

KEEPING FARMERS ON THE LAND

New Research Underscores Need To Address Farm Transition in Vermont

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

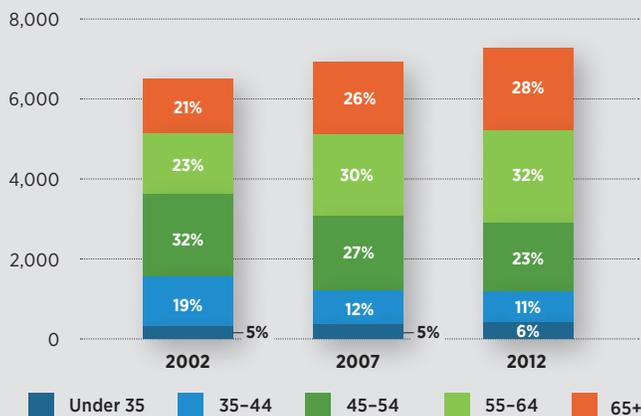
Using Census of Agriculture data from 2002, 2007 and 2012, including a special tabulation of 2012 data, the *Gaining Insights, Gaining Access* project looked at characteristics of New York and New England’s farm population at both ends of the spectrum—those at or beyond retirement age, and those young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

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

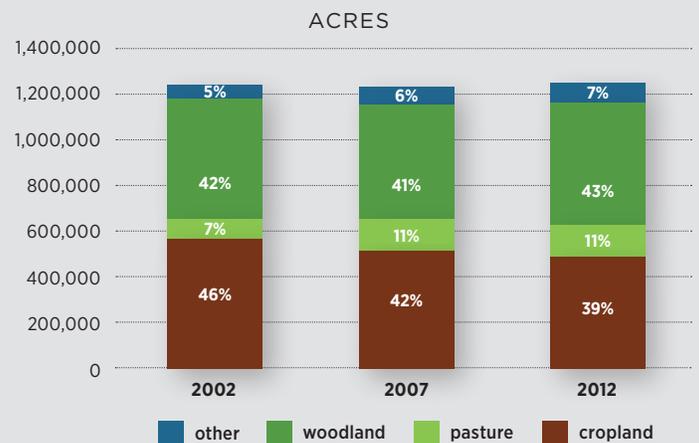
What will be needed to keep farmland in farming and farmers on the land as growing numbers of senior farmers begin to exit farming?



Trends: Principal Farm Operator Ages 2002–2012 VERMONT



Trends: Land in Farms 2002–2012 VERMONT



Data from the 2012 Census of Agriculture

Key Findings

- *Ninety-one percent of Vermont’s 2,076 senior farmers do not have a young (under 45) farm operator working with them.* While this does not mean that these farmers don’t 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 \$973 million in farmland and buildings and manages 297,813 acres of land in farms.* How and to whom these assets transfer will impact agriculture for generations to come.
- *Twenty-four percent of principal farm operators in Vermont have farmed for 10 years or less.* These beginning operators produced 7% of the market value of agricultural products sold in 2012.
- *Fifty-eight percent of these beginners are 45 and older.* Older beginners are coming to farming as a second or “retirement” career; many are bringing assets to agriculture and will need to plan their own succession soon.
- *There are 19% fewer young farm operators (under 45) now than in 2002.* There is a particular dearth of young farm operators in certain sectors, including beef and North American Industry Classification System (NAICS) sectors “other

“I wouldn’t mind retiring on the farm. I just want to work a little less.”

—FOCUS GROUP PARTICIPANT, ON RETIREMENT

crop farming” and “animal aquaculture and other animal production,” which include hay, maple, bees, equine and highly diversified farms. For senior farmers in these sectors, this shortage of young farmers may prove especially problematic.

- *Vermont’s farmer demographics are similar to New England’s as a whole.* The region has a similar percent of seniors with no young farmer working with them (92%), and a similar percent of beginning farmers (25%). Vermont has a smaller percentage of older beginners (58% compared to the regional average of 62%). Vermont has also seen a slightly larger drop in number of young farm operators since 2002 (19% compared to the regional average of 15%), though is one of two New England states that gained young farmers between 2007 and 2012.

