Principal Farm Operator Ages 2002–2012

NEW YORK



Trends: Land in Farms 2002–2012

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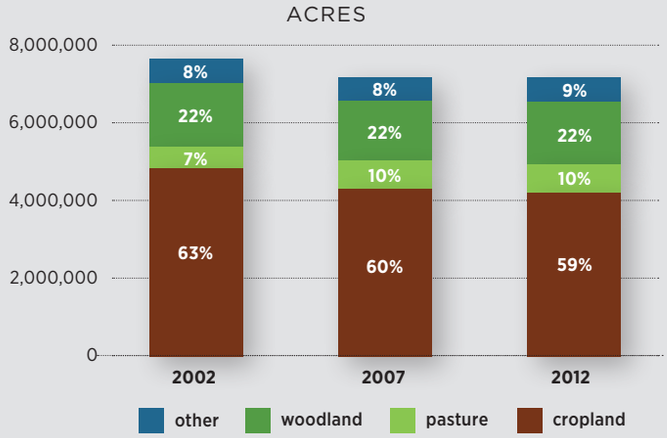


Data from the 2012 Census of Agriculture

Key Findings

- ***Ninety-two percent** of New York's 10,314 senior farmers do not have a young (under 45) farm operator working with them.* While we do not know whether or not these senior farmers have a succession plan, it suggests that the future of many of these farms is uncertain.
- *This subset of seniors farming without young farm operators owns a collective **$4.3 billion** in farmland and buildings and owns or operates **1.7 million acres** of land in farms.* How and to whom these assets transfer will impact agriculture for generations to come.
- ***Twenty-one percent** of principal farm operators in New York have farmed for 10 years or less.* These beginning farmers produced **9%** of the market value of agricultural products sold in 2012.
- ***Fifty-five percent** of New York's beginning farmers are 45 and older.* Many of these older beginning farmers are coming to farming as a second or "retirement" career; many are bringing assets to agriculture but will also need to plan for their farms' succession even as they are developing their farm businesses. While there will be shared resources needed by all beginning farmers, some resources will need to be tailored to address the different needs of older and younger beginners.
- *There are nearly **30% fewer young farm operators** (under 45) now than in 2002.* There is a particular dearth of young farm operators in New York in certain agricultural sectors, a "commodity disconnect." For senior farmers in these sectors, this shortage of young farmers may prove especially problematic.

Findings

Senior Farmers: Nearly 30% of New York's principal farm operators are 65 or older. Their footprint is significant: **Senior farmers in New York steward 30% (2.1 million acres) of the land in farms and own more than $5.3 billion in land and farm buildings.** In 2012, they generated $1.3 billion, 24% of the total market value of agricultural products sold. A worrisome trend is the small number of young operators working alongside these senior farmers.

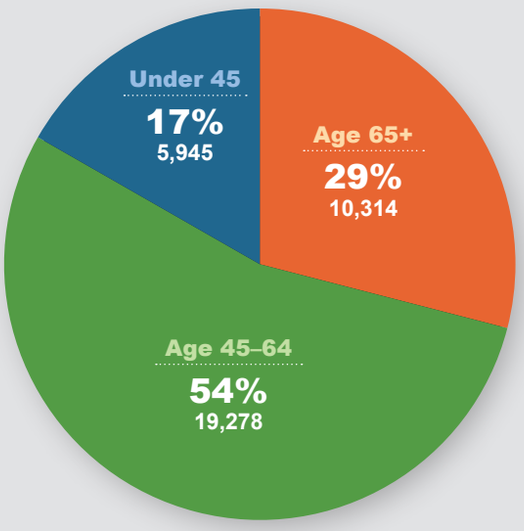
The Census collects data about principal, secondary and tertiary farm operators, including their ages. Every farm has a principal operator, and many have multiple operators. According to the 2012 data for New York, 92% of New York's senior farmers do not have a young operator on the farm. Out of the 10,314 principal operators who are 65 or older, only 861 are working with a second or third farm operator who is under the age of 45.

Only 8% of New York's senior farmers have a young farm operator working alongside them.

The lack of a young farm operator does not necessarily mean there is no one to succeed these senior farmers.

