



Rural Community Action Assembly: Farm and Agricultural Business Transitions

Philip Jones, Community Engagement Associate,
Federal Reserve Bank of Philadelphia



The views expressed today are our own and not necessarily those of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

Guidelines

- **The information, analyses, and conclusions set forth are those of the presenters and do not necessarily reflect the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.**
- **Please share your name and organization** so that speakers and audience members can see who is participating.
- Use the **Q and A** box to ask questions and offer comments. You have the option to submit your questions or comments anonymously.
- Be sure to **mute yourself when you are not speaking**. If there is background noise while you are speaking, the host may mute you.
- **Today's assembly will be recorded.** The recording of today's presentations will be shared with slides after the assembly.
- A **survey evaluation** will be available after the assembly. Your input and feedback is important for informing future programming.

Agenda

10:00 a.m. Farm and Agricultural Business Transitions

- Stephanie Shirk, Director, PA Agricultural Business Development Center
- Hannah Smith-Brubaker, Executive Director, Pennsylvania Association for Sustainable Agriculture (PASA)
- Maureen O'Shea Fitzgerald, Ag Business Consultant, Horizon Farm Credit
- Becca Jablonski, Visiting Associate Professor, Dyson School of Applied Economics and Management, SC Johnson College of Business, Cornell University
- **Moderator:** David Oppedahl, Policy Advisor, Federal Reserve Bank of Chicago

11:05 a.m. Panel Q&A

11:25 a.m. Closing Remarks

David Oppedahl

Policy Advisor

Federal Reserve Bank of Chicago

National Perspective on Farm and Agricultural Business Transitions

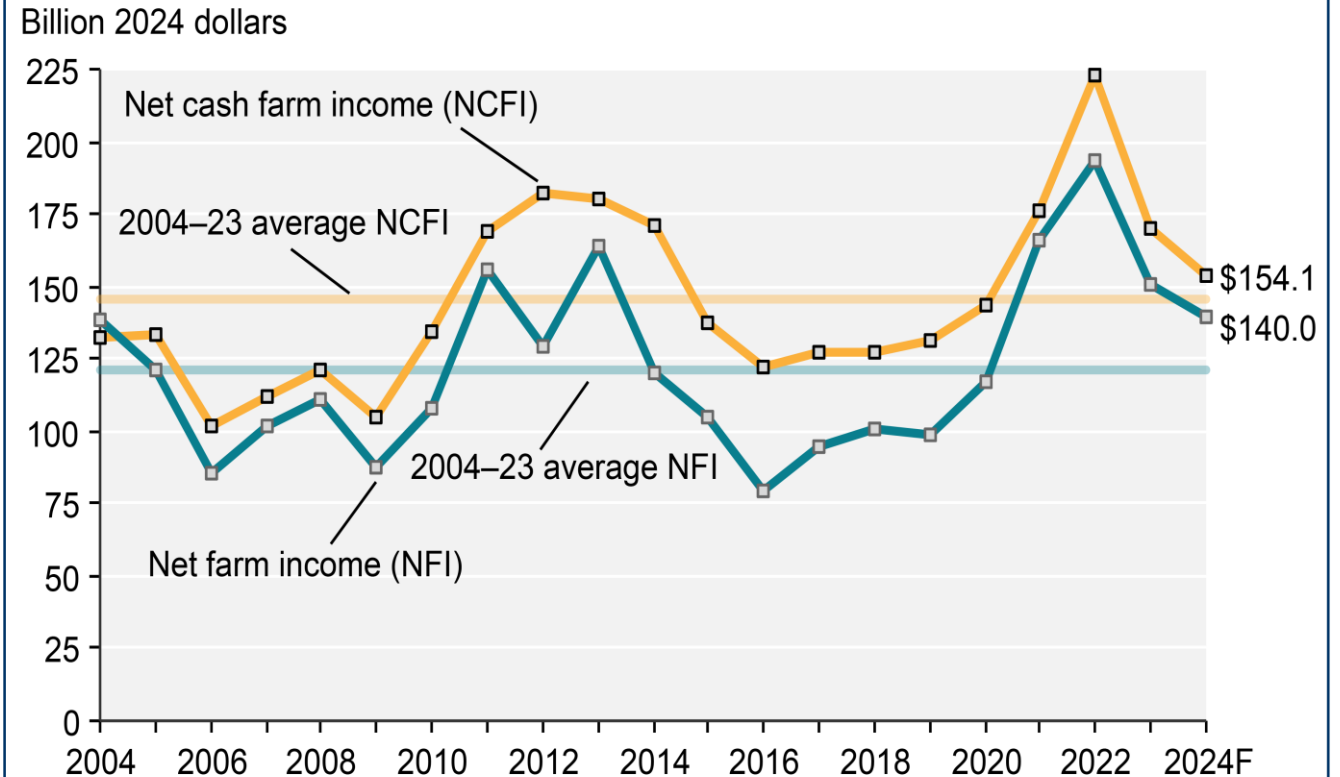
David Oppedahl
Policy Advisor, Federal Reserve Bank of Chicago
david.oppedahl@chi.frb.org

Challenging times for agriculture after COVID

Though still above averages, farm incomes falling in 2023 and 2024, according to USDA

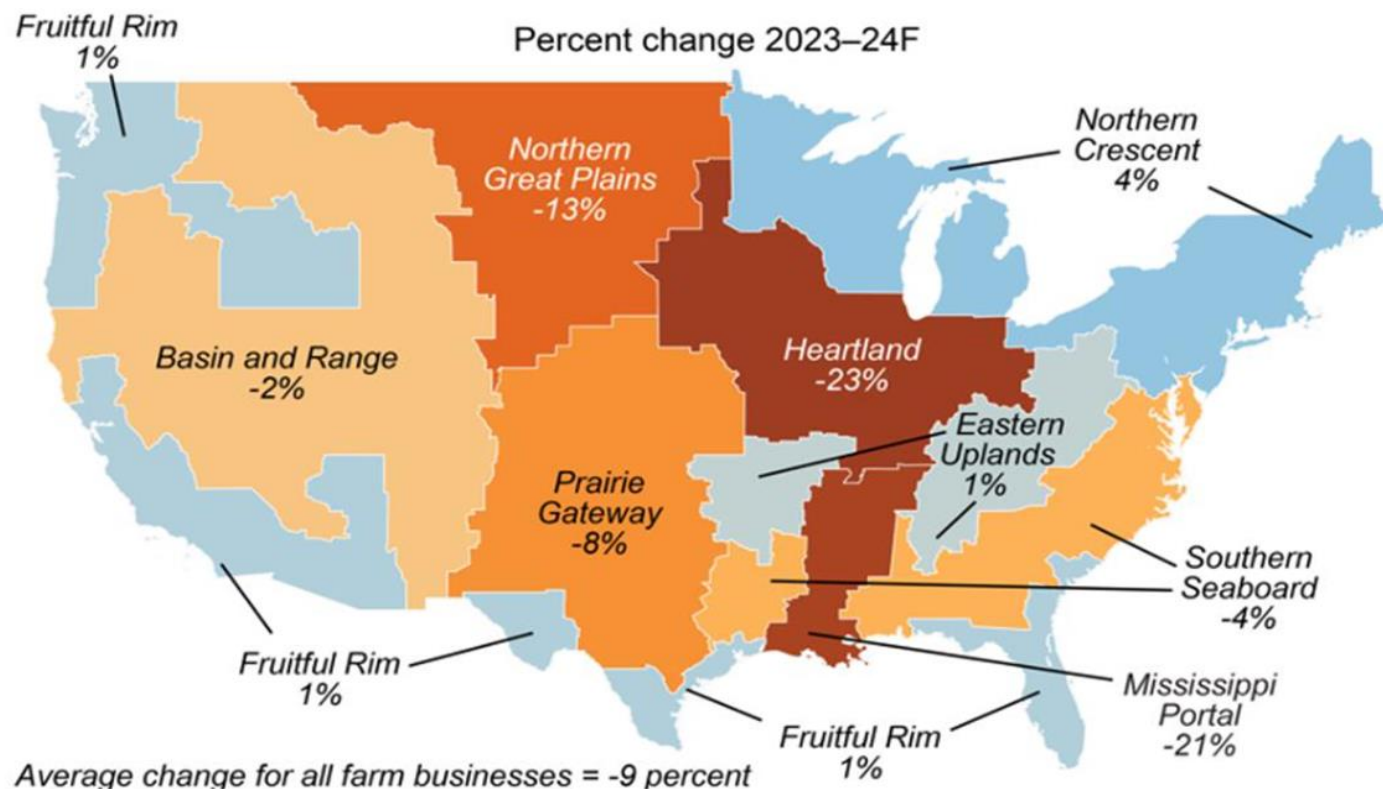
- Steep drops in crop prices
- Livestock results mixed
- End of COVID-19 supports from federal government
- Insurance doesn't cover the entirety of income decline

