



Farm Transition Background Paper

Prepared for the
Growing Opportunities Summit
February 11th, 2009

Introduction

With twenty-five to fifty percent of Oregon's farmland expected to change hands in the next decade, it is no wonder that farm succession planning and farm entry assistance have been listed among the top twenty issues facing the agriculture industry.¹ The average age of Oregon's farmers has continued to increase over time, with twenty percent of Oregon's farm operators aged 65 years or older (averaging 73.1 years); operators younger than 35 represent less than six percent of all principal operators.² Further, approximately 40% of Oregon's farm acreage is owned by non-farmers who are renting or leasing the land.³ If Oregonians want to ensure that agricultural lands remain in production, and retain the family owned and operated characteristic that has dominated the industry's structure, questions pertaining to land access and successful farm transition must be addressed – and must be addressed now.

In April 2008, a small work group representing diverse agriculture-related organizations began meeting to discuss how best to address this critical issue. The group identified four key issues impacting farm transition and new farmer viability: access to land, financial capital, markets, and technical assistance. They reviewed existing farm transition and beginning farmer programs across the US and conducted a preliminary inventory of existing resources and gaps in the state. The work group determined that a critical next step would be to convene a one-day summit to identify a cohesive vision and strategy for successfully addressing farm transition issues in Oregon.

This background paper has been prepared to both inform the Growing Opportunities Summit and to stimulate creative brainstorming for a statewide action strategy that will effectively address these important issues in Oregon.

The paper includes four briefing summaries, one on each key issue (land, financial capital, markets, and technical assistance) and an overview of existing Farm Link and beginner farmer programs in the U.S. For better or for worse, Oregon is not alone in facing these issues, providing us the opportunity to learn from other states' experience.

The lead hosts for the Summit include the Oregon Department of Agriculture, Oregon State University, USDA Farm Service Agency, and the Social Equity and Opportunity Forum of Portland State University's College of Urban & Public Affairs.

¹ Oregon Department of Agriculture. (2007). *State of Oregon Agriculture*. Salem, OR, pp. 13 and 89-91.

² *Ibid*, p. 89.

³ Oregon Department of Agriculture (2001). Farm ownership by non-farmers notable in Oregon. *The Agriculture Quarterly*.

Briefing Summary: Access to Capital and Capital Disposition Strategies

Key Question: How can we improve access to capital for beginning farmers & facilitate disposition for retiring farmers?

The Issues and Needs:

Financial capital for agricultural asset acquisition is critical to new farmer viability and successful farm transition, yet accessing appropriate capital is often difficult for farmers and ranchers. Capital management is difficult for sellers.

Issue	Challenges	Need
The population of farmers and ranchers is aging.	Critical to have viable transition plan to meet both buyer and seller needs.	Access to capital and credit to finance the transition.
Agriculture is capital intensive and expensive.	High cost of: <ul style="list-style-type: none"> • Farm and ranch land; • Machinery and equipment; Limited resources for down payment and collateral.	Flexible credit terms allowing higher “loan to collateral value” options with loan guarantees. Govt. backed bond finance programs. Down payment accumulation savings accounts. Non-debt options to access capital.
Most beginning farmers do not meet traditional lending standards.	Financial Considerations: <ul style="list-style-type: none"> • High debt/asset ratio. • Marginal earnings to support debt payments and future capital needs. 	Favorable non-traditional underwriting standards. Loan guarantee programs & below market rates that mitigate risk. Tax incentives & increased farm payments to bolster earnings.

Examples of Existing Resources and Services:

Credit Resource	Programs	Benefit
<p>Farm Service Agency http://www.fsa.usda.gov</p> <p><i>Direct funding for real estate, equipment and operating needs.</i></p> <p><i>Loan Guarantee Program that mitigates credit risks for other lenders.</i></p>	<p>FSA Targeted Financial Resources – Direct loan funding:</p> <ul style="list-style-type: none"> • 75% - Farm Ownership • 50% - Operating Loans <p>FSA Down Payment Loan Program – To buy real estate. Assumptions:</p> <ul style="list-style-type: none"> • 5% Down Payment and • 50% financing by another lender. <p>FSA Guarantee Programs – Guarantees against loss on loans made to beginning farmers:</p> <ul style="list-style-type: none"> • 95% guarantee and • No guarantee fee. 	<p>Loan funds are specifically designated for beginning farmers ahead of more established farmers.</p> <p><u>Non-traditional terms:</u></p> <ul style="list-style-type: none"> • Low 1.5% interest rate; • 20 year term; • 45% of purchase price up to \$225,000; <p>FSA guarantee mitigates credit risk to lender with first lien.</p> <p>Encourages lender participation with guarantee.</p>
<p>Northwest Farm Credit Services http://www.farm-credit.com/</p> <p><i>Helping young, beginning and small producers get started ensures a solid future for agriculture.</i></p>	<p>AgVision Program – Designed specifically for young, beginning and small farmers to finance:</p> <ul style="list-style-type: none"> • Real Estate • Machinery and equipment • Operating expenses • Production livestock • Refinance of existing debt 	<p>Less restrictive credit underwriting standards plus:</p> <ul style="list-style-type: none"> • Preferred interest rates; • Reduced or waived fees; • Up to \$1,500 in educational and technology benefits; • Educational seminars and mentor programs.
<p>Bank, Credit Union, Mortgage & Insurance Co. <i>Production, term operating & real estate loans.</i></p>	<p>Ag Financing Sources – Typically:</p> <ul style="list-style-type: none"> • Bank & CUs – Operating expense, Machinery & Equip, Real estate • Mortgage & Ins. Co – Real estate 	<p>Ready ag credit source for qualified applicants. Trust & escrow depts. provide capital management services for those retiring or exiting. Large loan financing from Mortgage & Ins. Co’s.</p>
<p>Seller or Landowner Financing</p> <p><i>Lease or sale to aspiring beginning farmers and ranchers on favorable terms enhances opportunity to succeed.</i></p>	<p>FSA Land Sale Contract Guarantee Program – Provides:</p> <ul style="list-style-type: none"> • Prompt payment guarantee • Guarantee against loss <p>Favorable Private Lease-Sale Arrangements – May provide:</p> <ul style="list-style-type: none"> • Lease w/ option to purchase. • Lease credit toward purchase. 	<p>Encourages land sale to beginning farmer with risk-reduced seller financing. Enables installment sale revenue source for retiring generation. Lease credits minimize borrowed capital outlays.</p> <p>Gain practical farm management experience in preparing for land ownership.</p>

What ideas do you have for addressing this issue in Oregon?

1. A “one-stop-shop” internet resource providing info about financing options (grants, loan programs, ag-friendly banks, etc.)
2. _____
3. _____

Briefing Summary: Access to Markets for Beginning Farmers

Key Question: How can we help beginning and transitioning farmers access profitable markets?

The Issues and Needs:

Farmers and ranchers must have profitable markets for their products to be economically sustainable, however, new or transitioning producers may not be familiar with or know how to access various markets. The fact is that investments in crops and livestock can take years to mature and it's not always clear what to produce and where to sell it. Making a living in agriculture is never a sure thing.

Issue	Challenge	Need
New farmers may not be familiar with marketing opportunities, dynamics, risks, and strategy.	Beginning farmers need to choose markets that they can succeed in, and understand that market realities should inform production decisions.	Easily accessible information and outreach to expose new farmers to the range of marketing possibilities and best practices. Assistance to help new farmers complete a business plan that informs their production plan.
New farmers may not be familiar with marketing regulations and laws	Learning about and understanding relevant marketing regulations can be overwhelming for a beginning farmer. Can be hard to find information.	Clear and easily accessible information about local, state and federal laws relevant to agricultural marketing, including producer rights and responsibilities.
New farmers may face barriers to entry in some markets.	If beginning farmers can't gain access to certain markets, or necessary processing infrastructure, their prospects for financial success may be limited.	Additional and new market opportunities; emphasis on market diversification. Additional processing infrastructure, e.g. more local meat processing facilities for Oregon livestock producers.