> "I want to die with my boots on."
>
> —FOCUS GROUP PARTICIPANT, ON RETIREMENT

Principal Farm Operators by Age in 2012
NEW YORK



Acres Managed by Age in 2012
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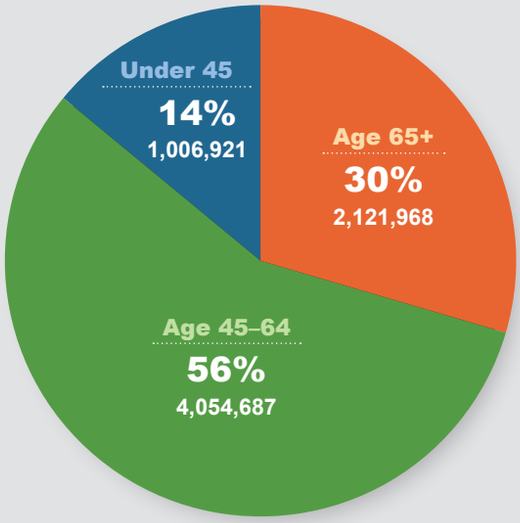
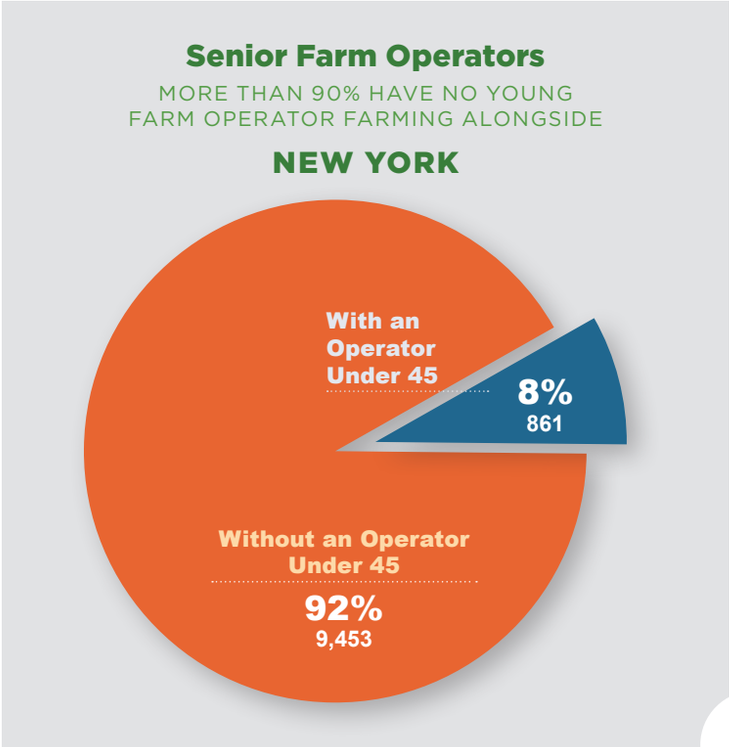


In some cases, it could be that the farm may not be large enough to have a second or third operator, but there may still be a succession plan in place. In other cases, there may be someone between 45 and 64—a spouse, child or hired manager—who is poised to buy or inherit the farm.[1] Yet the lack of a young operator on such a large number of New York's farms suggests that these farms' futures may be uncertain, which is a cause for concern. However, if timely and adequate support is provided, this situation could become an opportunity for New York's next generation of farmers.

Beginning Farmers: The United States Department of Agriculture (USDA) defines beginning farmers as principal operators who have been on their current farm for 10 years or less. However, the experience ranges in the published Census tables do not line up exactly with that definition. For this project, we defined a beginning farmer as a principal operator with 10 years or less experience operating *any* farm, using data collected for the first time in 2012.

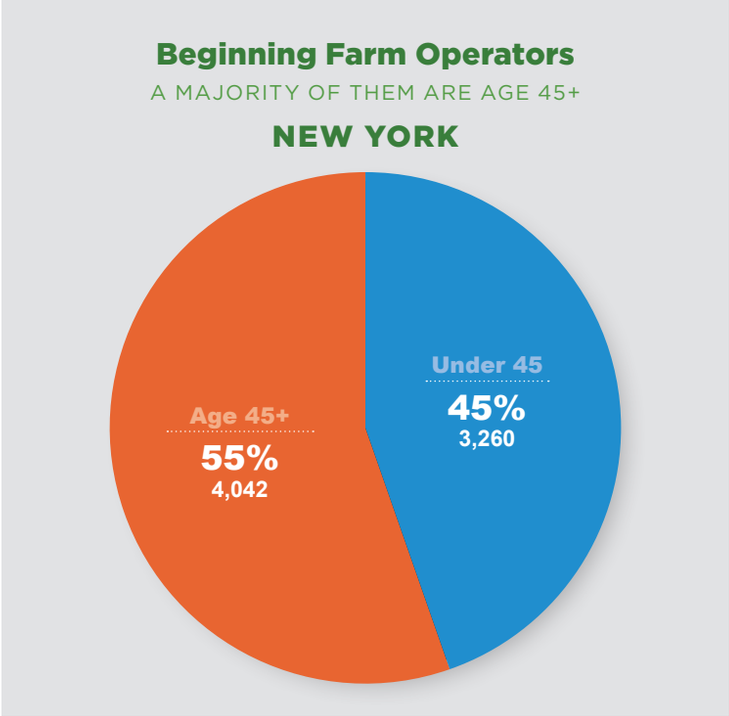
Using this definition, **21% of New York farms are operated by beginning farmers.** These beginning farmers managed 817,506 acres of farmland, owned over $2.3 billion in farmland and buildings, and generated nearly $500 million in market value of agricultural products sold in 2012.