U.S. net farm income and net cash farm income, inflation adjusted, 2004–24F



Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.

Farm businesses in most regions expected to see lower average net cash income in 2024

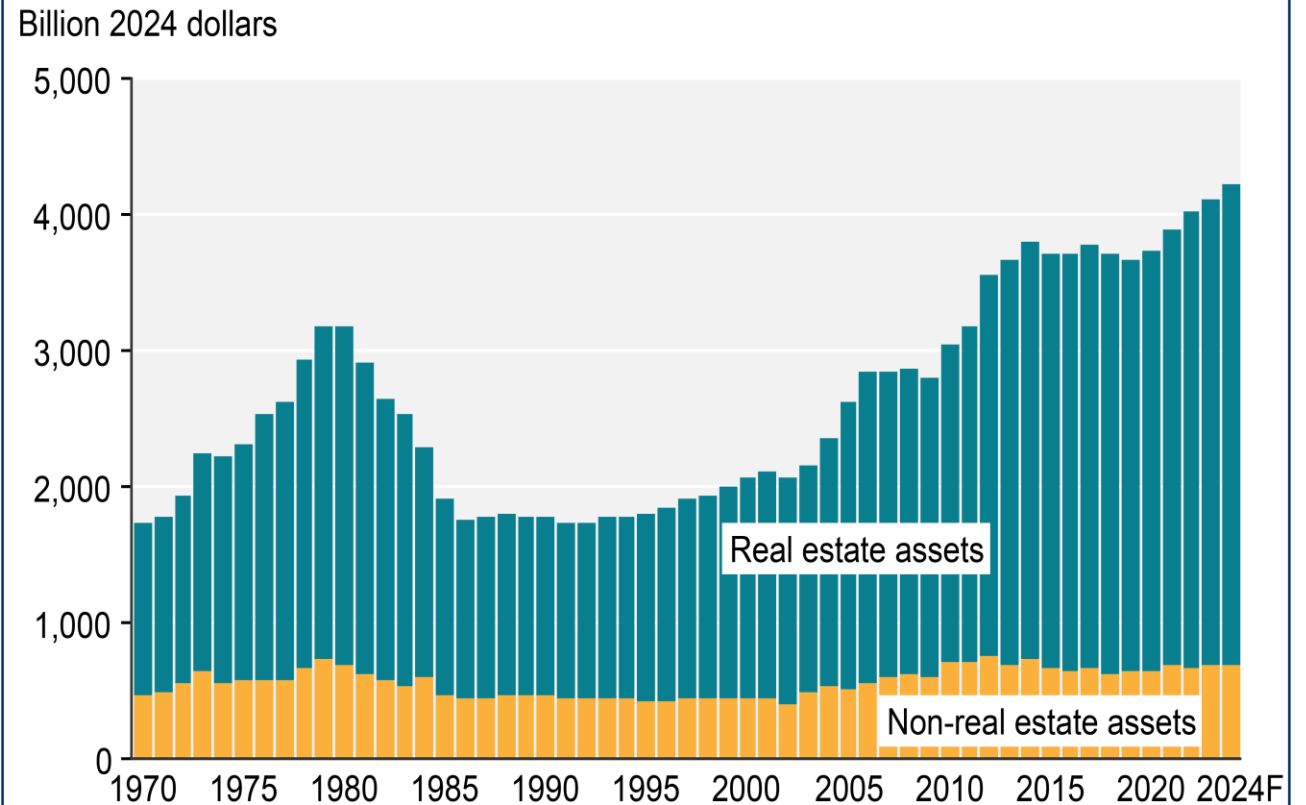


Farm businesses are defined as operations with gross cash farm income of over \$350,000 or smaller operations where farming is reported as the operator's primary occupation. The partial budget forecast model is based on preliminary data from the 2023 Agricultural Resource Management Survey (ARMS) using parameters from the sector forecasts. The model is static and does not account for changes in crop rotation, weather, and other location-based production impacts that occurred after the base year. Data as September 5, 2024. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Farm asset values continue to expand for U.S. farms and ranches

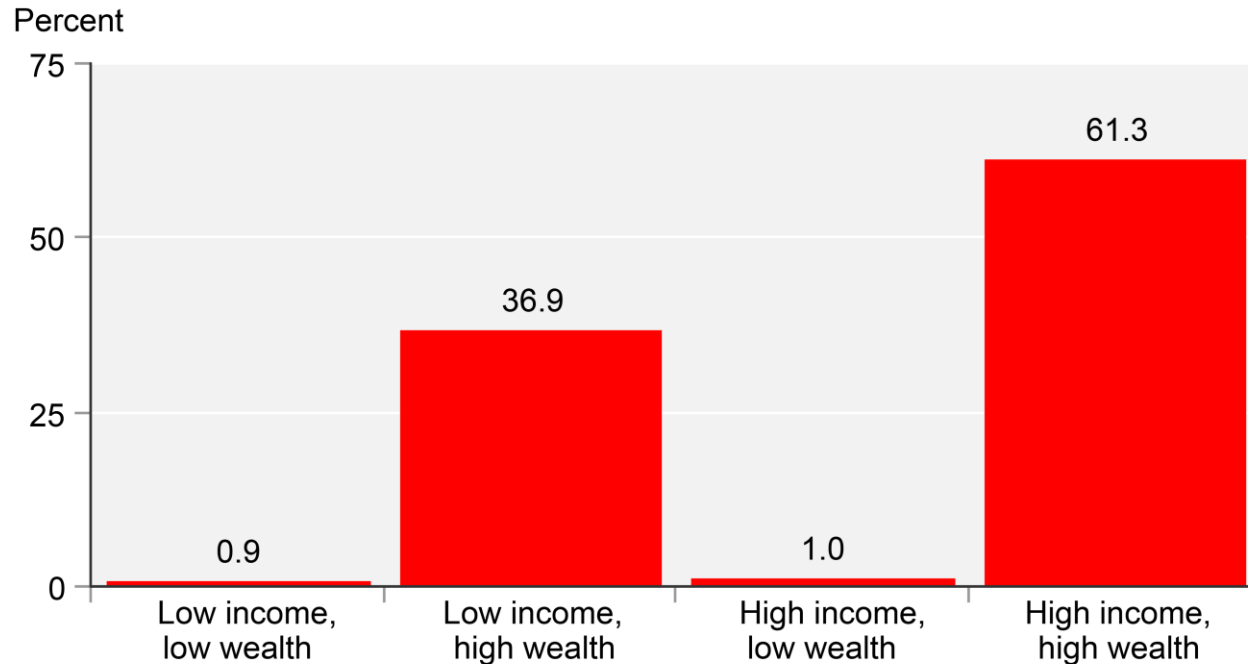
- Recently real estate has seen all the growth
- Non-real estate assets flat
- Farmland values increased rapidly since 2020, even after adjusting for inflation
- U.S. farm real estate valued at \$4,170 per acre in 2024, up 5.0% from 2023
 - Cropland: \$5,570 per acre
 - Pasture: \$1,830 per acre