Findings

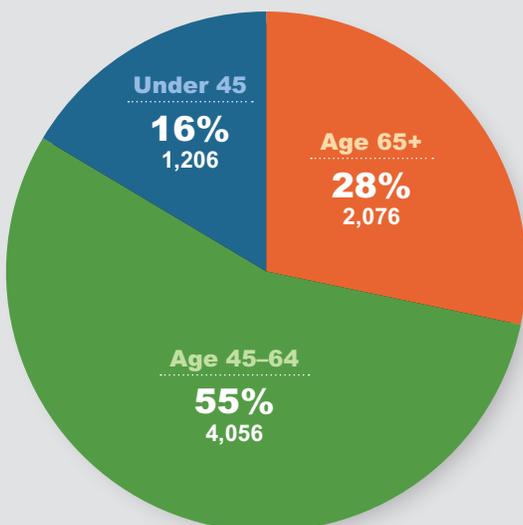
Senior Farmers: Twenty-eight percent of Vermont’s principal farm operators are 65 or older. Their

“I want to die with my boots on.”

—FOCUS GROUP PARTICIPANT, ON RETIREMENT

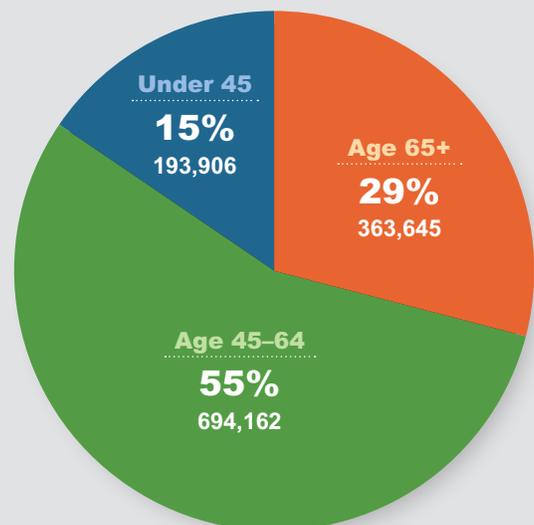
Principal Farm Operators by Age in 2012

VERMONT



Acres Managed by Age in 2012

VERMONT



footprint is significant: they steward 29% of the land in farms (363,645 acres) and own an estimated \$1.2 billion in land and farm buildings. In 2012, they generated 20% of the market value of agricultural products sold (\$154 million).

A worrisome trend is the small number of young operators working alongside these seniors. The Census collects data about principal, secondary and tertiary farm operators, including ages. Every farm has a principal operator, and many have multiple operators. According to the 2012 Census of Agriculture, only 177 out of 2,076 VT principal operators age 65+ have a second or third farm operator under the age of 45 working with them. The lack of a young operator does not necessarily mean there is no one to succeed that senior. In some cases, the farm may not be large enough to have a second operator, but there may be a succession plan. In other cases, there may be someone between 45 and 64—a spouse, child or hired manager—farming alongside who is poised to buy or inherit the farm.¹ But the lack of a young operator suggests that a farm’s future is

uncertain, which is a cause for concern but also a possible opportunity for a young farmer.

Beginning Farmers: 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 ten years or less experience operating *any*

“I’d kind of like to do something else for a change.”

—FOCUS GROUP PARTICIPANT, ON RETIREMENT

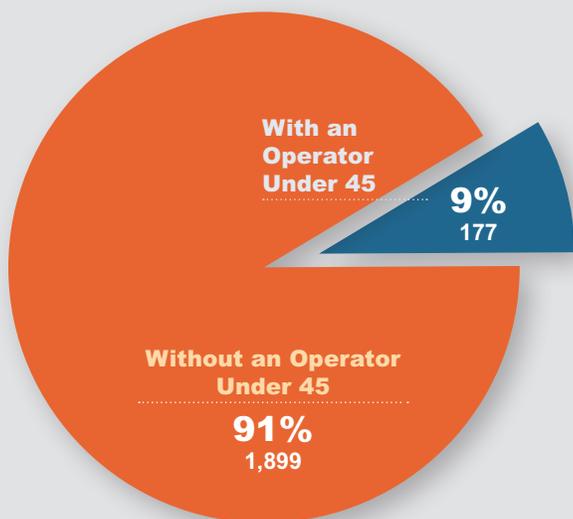
“I want to leave the land in better shape than I found it for whoever comes next.”