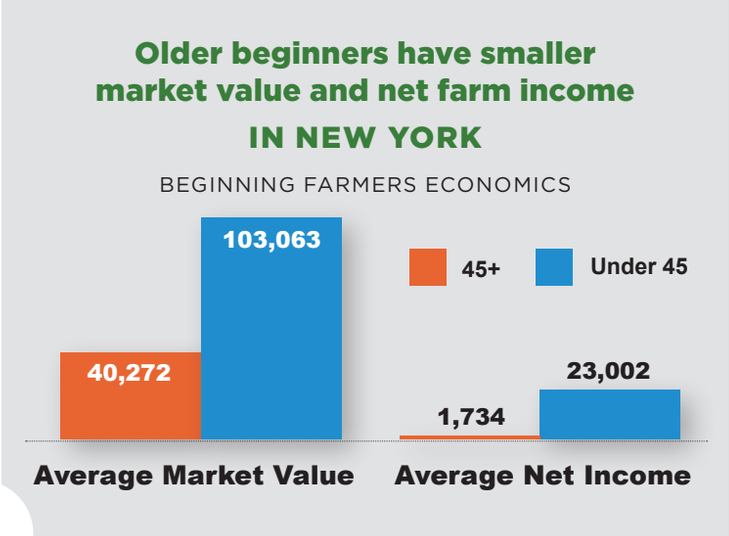
> "I want to leave the land in better shape than I found it for whoever comes next."
>
> —FOCUS GROUP PARTICIPANT, ON THE FUTURE OF THE FARM



A surprising finding is that a majority of these beginning farmers are not young: ***55% of beginning farmers are age 45 or older.*** Comparing the beginners who are 45 and older to the beginners under 45, on average older beginners farmed less acreage (98 acres compared to 130) and generated less in average agricultural sales in 2012 ($40,000 compared to $103,000). Older beginners also had a lower average net farm income compared to younger beginners ($2,000 compared to $23,000).

These findings have important implications for the services and policies needed for beginning farmers. While some younger beginning farmers appear to be gaining access to the land and start-up capital needed to generate sales, the overall decline in young farm operators suggests that more support is needed to help young and beginning





farmers gain access to land and capital. For older beginners, who may have assets from prior careers, production and business support may be more important. These older beginners will also need support to start planning for their farm's succession, even at the same time as many are focused on growing their new farm businesses.

Young Farmers: The 2012 Census of Agriculture does not define "young" farmers. For this project, we defined "young" as under age 45. While a majority of *young* farmers are also *beginning farmers,* many are not. Forty-five percent of New York's young farmers have more than a decade of farming experience.

Using our definition, **just 17% of New York's principal farm operators are young.** Adding in secondary and tertiary operators, New York had a total of 12,219 young operators in 2012, which represented 22% of all principal, secondary and tertiary operators.

Unfortunately, this number of young farm operators has been in decline. New York lost young farm operators between 2002 and 2007 (-20%) and again between 2007 and 2012 (-11%). **In total, New York has nearly 30% fewer young farm operators in 2012 as compared to 2002.** This decline in young farmers suggests that more support is needed to address the barriers they face, from accessing the farmland and capital necessary to develop their farm businesses to supporting the growth and continued viability of their farm enterprises.

The Commodity Disconnect: An important finding is the generational differences in what's being grown and produced by young farmers versus senior farmers. Using the Census' North American Industry Classification System (NAICS) codes, we compared the primary commodities produced by senior farmers without young secondary or tertiary operators to all young principal operators. We found that there is a difference, sometimes a significant difference, in the types of commodities produced by these two groups—a commodity disconnect.