U.S. farm sector assets, inflation adjusted, 1970–2024F



Note: F = forecast. Values are adjusted for inflation using the U.S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2024 by USDA, Economic Research Service. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 5, 2024.

Distribution of farm households by measures of economic well-being, 2022



Note: Income and wealth levels for farm households are compared with the median levels of income and wealth of all U.S. households. The median income level used for comparison purposes is \$74,580 and median wealth is \$140,560 for all U.S. households in 2022. Sources: USDA, Economic Research Service and USDA, National Agricultural Statistics Service, Agricultural Resource Management Survey; U.S. Department of Commerce, Bureau of the Census, Current Population Survey; and the Federal Reserve Board, Survey of Consumer Finances. Data as of November 30, 2023.

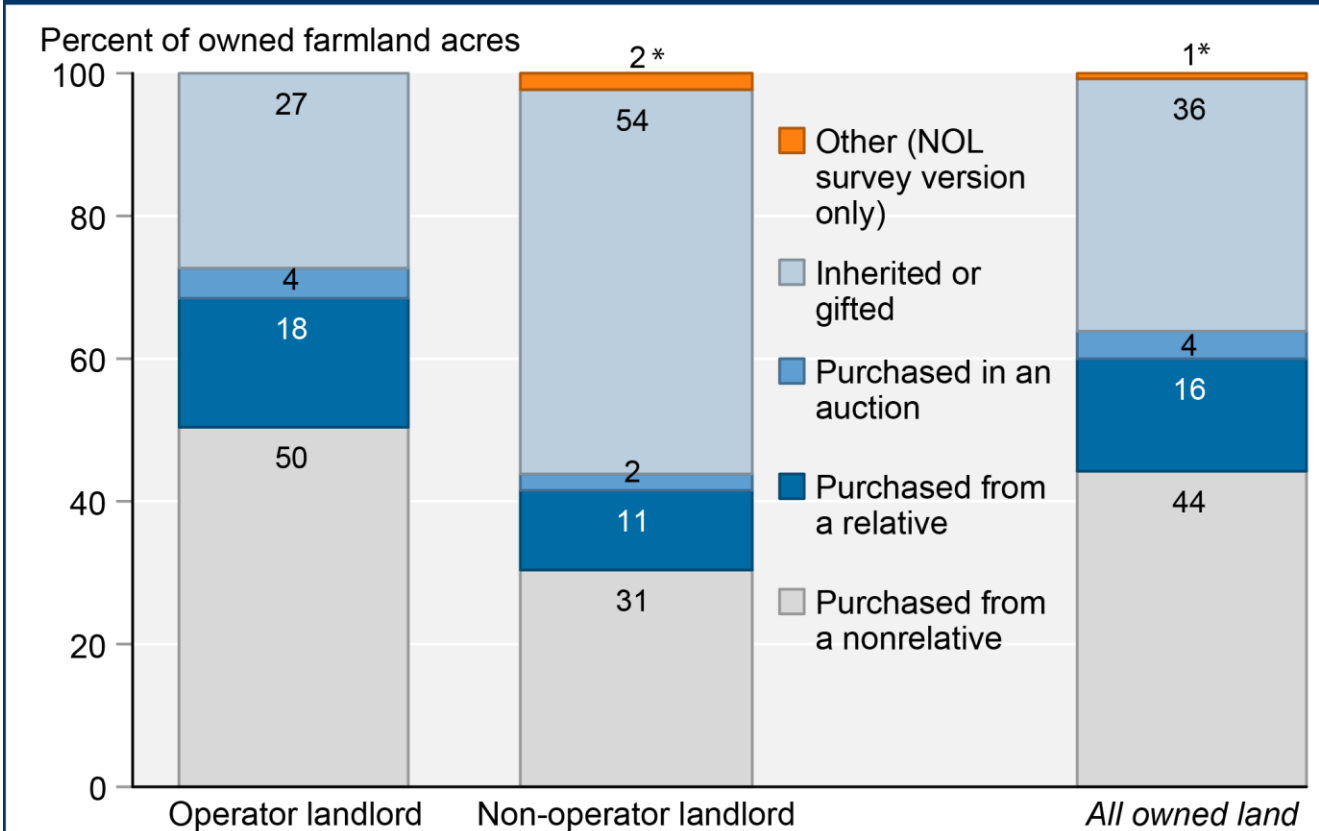
Differences in income and wealth across farm households

- 98.2% of farm households have higher wealth than the median U.S. household
- Only 62.3% of farm households have higher incomes than the median
- 83% of sector assets in farmland, crimping liquidity and making transitions more complex

Agriculture faces difficult demographics

- Average age of farmers increased to 58.1 in 2022 (Census of Ag)
- 39.3% of farmland was rented or leased in 2014 (TOTAL)
 - 54% of cropland rented
 - 28% of pastureland rented
- 36% of farmland inherited
- Presents challenges for farm and ranch transitions

Distribution of owned farmland acres by method of land acquisition, 2014



Note: Data exclude Alaska and Hawaii. A coefficient of variation between 25 and 50 is denoted with a (*). NOL=Non-operator landlord.
Source: USDA, Economic Research Service and National Agricultural Statistics Service, 2014 Tenure, Ownership, and Transition of Agricultural Land (TOTAL) survey.

Farm Transition Resources

Articles

[Farm Transition](#) (PennState Extension)

[Your Complete Guide to Farm Succession Planning](#) (Farm Bureau Financial Services)

[Factors Impacting Succession Planning](#) (Center For Commercial Agriculture, Purdue University)

[Farm asset division a 21st-century conundrum](#) (University of Wisconsin Extension)

[A Tale of Two Farm Transitions: Protected Farms Take Different Paths to Keeping Land in Farming](#)

Audio/Video

[Farm Succession: Roadmapping Your Farm Transition](#) (Center For Commercial Agriculture, Purdue)

[Farm Succession/Transition Planning Series](#) (Center For Commercial Agriculture, Purdue)

[Top 10 farm transition and estate planning mistakes](#) (Iowa State University Extension video)

[Is Equal Fair?](#) (University of Wisconsin Extension webinar)

[Map of My Kingdom](#) (play about farm transitions by Mary Swander, commissioned by Practical Farmers of Iowa)

Organizations

[American Farmland Trust](#)

[American Farm Bureau Federation](#)

[International Farm Transition Network](#)

Stephanie Shirk

Director
PA Agricultural Business Development Center

AN INTRODUCTION TO THE

Agricultural Business Development Center



pennsylvania
DEPARTMENT OF AGRICULTURE



WHO WE ARE

Established as part of the 2019 PA Farm Bill, the Agricultural Business Development Center (ABDC) is designed to enhance the long-term vitality of PA farms.