—FOCUS GROUP PARTICIPANT, ON THE FUTURE OF THE FARM

Senior Farm Operators

MORE THAN 90% HAVE NO YOUNG FARM OPERATOR FARMING ALONGSIDE

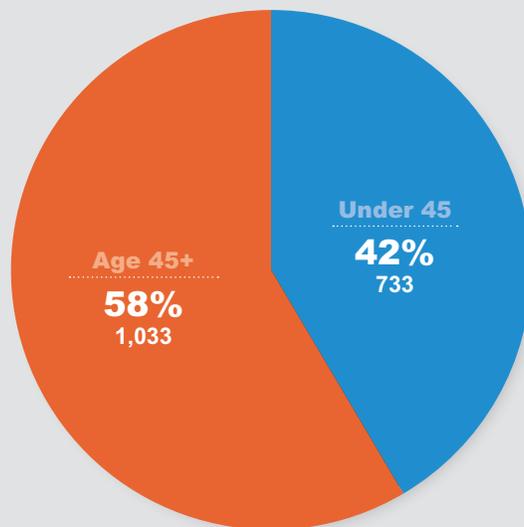
VERMONT



Beginning Farm Operators

A MAJORITY OF THEM ARE AGE 45+

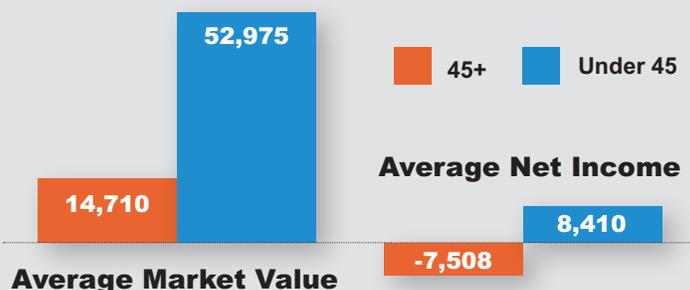
VERMONT



Older beginners have smaller market value and net farm income

IN VERMONT

BEGINNING FARMERS ECONOMICS



farm, using data collected for the first time in 2012. Using this definition, 24% of Vermont farms (1,766) are operated by beginning farmers, who manage 161,070 acres of land in farms, own \$632 million in farmland and buildings, and generated \$54 million in market value of agricultural products sold in 2012.

A surprising finding is that a significant majority of these beginning farmers are not young: 58% of them are age 45 or older. Comparing the beginners age 45+ to beginners under 45, on average older beginners farm less acreage (76 acres compared to 112) and generated less in average agricultural sales in 2012 (\$15,000 compared to \$53,000). Younger beginners also had a positive average net farm income (\$8,000), while older beginners had a negative average net farm income of -\$8,000.

These findings have important implications for services and policies needed for beginning farmers. While younger beginners appear to be gaining access to land and start-up capital needed to generate sales, the decline in young farm operators suggests that more is needed to support young beginners. For older beginners, who may have assets from prior careers, production and business support may be more important. In addition, these older beginners

will need encouragement to start planning for farm succession, even while many are focused on growing their 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*, some are not. Thirty-nine percent of Vermont’s young farmers have more than a decade’s experience.

Using our definition, just 16% of VT’s principal farm operators (1,206) are considered young. Adding in secondary and tertiary operators, VT had 2,581 young operators in 2012, which represents 21% of all principal, secondary and tertiary farm operators. While VT gained young principal, secondary and tertiary operators between 2007 and 2012, the state had 19% fewer of these young operators in 2012 than in 2002. This decline suggests that more is needed to address barriers that young farmers face, from entry into farming to the growth and continued viability of farm enterprises.