In New York, the greatest commodity disconnects were in the following sectors: hay, maple and other crops; greenhouse, nursery and floriculture; and fruit and tree nuts. Conversely, there are many more young farmers than seniors raising dairy cattle, hogs and pigs.

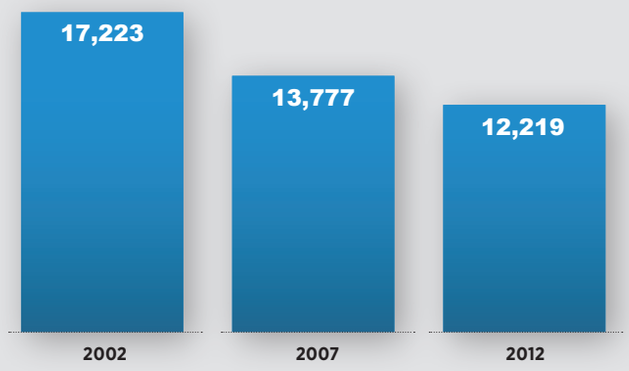
Two obvious concerns around such commodity disconnects are the prospect of reduced production of certain commodities in the future, and the potential loss or abandonment of associated land and infrastructure. A less obvious but equally important concern is how seniors who are producing these commodities will be able to finance retirement if there is little demand for their operations among young farmers. While some of this land and

"Sometimes I don't feel I have the right to sell the farm outside the family. But sometimes I feel it's someone else's turn."

—FOCUS GROUP PARTICIPANT, ON THE FUTURE OF THE FARM

Trends: Young Farm Operators 2002–2012
NEW YORK

PRINCIPAL, SECONDARY & TERTIARY FARM OPERATORS UNDER AGE 45



Farmers by Primary Commodity Type
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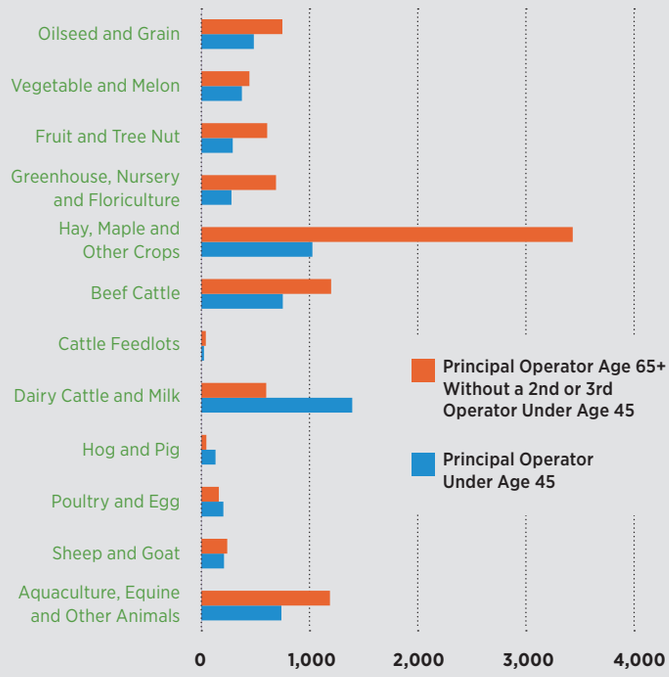


infrastructure may be easily converted to different crops, some may not without a significant investment.

The commodity disconnect points to a need for research into what is necessary to facilitate entry into the production of these commodities or into the production of alternate commodities that could make use of a similar land base and infrastructure. Otherwise, senior farmers may feel pressured to sell their farmland to developers in order to retire if there isn't another farmer interested in purchasing or leasing the land.

Focus Groups: Farmers Age 45+ Without Identified Successors

To augment the census data analysis, AFT and LFG conducted seven focus groups (one in each state covered by this project) of older farmers who identified themselves as having no farm successor. A total of 67 farmers participated in the focus groups, ranging in age from 46 to 85 and representing diverse agricultural sectors. These farmers shared their visions of retirement and their farms' futures, the challenges they face in finding successors and transferring their land, and the services and policy changes they feel are needed to help them succeed in retiring and transferring their farms to the next generation of farmers.