ABDC is focused on providing support for sound business planning, efficient transitions of farm ownership, and offers resources/grants/programs for farmers across the commonwealth.



HOW WE HELP



FARM TRANSITIONS

- Planning Services
- Farmland Preservation
- Clean & Green



RISK MANAGEMENT

- Connect growers with resources surrounding risk management & risk mitigation



BEGINNING FARMERS

- Beginning Farmer Tax Credit
- Beginning Farmer Realty Transfer Tax Exemption
- Next Generation Farmer Loan Program



FINANCIAL ASSISTANCE

- Various grants & programs available to farmers
- Access to leading industry partners in economic & business development

ABDC PARTNERS

- PA Farm Link
- Keystone Development Center
- PA Small Business Development Center
- Team PA
- Penn State Law - Center for Agriculture and Shale Law
- PA Aquaculture Program
- Penn State Extension





ABDC GRANTS

AGRICULTURE & YOUTH GRANT PROGRAM

Provides grants for youth programs in agriculture, community leadership, vocational training, and peer fellowship.

FARM VITALITY GRANT

Funds professional services for farm planning to enhance Pennsylvania farms through business planning, ownership transitions, expansion, diversification, and building expertise resources.

URBAN AGRICULTURE INFRASTRUCTURE GRANT

Provides funding as a reimbursement grant to eligible applicants seeking to improve urban agriculture infrastructure in Pennsylvania.

VERY SMALL MEAT & POULTRY PROCESSOR GRANT

Supports the development and expansion of current or future very small meat and poultry processing operations in the commonwealth.

FARM VITALITY GRANT

FARM VITALITY GRANT - \$7,500, covering 75% of project costs

Funds professional services for farm planning to enhance Pennsylvania farms. Projects Include:

- Enhancing a farm's long-term success with business and management strategies.
- Transitioning farm ownership and operation to new people.
- Passing ownership and operation within the family.
- Diversifying agricultural production with new plans.
- Expanding or seeking financing for growth.
- Ensuring farms with conservation easements remain profitable and protect public investments.



Farm Progression Planning Key Initiatives

Partnership with
International Farm
Transition Network

Farm Progression
Planning Task Force

New Farm Transition
Survey



Pennsylvania
Department of Agriculture
AG BUSINESS DEVELOPMENT CENTER



Pennsylvania
Department of Agriculture
AG BUSINESS DEVELOPMENT CENTER

CONTACT US

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SCAN ME



Scan to access abdc Website or visit:
agriculture.pa.gov/agbiz

Hannah Smith-Brubaker

Director
PASA Sustainable Agriculture

Supporting Beginning Farmers: Challenges, Needs and Opportunities

Hannah Smith-Brubaker,
Executive Director of Pasa Sustainable Agriculture

About Pasa Sustainable Agriculture

Who we are

Pasa
SUSTAINABLE
AGRICULTURE

Visit us pasafarming.org.



About Pasa Sustainable Agriculture

Our areas of work

- Farmer training, outreach & development
- Farm-based research
- Farmer technical assistance
- Food systems equity & resilience
- Sustainable agriculture policy



Truelove Seeds

Key Challenges

The key challenges faced by beginning farmers in our community are complex and multi-faceted:

- Access to land
- Access to capital
- “Historically Underserved” farmers
- ... All within a daunting climate context



Resources & Opportunities

How Pasa is supporting beginning farmers through our programs and services:

Our Apprenticeship Programs

- Dairy Grazing Apprenticeship
 - Nationally accredited apprenticeship
 - 4,000 hrs
- Diversified Vegetable Apprenticeship
 - State registered, paid apprenticeship est. 2019
 - 3,000 hrs



Prior Pasa Diversified Vegetable Apprenticeship Graduates

Resources & Opportunities (Cont'd.)

How Pasa is supporting beginning farmers through our programs and services:

Our Apprenticeship Programs (Cont'd.)

- Diversified Vegetable Pre-Apprenticeship
 - 250-hr, state-registered program
 - Est. 2021
- *Coming Soon!*
Agroforestry Training Program



Prior Pasa Diversified Vegetable Pre-Apprentices at The LEAF Project

Resources & Opportunities (Cont'd.)

How Pasa is supporting beginning farmers through our programs and services:

Our Climate-Smart Farming & Marketing Program

- Prioritizes underserved farmers
- Provides access to capital
- Services integrated with other Pasa programs

Working Lands Climate Corps

- *New!*



Pasa staff work with a member farmer

Resources & Opportunities (Cont'd.)

How Pasa is supporting beginning farmers through our programs and services:

Our Advocacy Work

- PA Beginning Farmer Tax Credit Program
- Lending transparency
- Eliminating barriers to cooperative ownership models
- Urban Ag Incentive Zones
- Improved access to land and credit in the federal Farm Bill



Pasa staff at a climate rally in Washington, D.C.

Strategic Support for Beginning Farmers

What the agricultural system can offer to better support beginning farmers:

- Institutional support for apprenticeship programs through the Department of Labor (DOL) and the Department of Labor of Industry (DLI)
- Recognition of the true value of formal training programs in agriculture
- Support for enhanced, comprehensive farm transition / succession services
- Improve land access opportunities with the PA Beginning Farmer Tax Credit



Plowshare Farms

One consideration specific to the Banking Industry

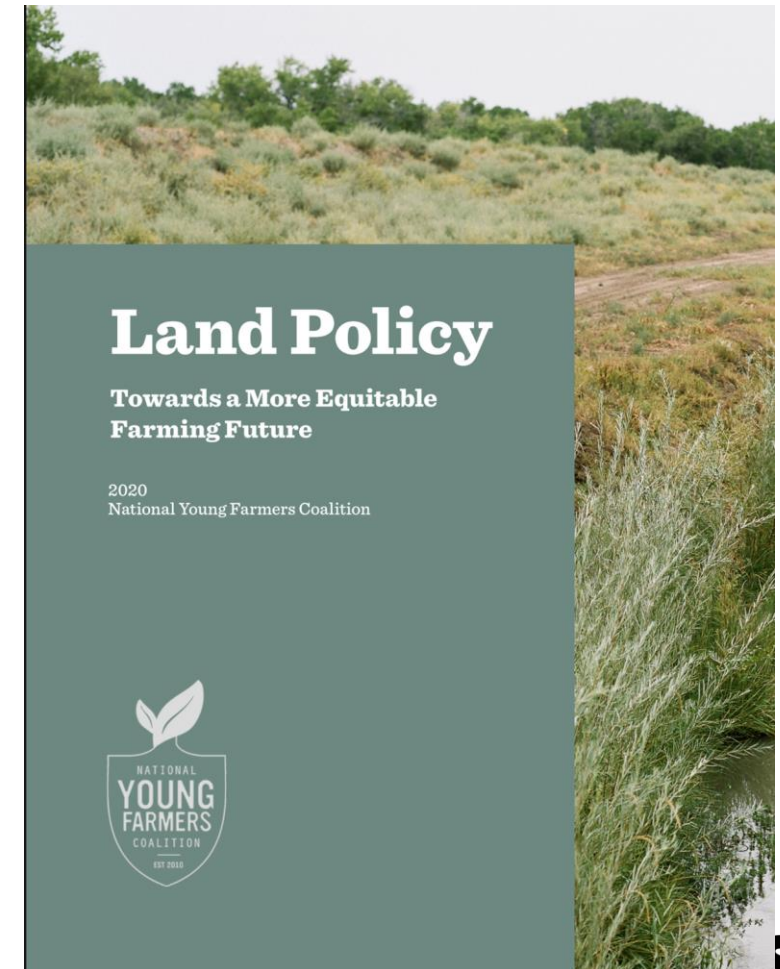
Consumer Financial Protection Bureau (CFPB) Rule 1071