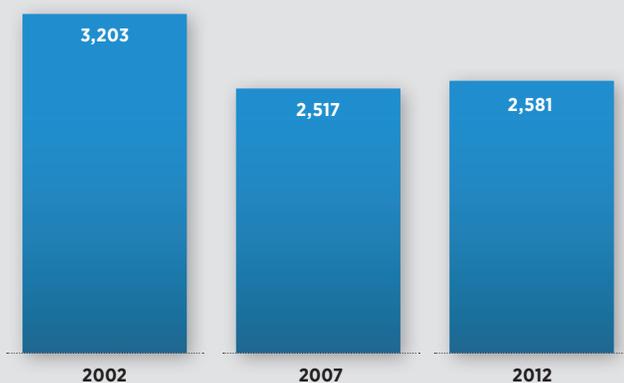
The Commodity Disconnect: An important finding is the difference in the type of commodities produced by young and senior farmers. Using the Census’ North American Industry Classification System (NAICS) codes, we compared the primary

“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.”

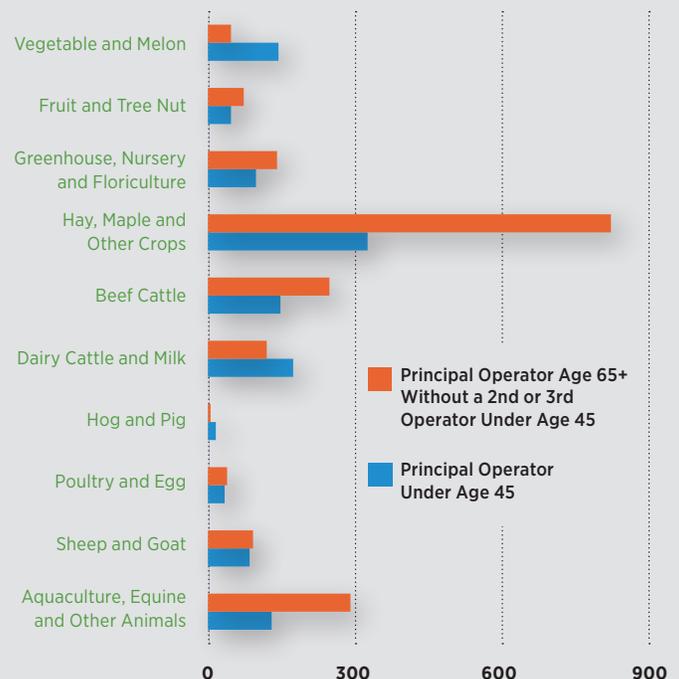
—FOCUS GROUP PARTICIPANT,
ON THE FUTURE OF THE FARM

Trends: Young Farm Operators 2002–2012 VERMONT

PRINCIPAL, SECONDARY & TERTIARY
FARM OPERATORS UNDER AGE 45



Farmers by Primary Commodity Type VERMONT



commodities produced by senior farmers without young secondary or tertiary operators to all young principal operators. For a few commodities—notably beef and NAICS codes “other crop farming” and “animal aquaculture and other animal production” (which include hay, maple, bees, equine and highly diversified farms)—there are significantly fewer young farmers growing these crops. Conversely, there are significantly more young farmers than seniors growing vegetables as their primary commodity.

Two obvious concerns around this disconnect 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 infrastructure may be easily converted to different crops, some may not without a significant investment. This difference points to a need for research into what is needed to facilitate entry into these commodities or into those that make use of similar land base and infrastructure.

Focus Groups: Farmers Age 45+ Without Identified Successors

To augment the census data analysis, AFT and Land For Good conducted seven focus groups (one in each state covered by this project) of older farmers who self-identified as having no farm successor. A total of 67 farmers participated, ranging in age from 46 to 85 and representing diverse agricultural sectors. Farmers shared their vision of retirement and their farm’s future, the challenges they face in finding a successor and transferring their land, and the services and policy changes they feel are needed to help. Participants filled out a questionnaire providing information about the farm transfer and succession

“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

services they’ve used, if any, and what resources they would like to have available.