Among our 67 focus group participants:

- *All want to see their land remain in farming if at all possible.*
- *Most are interested and willing to look outside their family for a successor.*
- *Most are open to innovative approaches and strategies around farm transfer and succession.*
- *Most see farmland protection as an important tool in farm succession and transfer.*
- *Most see financing and future economic viability for younger farmers as an obstacle.*
- *Many want help navigating the complex process of choosing the right succession strategy and finding a suitable successor. Many also want technical assistance on specific aspects of succession and transfer.*
- *Most see a need for policy improvements.*

"Mentoring a new farmer who could take over the farm would be ideal."

—FOCUS GROUP PARTICIPANT, ON RETIREMENT

Findings

In general, many farmers felt overwhelmed by the prospect of succession. A number of factors played into this: lack of time to devote to it; complicated family dynamics; and issues regarding financial security and future farm viability. A large number of participants said they were grateful for the opportunity to discuss succession informally with peers.

A number of common themes emerged from the focus groups, including:

- *Participants want to see their land remain in farming.*

While participants differed in their views of retirement, they share a universal desire to see their farms continue. Some want to remain on the farm and "die with their boots on." These farmers are largely interested in finding someone to lease or take gradual ownership of the farm. Others are ready to sell to a suitable farm buyer and leave the farm. Many indicated that their land is their only appreciable asset, and their ability to finance retirement rests on their ability to extract equity from the land. Those in this situation voiced concern about the capacity of younger farmers to buy them out, and the lack of public funding available for the purchase of agricultural conservation easements.

- *Participants are interested and willing to look outside the family for a successor.*

This was true for participants with or without children. A number of participants expressed regret about the possibility of the farm leaving the family. Many feel their children might have stayed had the economics of farming been better, and some hope to find a way to keep the farm in the family for grandchildren. Others prioritize keeping the land in the family, even if the business transferred or discontinued. Of those who have children, some said that the non-family successor would need to be someone the children are comfortable with, while others said that children would not have a say in the decision.

- *Participants are open to innovative approaches and strategies around farm transfer and succession.*

When asked if they were looking for a specific type of arrangement with a successor, participants were open to different options and interested in learning more

"I've mentored some young people over the years, but when it came time for them to think about transitioning the farm, they didn't have the money to buy it."

—FOCUS GROUP PARTICIPANT, ON POSSIBLE SUCCESSOR

about strategies and successful models. A large number expressed interest in a gradual transfer of the farm to a new owner. Many are willing to mentor a younger farmer. Many also have reservations about finding a suitable younger farmer. One participant voiced the sentiment of many in saying "there's nobody out there who will work as hard on this farm as I have." A number of participants interested in leasing and mentoring feel it would be valuable to have help in identifying qualified farmers.

- *Most participants see farmland protection as an important farm succession and transfer strategy.*

Participants included farmers who have sold agricultural conservation easements on some or all of their land, and those who have not. Of those who had not, a majority see the sale of development rights as a way to finance retirement and facilitate the sale of their land to a farmer. Many of these farmers have been unable to sell an agricultural conservation easement because of a lack of state funding or because their land is ineligible; others had tried but felt the valuation of the easement was too low. Not all were enthusiastic. A few participants expressed reservations about restricting their land with an easement that might limit future farm viability or salability. Of those who had protected their land, a few wish they could subdivide the farm into smaller parcels to make it more affordable and appealing to young farmers.

- *Participants see financing and future economic viability for younger farmers as an obstacle.*

An almost universal concern of participants was the economic viability of farming. Many feel their children or grandchildren will come back to or stay on the farm if it were more profitable. Most are concerned that a younger farmer will be unable to purchase their farm, especially at its current size, and cash-flow a farm enterprise; a number told of having promising farm workers or lessees who are interested in doing so but unable to afford it. While some participants feel they could assist with financing, many said they could not. "We can't be expected to be benefactors," one participant noted. "We need to take enough value with us into retirement." Most farmers had not considered gradual transfer strategies that might make acquisition by a successor more affordable.

- *Participants want help navigating the complex process of choosing the right succession strategy and finding a suitable successor. They also want technical assistance on specific aspects of succession and transfer.*

> "Protecting our land is a precursor to succession."
>
> —FOCUS GROUP PARTICIPANT, ON THE FUTURE OF THE FARM

> "I'm not sure who to go to for what information. I need one person to go to who can listen and point me to the appropriate place."
>
> —FOCUS GROUP PARTICIPANT, ON CHALLENGES OF TRANSITION

Many participants have taken steps toward finding a business successor or a farmer to lease their land. Some had been to workshops or found resources online, but a large number expressed the need for help. As one participant noted: "Not sure who to go to for what info. Need one person to go to who can listen and point me to the appropriate place." Participants also feel it would help to have information about successful transfer models, especially gradual transfer. Many want technical assistance or a screening service to identify a suitable successor, transferee or tenant, and some said they would like financial assistance to hire someone to help with that process.