132 organizations express strong opposition to any current or future initiatives to weaken, overturn, or provide exemptions to the Consumer Financial Protection Bureau (CFPB) Rule 1071 on Small Business Lending Data Collection under the Equal Credit Opportunity Act.

Rule 1071

Land Policy Towards A More Equitable Farming Future

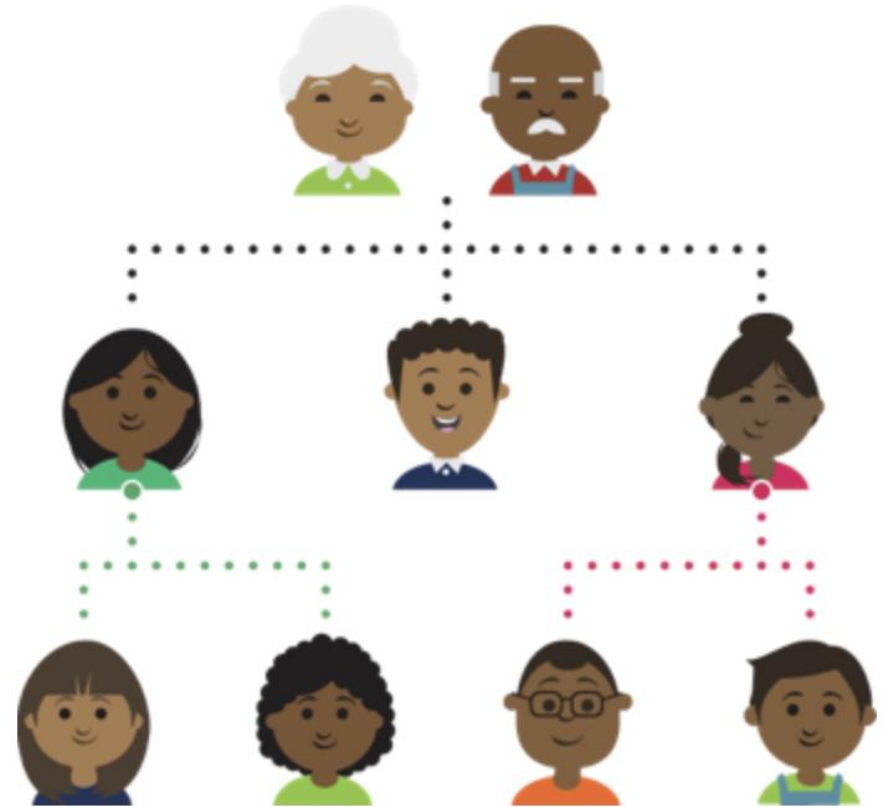
2020 National Young Farmers Coalition Report



Heirs' Property

Pennsylvania has some work to do

Heirs' property results when land is passed between generations without clear title, often due to the absence of a formal will, resulting in land owned “in common” by all heirs.



Maureen O'Shea Fitzgerald

Ag Business Consultant
Horizon Farm Credit



Farm Credit Introduction



888.339.3334 | HorizonFC.com

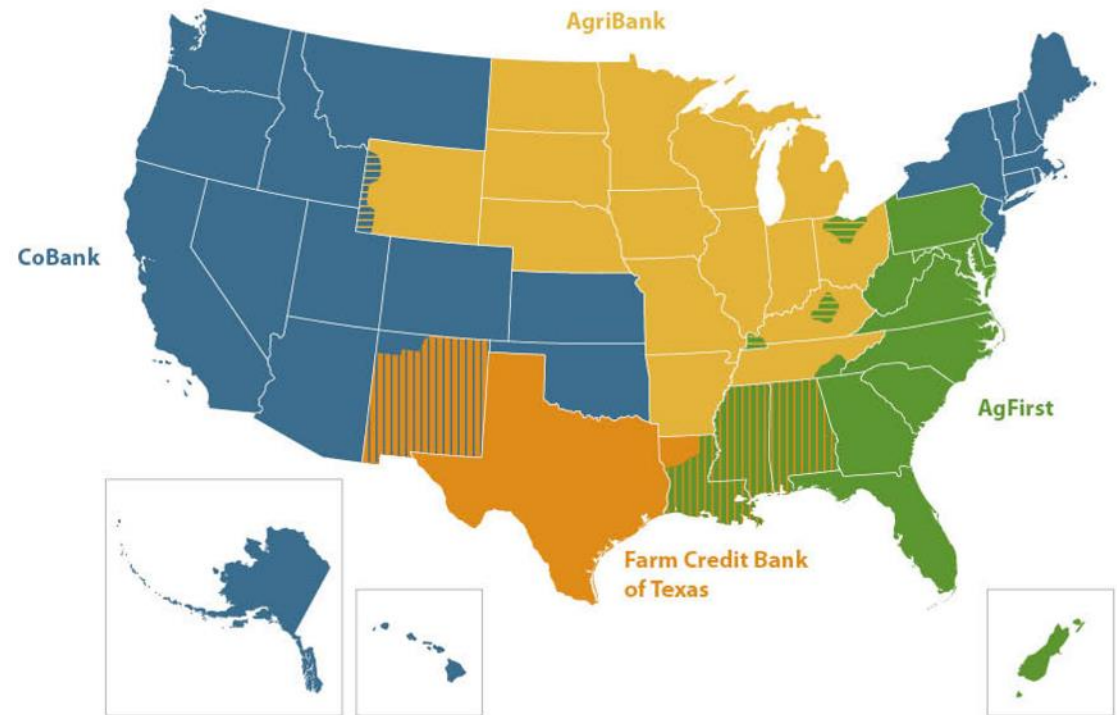
INTRODUCTION



Maureen O'Shea Fitzgerald

THE SYSTEM AT A GLANCE

- 4 regional Farm Credit banks
- 60 locally owned Farm Credit associations
- Each governed by board of directors (elected by borrower-members)
- Associations provide credit for:
 - real estate loans
 - commercial loans
 - rural home mortgages
 - financial services (farm record keeping, estate planning, appraisals, etc.)