Examples of Existing Resources and Services:

Marketing Resource	Programs	Benefit
Oregon Department of Agriculture www.oda.gov	Local Marketing http://egov.oregon.gov/ODA/ADMD/mktg_local.shtml http://egov.oregon.gov/ODA/ADMD/farmers_markets.shtml http://www.oregon.gov/ODA/pub_fd_toc.shtml Regional/National Marketing http://egov.oregon.gov/ODA/ADMD/mktg_regional.shtml Export Marketing http://egov.oregon.gov/ODA/ADMD/mktg_international.shtml The Oregon Farmers' Handbook http://egov.oregon.gov/ODA/pub_agripedia.shtml	<ul style="list-style-type: none"> • Info about local & direct marketing options, including: CSA, farmers market, farm-stand, restaurant, colleges & institutions, and grocery stores. • Info about selling to regional and national chain stores, broker and distributor networks, & via the internet. • Info about selling into foreign and global markets. • Discusses regulations, laws, etc. that apply to agriculture.
Oregon State University	Small Farms Program http://smallfarms.oregonstate.edu/	Provides marketing information, research and assistance to small farms.
Various Commodity-Specific Marketing Organizations (e.g. Oregon Cattlemen's Association, Oregon Pear Bureau, Ryegrass Grower's Association, etc.)	Varies by organization	Provide marketing information and assistance, including: product promotion, advertising, branding, etc.

What ideas do you have for addressing this issue in Oregon?

1. Medium-scale processing infrastructure, such as slaughterhouses, to enable regional sale of Oregon products
2. _____
3. _____
4. _____
5. _____

Briefing Summary: Access to Land for New Farmers & Land Transition Strategies

Key Question: How can we improve access to farmland for beginning farmers and help retiring farmers with land transition?

The Issues and Needs:

Farmland is becoming increasingly expensive – to the point that many beginning farmers cannot afford to purchase their own land. Even if they can obtain financing and are able to buy land, it can prove difficult to find quality farmland that is appropriate in terms of size, location, price, infrastructure and soil attributes. Leasing is another option for beginning farmers, but brings with it other issues related to uncertainty of land tenure, limitations on land improvement, and landlord dynamics, in addition to all of the buyer challenges mentioned above. For many retiring farmers their land is their most valuable asset; we need solutions that allow them to realize the value of that asset but also keep land in production.

Issue	Challenge	Need
Land is priced out of the range of affordability for beginning farmers.	Beginning farmers have limited access to capital for land purchase and often must resort to lease arrangements instead.	Programs to make farmland affordable and available to beginning farmers (e.g. better financing options, land trusts to purchase & hold development rights, farm incubator programs for smaller scale beginning farmers, etc).
There are numerous criteria that a parcel of land must meet to be suitable for production.	Beginning farmers need to be aware of these criteria.	Information and technical assistance to help beginning farmers assess land. Considerations include: size, aspect, location, zoning, affordability, market access, infrastructure (suppliers, processors, water, electricity, roads), outbuildings & equipment, proximity to other operations, and specialized land needs (e.g. organics).
Sellers may not be aware of the available options for the disposition of their land.	Current landowners looking to transition are often not aware of the full range of options and combinations of options available to them (e.g. sell, retain, preserve, rent, lease, donate. Land owners may not be aware of new farmer interest/ demand).	Information and technical assistance to sellers to help them understand their disposition options. Programs to help match retiring farmers with aspiring farmers.
It can be difficult to identify available farm or ranch land.	Land seekers may have to work through numerous different channels to find land, including different realtors, online listings, word of mouth, etc. - which is time and resource expensive.	Maintain a centralized listing of available land. Create system, like Farmlink, to help “match-make” land seekers with those who have land or farming opportunities available.

Examples of Existing Resources and Services:

Land Access Resource	Programs	Benefit
Friends of Family Farmers	iFarm Oregon http://www.friendsoffamilyfarmers.org/?page_id=130	Links aspiring farmers with farming opportunities, including land. Provides additional resources to help make “matches” and farm start-up successful.
Private Realtors and Classified Services	Commercial Realty Offices Online Listings, such as Craigslist Print Classifieds	Provide information and listings about local/regional parcels.
Resources to understand the physical & legal characteristics of land	NRCS Web Soil Survey websoilsurvey.nrcs.usda.gov/app/homepage.htm State of Oregon Water Resources Department www.wrd.state.or.us	Provide information to help farmers understand capability, suitability and limitations of a particular piece of land.