Among our 67 focus group participants:

- *All wanted to see their land remain in farming if at all possible.*
- *Virtually all are interested and willing to look outside the 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.*

Findings

In general, many participants felt overwhelmed by succession. A number of factors played into this: lack of time to devote to it; complicated family dynamics; and issues around 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 wanted to see their land remain in farming.*

While participants differed in their views of retirement, they shared a universal vision of wanting 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

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

—FOCUS GROUP PARTICIPANT, ON RETIREMENT

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 felt their children might have stayed had the economics of farming been better, and some hoped to find a way to keep the farm in the family for grandchildren. Others prioritized 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.

“Protecting our land is a precursor to succession.”

—FOCUS GROUP PARTICIPANT,
ON THE FUTURE OF THE FARM

- *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 about strategies and successful models. A large number were interested in a gradual transfer of the farm to a new owner. Many expressed willingness to mentor a younger farmer. Many also expressed 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 felt 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

“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

land, and those who have not. Of those who had not, a majority saw 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 wished 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 felt their children or grandchildren would 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 were interested in doing so but unable to afford it. While some participants felt 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.*

Many participants had 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 felt it would help to have information about successful transfer models, especially gradual transfer. Many wanted 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:

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

—FOCUS GROUP PARTICIPANT,
ON POSSIBLE SUCCESSOR

“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

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

Over the next 10–20 years, over one-quarter of Vermont farmers are likely to exit farming. The 363,645 acres they manage and \$1.2 billion in land and agricultural infrastructure they own will change hands in one way or another. While Vermont has invested significantly in its agricultural sector generally and in supporting services around farm transfer and succession specifically, this project’s findings suggest that more will need to be done to help facilitate this transition in a way that keeps farmland in farming, offers seniors a secure exit from farming and provides farming opportunities for the next generation. Our broad recommendations include:

- ✓ *Increase technical assistance for older farmers related to farm transfer and succession.* Vermont’s Farm and Forest Viability Program is unique in the region in offering direct retirement and ownership transition planning for older farmers. Increased funding for this program would enable the program to do more in this regard.
- ✓ *Expand services to older farmers.* Vermont has a robust network of trained service providers working to address farm transfer and succession needs. There is a need, though, to develop better resources for connecting farmers without successors to qualified and capable successors or tenants.
- ✓ *Improve outreach to all farmers and incentivize succession and retirement planning,* to encourage more farmers to focus on retirement and succession earlier in their business life cycle.
- ✓ *Increase funding for the purchase of agricultural conservation easements.*

- ✓ *Address easement implementation issues around farm viability, farm affordability, and farmland subdivision into viable farming units.*
- ✓ *Further investigate the “commodity” disconnect to determine what may be needed to support the transition of farms and land in certain agriculture sectors.*
- ✓ *Promote public policies that encourage and support young and beginning farmers.* These include policies and programs 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.

Acknowledgments: We thank the 67 farmers who shared their stories and perspectives with us. We also thank our Advisory Team who helped shape the research and distill the findings of this project. The team included: Gary Anderson, University of Maine Cooperative Extension; Ken Ayars, RI Department of Environmental Management; Erica Buswell, Maine Farmland Trust; Jennifer Hashley, New Entry Sustainable Farming Project; Jon Jaffe, Farm Credit East; Kelly McAdams, University of New Hampshire Cooperative Extension; Jon Ramsey, Vermont Land Trust; Holly Rippon-Butler, National Young Farmers Coalition; Warren Shaw, Shaw Farm; Lyn Spinella,

RI Farm Bureau; and Henry Talmage, Connecticut Farm Bureau. We are grateful to Matt Feder and Gary Keough with the National Agricultural Statistical Service for their help with the special tabulation. We could not have done this project without the help of two talented graduate students, Taylor Jang and Sarah Stevens, and the generous support of the Claneil Foundation, the John Merck Fund and supporters of American Farmland Trust. Land For Good was a key collaborator on this project, and we are grateful to Kathy Ruhf for her input and guidance. The project was managed by Cris Coffin with American Farmland Trust, with assistance from AFT staff Lisa Bassani, Tim Biello, and Jennifer Dempsey.

Cover photo Walter and Diane Berthiaume, Fairfax, VT; back cover photo Jamie and Dawn Blodgett, Fairfax, VT. Photos courtesy of Vermont Land Trust.



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