HORIZON FARM CREDIT

- 20 offices, covering 100 counties
- Delaware, Pennsylvania, and counties in Maryland, Virginia and West Virginia

Member-Owners: 22,798

Voting: 20,679

Non-Voting: 2,119

Loan Volume: \$6.03 B

Net Income: \$120.5 M

Total Capital: \$1,147M

Capital as a percentage of assets: 19.8%

Total Assets: \$6.2 B



FARM CREDIT

HorizonFC.com | 888.339.3334

How We Are Different

- Beginning Farmer Loans and Grants
 - Grow Ahead
 - JumpStart Grant
 - Farmers on the Rise Award
- Education
 - Ag Biz Basics
 - Ag Biz Masters
- Business Services
 - Crop Insurance
 - Accounting
 - Consulting



Transition Planning Services

- Wants/needs of exiting and entering generation
- Goal Setting
- Core Values
- Mission and Vision Statements
- Historical Financial Analysis
- Feasibility/Viability of the transition given the goals, wants, and needs
- Operational transition
- Asset transition



Maureen O'Shea Fitzgerald

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Becca Jablonski

Visiting Associate Professor

Dyson School of Applied Economics and Management
SC Johnson College of Business, Cornell University



What does the research tell us?

Becca B.R. Jablonski
Visiting Associate Professor
Dyson School of Applied Economics and Management
SC Johnson College of Business
Cornell University



Dyson
Cornell
SC Johnson College of Business

Co-Authors and Funders:

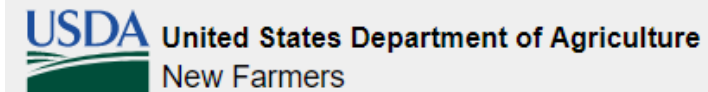
Allie Bauman, Dept of Agricultural and Resource Economics, Colorado State University

Nigel Key, U.S. Department of Agriculture, Economic Research Service

Joleen Hadrich, Dept of Applied Economics, University of Minnesota



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM

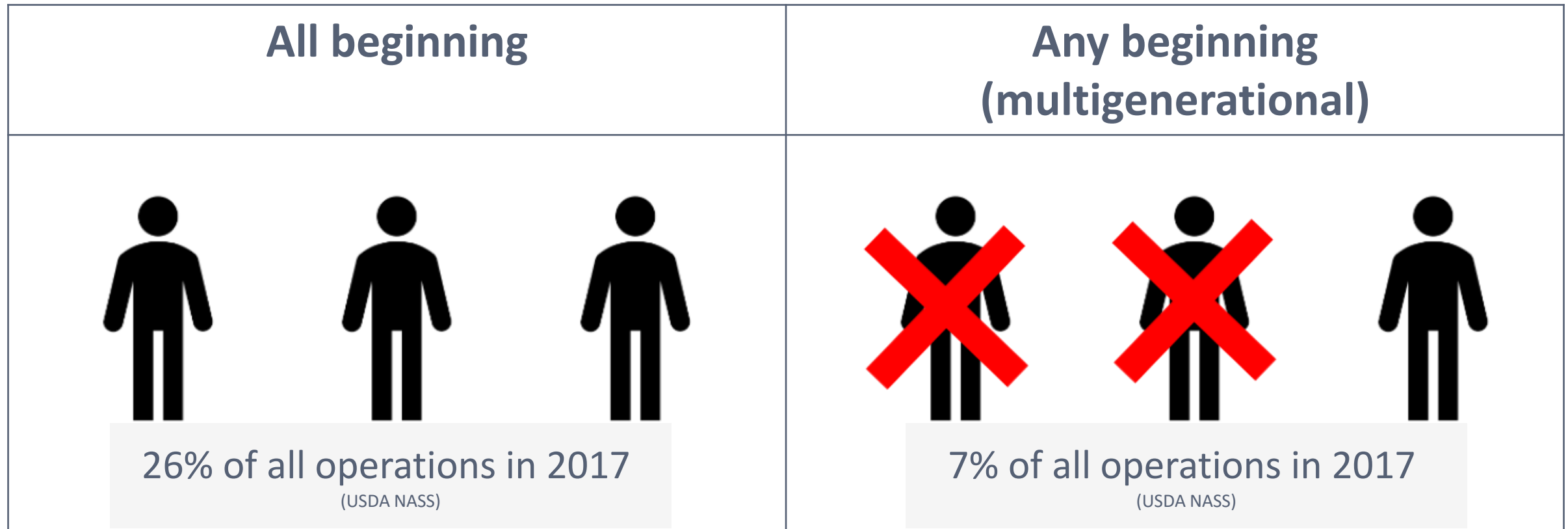


This material is based upon research supported in part by the U.S. Department of Agriculture (USDA) National Institute of Food and Agriculture, and the USDA Economic Research Service. The authors have no financial interest or benefit from the direct application of this research. The funders played no role in the decision to submit the paper for presentation. The findings and conclusions in this presentation are those of the authors and should not be construed to represent any official USDA or U.S. Government determination or policy.



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Cornell
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Important differences across different types of beginning farmers: requires different approaches to transition discussions



Differences across beginning farmer types

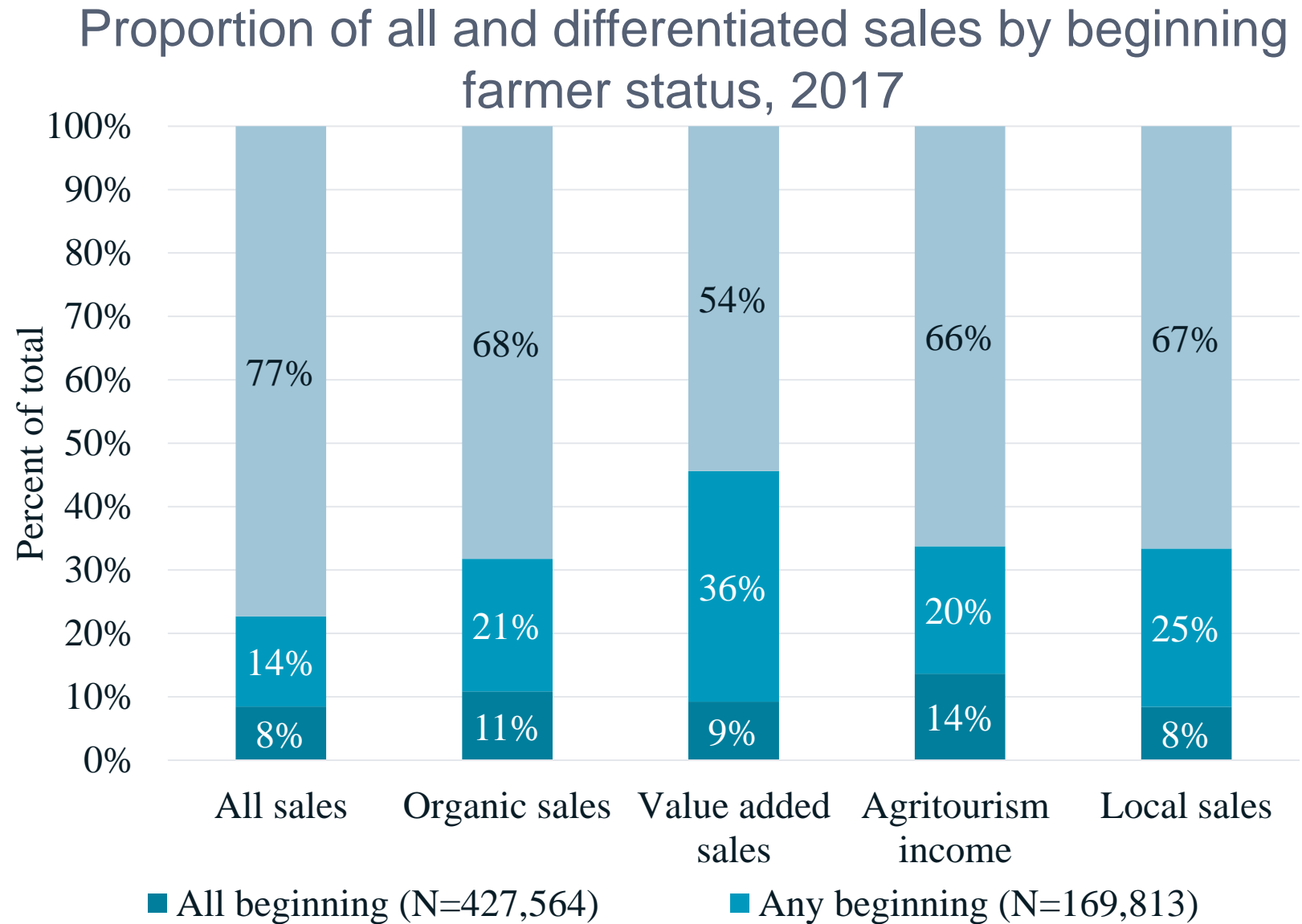
Compared to *any beginning* (multigenerational) or *established* operations, *all beginning* operations are

