

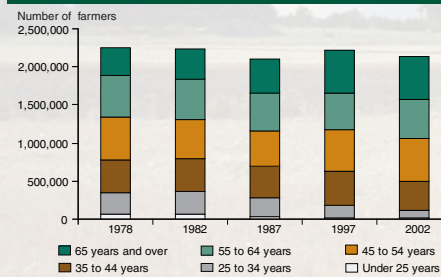
Management Strategies of Beginning Farmers and Ranchers

ISSUE

Beginning farmers and ranchers often bring new skills that complement and enhance traditional farm production technologies. Yet there is a continuing decline of young farmers and ranchers. Startup costs may present a barrier to would-be farmers—a farm requires significant initial investment. One way that new farmers acquire assets is through inheritance. However, because farmers, like the general population, are living longer, the delayed transfer of resources is likely a factor in the decline of new farmers. Aspiring farmers who do not expect an inheritance, may have to postpone a farming career until they can accumulate resources.

How many beginning farmers and ranchers are there, and what strategies for commercial success do they employ? To examine the characteristics of these farmers and ranchers and their households, compared with those of established farmers and ranchers, we turned to the Agricultural and Resource Management Survey (ARMS) for 2005.

The number of young farmers is declining as the number of older farmers increases



Source: USDA, Census of Agriculture.

What is a Beginning Farmer?

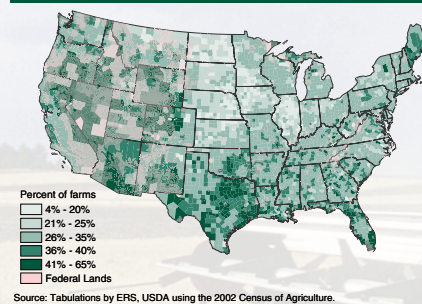
There is no single definition of a beginning farmer or rancher. USDA agencies administering beginning farmer programs focus on 10 years or less of experience (in addition to other program requirements). The requirement applies to all members of an entity who materially and substantially participate in the operation of any farm or ranch, currently or in the past.

We draw on the 10-year-experience criterion in using the USDA's 2005 Agricultural Resource Management Survey (ARMS) and the 2002 Census of Agriculture to provide a description of beginning farms and ranches. According to the 2005 ARMS, 22 percent of farms have operators who have been farming for 10 years or less, compared with 31 percent in the 2002 Census. The difference arises because the Census data ask about experience on the *current* farm—in contrast to the ARMS (versions 1-4) tally of experience on *any* farm. The Census data has the advantage of providing county-level estimates, enabling us to construct maps of the location of beginning farmers and ranchers and to provide some State-level data. The ARMS data, however, are more current and provide greater detail on the strategies and financial position of beginning farms and ranches. When we report operators' personal characteristics for farms with more than one operator, the data are for the principal operator. When we report income measures, they are for the households of the principal operators of family farms.

Beginning farmers and ranchers are everywhere, but their prevalence varies across areas

- Approximately one-quarter of all farms are beginning farms and, compared with established farms, are more likely to be small operations.
- Beginning farms, being generally smaller, account for a smaller share of agricultural production than of the farm population.
- The concentration of beginning farmers and ranchers varies across the U.S., ranging from 4 percent in a county to more than half in 2002.

The share of beginning farms and ranches varies across counties

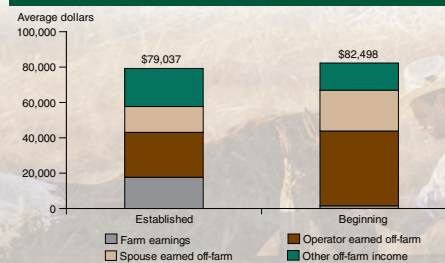


Source: Tabulations by ERS, USDA using the 2002 Census of Agriculture.

Beginning farmers and ranchers are especially dependent on their off-farm income

- Beginning farmers and their households earn much less from farming—the majority lost money on farm operations in 2005—and earn significantly more from off-farm sources, compared with established operators and their households.
- The average income of beginning farms from combined farm and off-farm sources is on a par with that of established farms.
- The average income of both established and beginning farm households is significantly higher than that of the average U.S. household (\$63,344 in 2005).