- *Participants see the need for policy improvements.*

Participants expressed a wide range of opinions about federal, state and local policies that impact farm viability. A number of policy changes were suggested to address challenges around farm transfer and succession. These include:

- Changes to federal and state estate tax laws;
- Increased and reliable funding for the purchase of agricultural conservation easements;

> **"Four things to do before I die:**
>
> ✓ I want to make sure we have enough income till we die.
>
> ✓ We have worked hard, [and] I would like to step away from the work…and have a chance to do a lot of the things we have on the back burner.
>
> ✓ We built up a really great business and it has a lot of reputation in the community and there would be a lot of people that would really have their feelings hurt if it disappeared…so I would like to see the business keep going.
>
> ✓ I would like to preserve the farm, intact if possible for forestry and agriculture.
>
> If I could do all four of those things I would die a happy person."
>
> —FOCUS GROUP PARTICIPANT

- Allowing subdivision of agricultural conservation easements to enable the sale of smaller protected parcels;
- Financial incentives for young farmers to gain farm management skills, enabling them to become credit worthy;
- Establishing a pension program for younger farmers.

Recommendations

Within the next 10–20 years, roughly 30% of New York's current farmers are likely to exit farming. The more than 2.1 million acres they manage will change hands in one way or another, as will the more than $5.3 billion in land and agricultural infrastructure they own. An imposing question hangs over this transition—will the vast acreage and agricultural infrastructure of New York's senior farmers remain in agricultural production, serving as a foundation for the state's next generation of farmers, or will it be taken out of agriculture or lost forever to development?

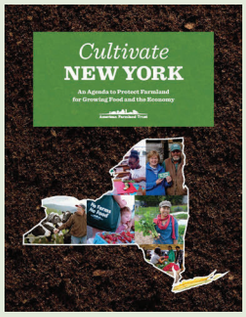
To date, New York has invested significantly in its agricultural sector generally, and in supporting services around farm transfer and succession specifically. This project's findings suggest, however, that more will need to be done to keep New York's farmland in agricultural use. Senior farmers will need increased options for securing retirement that do not sacrifice their farms and new and next generation of farmers will need improved access to farmland and capital in order to support their farm businesses and New York's continuing agricultural success. Our recommendations include:

- ***Increase funding to expand farm-linking services and support for agricultural service providers working with senior and next generation farmers on farm transfer and succession planning.*** There is a need to invest in human capital and help service providers develop better, more centralized resources for connecting new and next generation farmers with senior farmers and non-farming landowners, and to support new partnerships among providers.
- ***Dedicate funding for farmers to hire professional services.*** Increase funding available to new and next generation farmers to utilize professional services related to farmland access, including making business decisions, addressing family and communication issues, and identifying and working with suitable farmers or landowners.
- ***Improve outreach to all farmers to incentivize succession and retirement planning.*** Encourage more farmers to focus on retirement and succession earlier in their business life cycle.
- ***Improve outreach to non-farming landowners who wish to see their farmland kept in agriculture.*** Encourage non-farming landowners to explore options for leasing, selling or otherwise making their farmland available to new and next generation farmers and make more resources available to aid them in these decisions.
- ***Further investigate the "commodity" disconnect.*** More research is needed to determine what may be needed to support the transition of farms and land in certain agriculture sectors.
- ***Increase funding to permanently protect New York's most productive farmland under threat from real estate development and improve capacity to protect farms quickly and efficiently.*** Promote farmland conservation as a tool for farmland access and transfer, while also improving the farmland protection process such that farmland is made more affordable for new and next generation farmers.
- ***Promote public policies that enable the transition of farmland to new and next generation farmers.*** These include policies that improve access to land and capital, foster business and management skills, address challenges to profitability, and encourage retirement savings.

NOTE

1 Our initial Census special tabulation did not examine the number of seniors with a second or third operator between the ages of 45 and 64. A request to USDA-NASS for this information is pending.

Cultivate New York: An Agenda to Protect Farmland for Growing Food and the Economy



For more details about American Farmland Trust's New York State policy recommendations for enabling the transition of farmland to new and next generation farmers visit www.farmland.org/cultivateNY.

"I want someone else to put their heart and soul into [this farm]."

—FOCUS GROUP PARTICIPANT, ON POSSIBLE SUCCESSOR

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Land For Good

Gaining ground for farmers

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