More likely to:

- Be smaller in scale
- Rent all the land they operate
- Sell products through local food channels
- Have fewer farm assets
- Have less farm debt (interest expense)
- Receive fewer government payments



Beginning operations make up a relatively large share of total *differentiated* sales



Notes: All beginning is defined as all operators having no more than 10 years of experience on any farm or ranch; any beginning is defined as one or more but not all operators having no more than 10 years of experience on any farm or ranch; established is defined as all operators having more than 10 years of experience on any farm or ranch.

Source: Census of Agriculture microdata, 2017



Do these differences impact survivability?

Methods:

- Tracked operations from 2007 to 2017 by POID
- We count an operation that survived as one that filled out the survey in both years
- We also ran a probit regression and found consistent results



Native Hill Farm

Differences in survival across farmer types

For farms operated by a beginning operator, a higher rate of farm business survival was associated with:

- participation in differentiated product markets (organic, local foods, value added, and agrotourism)
- crop insurance use
- greater involvement in agricultural programs
- renting farmland



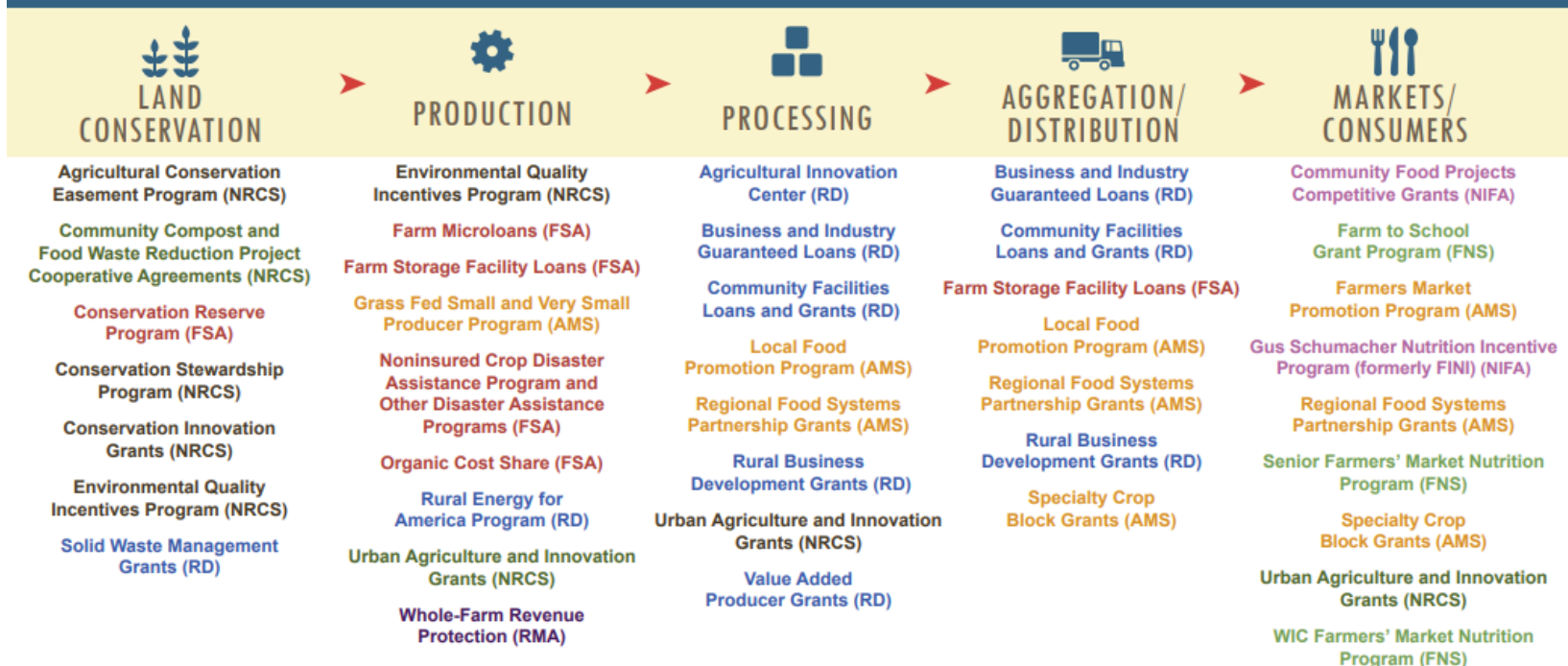
Knowledge Gaps Exist!



United States
Department of
Agriculture

USDA PROGRAMS IN THE LOCAL FOOD SUPPLY CHAIN

USDA is committed to supporting robust regional food economies across the food chain through the programs noted below.



RESEARCH, EDUCATION, AND TECHNICAL ASSISTANCE PROGRAMS ALONG THE SUPPLY CHAIN

Agriculture and Food Research Initiative (NIFA)	Extension Risk Management (NIFA)	Rural Cooperative Development Grants (RD)
Beginning Farmer and Rancher Development Program (NIFA)	Federal State Marketing Improvement Program (AMS)	Small Business Innovation Research (NIFA)
Community Prosperity Funding Opportunity (OPPE)	Food Safety Outreach Program (NIFA)	Socially Disadvantaged Group Grant (RD)
Conservation Technical Assistance (NRCS)	Organic Research & Extension Initiative (NIFA)	Specialty Crop Block Grants (AMS)
Enhancing Agricultural Opportunities for Military Veterans (AGVETS) (NIFA)	Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers Program (2501 Program) (OPPE)	Specialty Crop Research Initiative (NIFA)
		Sustainable Agriculture Research and Education Program (NIFA)

www.ams.usda.gov/localfood • Updated February 2021 • USDA is an equal opportunity employer, provider, and lender.



Knowledge Gaps Exist!



