Keep Your State Farming: State Policy to Support Beginning Farm Entrepreneurs

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Background

The National Young Farmers Coalition (NYFC) unites young farmers and ranchers to ensure a viable future for American agriculture, and works with policymakers to address the most critical structural and economic barriers preventing motivated young people from building successful farming careers.

NYFC believes that, in order to keep our nation's agricultural land in production and our food system secure, we must urgently address the shortfall of skilled young and beginning farmers and ranchers. From 2007 to 2012, the average age of the American farmer increased from 57.1 to 58.3 years old. Farmers aged 65 to 74 represent the fastest growing segment of the farming population, while the number of beginning farmers continues to decline.

Currently, farmers over 65 outnumber those under 35 by a ratio of six to one. Nationwide, over 573 million acres of farmland are expected to change management in the next 20 years.

If we fail to recruit enough young farmers and ranchers, we risk furthering the decline of rural communities and their economies, increasing permanent losses of agricultural lands, and diminishing access to fresh, locally grown food. The success of young and beginning farmers and ranchers today will determine the quality of food we eat, the future of our rural landscapes, and the very preservation of American traditions.

Young Farmers Today

Young farmers and ranchers are tough, energetic, and dedicated. They are small businesses owners and entrepreneurs, and they represent the future success and security of the communities they feed. Unfortunately, however, starting a career in farming has never been more difficult.

In the last fifty years, the rural landscape, the changing farm economy, and the consolidation of large farm enterprises have created unprecedented challenges for those wishing to start new ventures in agriculture. Farmers and ranchers entering the field today have specific needs and face new challenges, unique to those of more established farmers and ranchers, and of generations past.

Beginning farmers and ranchers are younger on average than more established farmers, tend to operate smaller farms, have more diversifed operations, and are increasingly likely to come from non-farm backgrounds. As a result, young farmers and ranchers often have difficulty securing land to purchase or rent, and generally have less access to credit and capital. Finding affordable farmland is particularly challenging in areas near growing urban markets due to the loss of prime agricultural land and rising land prices.

Young farmers and ranchers must also contend with limited opportunities to gain farming experience; high start-up costs and capitalization, and limited income sources during a farm's formative years; student loan debt; an inability to secure commercial credit; limited access to health care; and systemic barriers that exclude the growing number of women and people of color who are eager to farm.

How to Support Young Farmers in Your State

Across the nation, there are tested and emerging policies to help young people overcome the significant obstacles to building a farm or ranch. The following is a list of policies that can be implemented on the state level, organized by the challenges young farmers face.

If you are interested to help young farmers in your state through policy reform, please contact Andrew Bahrenburg at andrew@youngfarmers.org.

Policy Recommendations: How States Can Help the Next Generation of Farmers and Ranchers

To ensure a successful future for American agriculture, new policies must be implemented at the state level to help beginning farmers succeed. The following is a review of these policies, organized by unique challenges that new farmers face.

Address Land Access and Affordability

The cost and availability of farmland to rent or purchase are major barriers for young farmers and ranchers. For the nation to sustain and grow its agricultural sector, and for rural communities to preserve this bedrock tradition, it is essential for states to develop new strategies to make farms and farmland more accessible, affordable, and secure for aspiring farmers.

- **Fully Fund State Purchase of Agricultural Conservation Easement (PACE) Programs**. State and local farmland protection programs provide a foundation of permanently protected land for future agricultural pursuits. While this land may not be immediately accessible to young and beginning farmers and ranchers, without this pool of protected farmland, opportunities for asipring farmers and ranchers would be extremely limited.

- **Include an Option to Purchase at Agricultural Value (OPAV) in all PACE Programs.** State PACE programs should ensure that farmland remains affordable to the next generation and stays in agricultural production by incorporating affordability mechanisms, such as the Option to Purchase at Agricultural Value (OPAV), into all easements purchased with state and local funds. This mechanism gives states the option to purchase farm property under conservation easement at its agricultural use value and sell it to a qualified farmer if it is not being sold to one or transferred to a family member.

- **Ensure that PACE Programs address the needs of young farmers and ranchers.** States can develop entirely new PACE-like programs or special offerings within existing PACE programs geared specifically to young farmers. One such program is the the Delaware Young Farmers Farmland Purchase and Preservation Loan Program, which helps young farmers buy land while protecting it from development. The program provides long-term, no-interest loans to help young farmers purchase up to 70% of the land's development rights. In exchange, the farmer agrees to grant a conservation easement on the property, simultaneously encoraging young farmers to enter agricutlure, while protecting working farmland from development.

- **Provide state tax incentives to lease or sell land to young farmers and ranchers.** Iowa, Nebraska, and Colorado provide tax credits to landowners who rent to next generation farmers – including farmland, machinery or equipment, breeding livestock, and buildings. We recommend linking the tax credit value to property taxes paid by the landowner on the land subject to the lease rather than on rental payments in order to avoid inflation of rents. States should also develop a deferral of state capital taxes for farmland sold to young and beginning farmers, unless and until the land is converted out of agriculture. Deferring state capital gains taxes will likewise provide a sizeable incentive for farmland owners to seek a buyer interested in keeping land in productive agricutlure.