Beginning farm households have total income on par with established farm households, but from much different sources



Source: USDA, 2005 ARMS.

FINDINGS

Management strategies vary significantly depending on production levels

- Farmers use a variety of strategies to achieve success, involving choices about hiring labor, owning or renting land, participating in government payment programs, and acquiring debt. An important determining factor in the use of management strategies is whether the farm produces agricultural commodities.
- Roughly one-third of beginning farms in 2005 had no agricultural output, and were likely operated by individuals interested in a rural residential lifestyle.
- In general, the strategies of beginning farmers who produced commodities in 2005 were more similar to those of established farmers than to those of beginning farmers who did not produce.
- Beginning farmers, whether producers or not, were more likely to hold real estate debt and less likely to participate in government programs than established farmers.

Management strategies of established and beginning farmers and ranchers, 2005

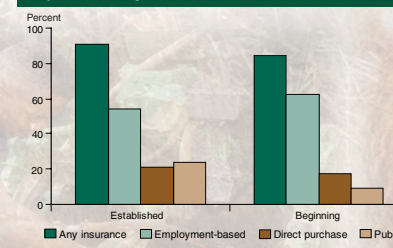
Item	Established, with production	Established, without production	Beginning, with production	Beginning, without production
Percent of U.S. farms in each group	63.8	14.6	14.9	6.7
Average acres operated	570	165	303	121
<i>Percent in group who employ the strategy</i>				
Hire labor	40	12	32	14
Own all their acres operated	54	87	60	83
Hold farm real estate debt	28	16	34	32
Farm debt-asset ratio >=0.10	24	9	31	34
Participate in government farm payment program	47	47	28	29
Enroll in CRP or WRP	10	35	6	23
Enroll in Federal crop insurance	22	2	11	<1

Source: USDA, 2005 ARMS.

Most farmer households have some health insurance coverage

- Beginning farmers are slightly less likely to be insured than established farmers.
- This is true even though beginning farm households are much more likely to have a member with an off-farm job, which is a common source of health insurance coverage.
- Health insurance coverage of members of beginning farm operator households is similar to that of the general U.S. population (84% in 2005).

The large majority of members of farm households have some health insurance, although beginning farm households are somewhat less likely to have coverage

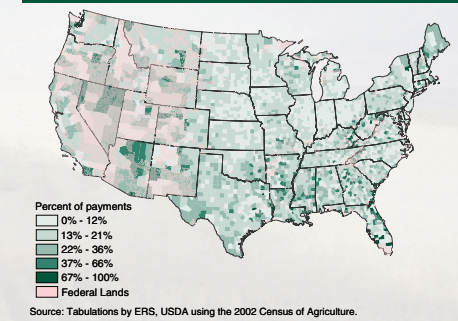


Source: USDA, 2005 ARMS, version 1.

Beginning farmers are less likely than established farmers to participate in government programs

- Beginning farmers participate in government programs at a lower rate than established farmers, in spite of funds targeted for their benefit.
- Only 28 percent of beginning farms were enrolled in any government payment program in 2005, and only 13 percent of beginning farms received conservation payments.
- Small farms are less likely to participate in government programs than larger farms, so the low participation of beginning farms is consistent with their generally small size.
- The Secretary of Agriculture's 2007 Farm Bill proposals include enhanced programs to aid beginning farmers.

The share of payments received by beginning farmers and ranchers varies across the local areas



Source: Tabulations by ERS, USDA using the 2002 Census of Agriculture.

Beginning farmers and ranchers bring diversity

- The majority of beginning farm operators are White, non-Hispanic and male, as are farm operators in general.
- However, beginning farmers have a higher percentage of females, non-Whites, and Hispanics than established farmers.
- In 2005, 70 percent of beginning farmers reported being younger than age 55, compared with 38 percent of established farmers.
- Beginning farmers, consistent with their younger ages, are more likely than established farmers to have a 4-year college degree.

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Views expressed are the authors' and do not necessarily reflect those of the U.S. Department of Agriculture.