ATTRA Sustainable Agriculture

A program of the National Center for Appropriate Technology • 800-346-9140 • www.attra.ncat.org

Noninsured Crop Disaster Assistance Program and Whole-Farm Revenue Protection: Understanding the Differences

By Jeff Schahczenski
NCAT Agriculture and
Natural Resource
Economist
Published August 2019
©NCAT
IP589

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This publication helps explain and differentiate between two risk-management options that can help protect farm businesses from losses and prevented yield caused by weather or other disasters. These federally subsidized programs are Whole-Farm Revenue Protection and the Noninsured Crop Disaster Assistance Program.



Photo: Lance Cheung, USDA



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And things change!

RMA Announces Changes to Whole Farm Revenue Protection and Micro Farm Policies

News Release | Washington DC | August 31, 2023



WASHINGTON, August 31, 2023 – The U.S. Department of Agriculture (USDA) today announced that it is improving crop insurance options for small and diversified farmers through improvements to the Whole-Farm Revenue Protection (WFRP) and Micro Farm insurance plans. These updates are part of USDA's Risk Management Agency (RMA) efforts to increase participation and access to crop insurance.

"The improvements to Whole Farm Revenue Protection and Micro Farm policies are a direct response from feedback we've received from producers" said RMA Administrator Marcia Bunker. "These are two of the most comprehensive risk management plans available, and they are especially important to specialty crop, organic, urban, and direct-market producers."

Improvements to WFRP for the 2024 policy year include:

- Allowing all eligible producers to qualify for 80% and 85% coverage levels.
- Allowing producers to purchase catastrophic coverage level policies for individual crops with WFRP.
- Expanding yield history to a 10-year maximum (from 4 years) for all crops not covered by another federal crop insurance policy.
- Making the policy more affordable for single commodity producers.
- Allowing producers to customize their coverage by choosing whether WFRP will consider other federal crop insurance policies as primary insurance when calculating premium and revenue to count during claim time.

Improvements to Micro Farm for the 2024 policy year include:

- Moving the sales closing date to a less busy time of year to help agents dedicate time to marketing the program. This is important specifically for producers that are purchasing Micro Farm for the first time as it provides additional time for agents to assist growers with important risk management decisions.
- Allowing producers to purchase other Federal crop insurance with Micro Farm.
- Allowing vertically integrated entities to be eligible for Micro Farm.
- Making the Expanding Operations feature available with Micro Farm.

Risk Management Agency:

1400 Independence Ave. SW
Washington, DC 20250

Contact:

FPAC Press Desk

FPAC.BC.Press@usda.gov





To support successful transitions, we need to consider the farm household and rural communities.

2022 survey from the National Young Farmers Coalition received 10,901 responses.

- 78% farm in rural areas.

Among top recommendations:

- Support farmer mental health and well-being
- Increase access to affordable housing

Rural Development

We support:



2023 Farm Bill Policy Priorities

- A consistent, long-term, market-oriented farm policy that is transparent and efficient prioritizing projects with the greatest economic potential for rural communities.
- Programs should focus on the following:
 - Efforts to encourage processing and marketing opportunities for direct-to-market producers. Infrastructure, workforce development and local processing capacity need to be expanded as this market demand has increased exponentially;
 - Broadband programs prioritizing resources for rural communities most in need of connectivity; and
 - Increased access and incentives to provide safe and adequate childcare in rural communities.



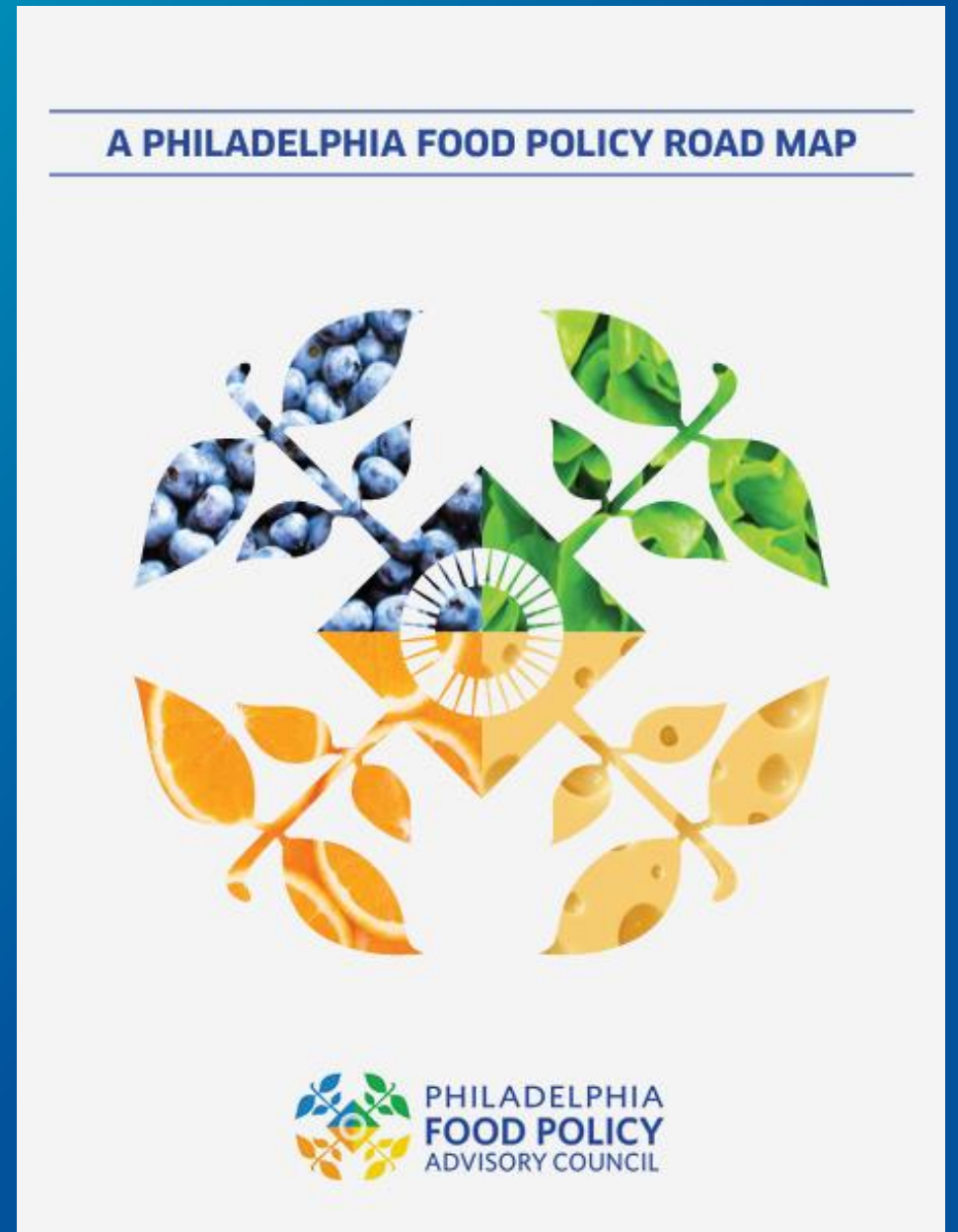
Lots of opportunities!

PA Schools Serving Local Food

>80% / 318 school food authorities (USDA FNS 2021)

PA ranks 2nd in value of total direct sales

\$600M in sales (\$152M of which were direct to consumer),
>5,000 operations (USDA NASS 2022)



Feel free to reach out with any questions!

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