Improve Access to Capital and Credit

Access to credit, along with developing strong financial and business skills, is critical to any farmer – particularly those just beginning their careers in agriculture. Rarely do aspiring and beginning farmers have enough liquid assets to purchase or lease all the equipment, inputs, and land they need to launch their operation. More often, they must seek credit and loans to get their businesses started. In addition, many young farmers and ranchers also struggle with student loan debt and access to affordable healthcare.

- **Utilize Aggie Bond Programs.** Sixteen states have authorized Aggie Bond financing programs to assist first-time farmers to purchase land farm equipment, buildings, and livestock. Aggie Bond programs utilize an exemption in federal tax law allowing revenue from the sale of private activity bonds to be used by beginning farmers. These provide a cost-effective, low-risk option for states to support beginning farmers and rural development efforts.

- **Establish a Beginning Farmer Grant Program.** The Massachusetts Matching Enterprise Grants for Agriculture Program offers competitive small matching grants for beginning producers for the purpose of acquiring equipment and other assets to make infrastructure improvements that contibute to the financial viability of their farm business. Applicants also receive assistance in developing a viable business plan.

- **Provide student loan forgiveness.** States should offer student loan forgiveness to encourage more students to pursue agricultural careers. In Pennsylvania, for example, the Agriculture Education Loan Forgivness helps eligible graduates repay student loans when they return to Pennsylvania to work in a qualifying agricultural field. The state will forgive up to $2,000 per year on qualifying student loans for each year of satisfactory agricultural employment.

- **Improve healthcare access.** Though farming ranks among the most dangerous occupations in the U.S., most farms do not offer health insurance, and many more farmers go without it due to financial constraints and tradeoffs. States should create small business tax incentive and subsidy programs—like those in New York and Oklahoma—that can help small farms afford health coverage for their employees. Medicaid expansion under the *Affordable Care Act* has also played a key role in narrowing the coverage gap for young and beginning farmers. All states should move swiftly to adopt Medicaid expansion (to date, nineteen states have not), and strongly advocate to preserve this program.

Support Training and Education

Agriculture is a knowledge-intensive and experience-driven occupation, and one that can take a lifetime to completely master. Many aspiring farmers and ranchers entering the field today are first-generation farmers, meaning they come from non-farming backgrounds and may not have had the opportunity to acquire important farming skills and techniques.

- **Develop effective guidelines for farm apprenticeships.** On-farm apprenticeships give people with little to no experience in agriculture the opportunity to learn the ropes on a working farm, while also receiving valuable education. State labor laws govern apprenticeships, and some state laws are friendlier to the idea than others. States should define apprenticeships, legalizing them for farmers while ensuring a safe work environment and fair compensation for farm apprentices.

- **Invest in farmer training programs.** Student demand for agricultural training is growing, and colleges, universities, and technical schools around the country are rising to meet that demand. States should continue to support, invest in, and incentivize innovative farmer training programs that will increase the skilled workforce and create new agricultural jobs and businesses.

Promote Farm Viability and Resilience

Young farmers and ranchers are learning to farm under increasingly dry and variable conditions. This past year, record drought hit agricultural communities hard from New England to California. States can play an important role in helping farmers and ranchers adapt to a changing climate, while maintaining farm viability.

- **Provide business planning assistance and farm viability programs.** State farm viability programs, such as Massachusetts' Farm Viability Enhancement Program, seek to improve the economic viability and environmental integrity of participating farms through the development and implementation of farm viability plans. These programs match farmers with a team of consultants to develop a whole farm plan that identifies opportunites to expand, upgrade, and modernize existing operations and address natural resource concerns in a way that meets the farmer's individual and operational goals.

- **Provide financial assistance to promote voluntary, on-farm conservation practices.** Several states provide financial and technical assistance to farmers and ranchers to support voluntary, on-farm conservation efforts such as building healthy soil, which provides multiple public benefits. Maryland provides low-interest loans to help farmers install best management practices on their farms, purchase conservation equipment, and adopt new technolgies that help protect natural resources and enhance water quality.

- **Ease the regulatory burden for small, family farms.** State and Federal regulatory regimes play a critical role in keeping our food system safe for consumers, workers, and the environment. NYFC encourages state policymakers, however, to ensure that state and local regulations reflect the potential risk posed by the scale of each farm business, and the varying costs of compliance and enforcement. Scale-appropriate, flexible regulations play a key role in keeping the playing field level for young farmers seeking to enter the marketplace, while also maintaining safety and integrity in the food sytsem.

Adopt New Sustainable Funding Options to Support State and Local Agriculture Programs

- **Adopt innovative funding mechanisms that support community agriculture programs and initiatives.** NYFC recognizes that economic conditions in most states have led to a tightening of budgets and cuts to programs that traditionally supported agriculture in the past. Moving forward, states must play a critical role in investing in rural development and supporting the next generation of farmers and ranchers. Several of the programs outlined above will require new, sustainable sources of funding to meet the growing demand for fresh, local food and enhance economic resilience in agricultural communities. Potential funding sources used by other states include real estate transfer taxes, increased recording fees on real estate, impact fees, license plate sales, lottery proceeds, bond initiatives, public-private partnerships, and other methods.