What ideas do you have for addressing this issue in Oregon?

1. Agricultural land trust to facilitate purchase of development rights on farmland and help keep land more affordable.
2. _____
3. _____
4. _____

Briefing Summary: Technical Assistance for Beginning & Transitioning Farmers

Key Question: How can we improve training & technical assistance services to best support new farmers & farm transition?

The Issues and Needs:

The next generation of farmers has very different challenges than previous generations. Access to training and technical assistance at crucial transition periods is important to the success of Oregon farmers and farm families entering or exiting farming. Passing on the family farm to the next generation is still the most common source of new farmers in Oregon. However, many new farmers are from a variety of backgrounds and include people from non-farming backgrounds, more women than in the past, and farmers with diverse cultural and national backgrounds.

Issue	Challenge	Need
Inter-generational transfer	Intergenerational transfer, typically involving a retiring farmer passing a family operation on to a next generation family member, can be a delicate process for families, emotionally and financially.	Effective succession planning programs and assistance, including: <ul style="list-style-type: none"> Innovative farm and ranch transfer strategies; Intra-family communication skills and decision making tools Personal and family transition skills
Beginning farmers without farm experience	Some people from non-farming backgrounds chose farming as a career. A challenge for these people is the limited opportunities to learn how to farm.	General training and technical assistance to learn how to farm. Specific needs include: <ul style="list-style-type: none"> Mentoring, apprenticeships, and internships Basic livestock and crop farming practices Curriculum development Resources and referral
Beginning farmers with farm experience	These farmers may be transitioning into farming on a multi-generational farm or have gained their experience elsewhere. For the latter group, access to land and credit are crucial for beginning farmers who are ready to start farming. However, they also have other significant needs including a variety of skills for operating a farm business that may enhance their access to land and credit.	Training and technical assistance, particularly around the business aspects of farming: <ul style="list-style-type: none"> Entrepreneurship and business training Financial management training Whole farm planning Diversification and marketing strategies Assisting beginning farmers or ranchers in acquiring land from retiring farmers and ranchers Curriculum development

Examples of Existing Resources and Services:

Technical Assistance Resource	Programs	Benefit
Oregon State University	OSU Small Farms Program http://smallfarms.oregonstate.edu Austin Family Business Center http://www.familybusinessonline.org/	Offers training and technical assistance for small and beginning farmers. Offers "Growing Farms" a whole farm planning curriculum for new farmers. Offers business succession resources. Partner in "Ties to the Land" succession planning.
Northwest Farm Credit Service	http://www.farm-credit.com/	Offers farm succession workshops. Offers "youth and beginning producer" financing packages
Mercy Corps Northwest	Northwest https://www.mercycorpsnw.org/	Offers business planning resources for low income and immigrant farmers
Commodity Groups (e.g. Oregon Cattlemen's Association)	Have offered farm succession seminars.	Provide commodity-specific farm transition information to group members.

What ideas do you have for addressing this issue in Oregon?

1. Farm incubator and "agricultural journeymen" program to help train the next generation of farmers in OR
2. _____
3. _____
4. _____
5. _____

How Farm Link Programs Can Support Successful Farm Transition

Farm Link programs, which began to appear in the US in the 1990s, are one tool that can be used to help ensure that existing agricultural lands remain in production. Farm Link or Land Link programs⁴ range across a number of features but have the same overarching purpose of keeping productive farming and ranching lands in agricultural use.⁵ Farm Link programs support the goal of keeping agricultural land in production by providing “links” to a range of services (e.g., matching land seekers with land available, holding workshops, making resource referrals, developing or distributing guidebooks, providing one-on-one technical assistance).⁶ These services may be offered to beginning, expanding, and exiting farmers and ranchers as well as agricultural landowners who are not farmers.

To help Oregonians consider whether a Farm Link program would be beneficial in their state, we examined existing Link programs in the US.⁷ Interviews were conducted with staff of thirteen of the fifteen identified programs.⁸ The key insights and lessons learned are as follows:

- Farm Link programs, if well designed and resourced, can support farm transition by helping to ensure that entering, exiting, and expanding farm operations efficiently and effectively access the information and resources necessary for a successful transition.
- It is most helpful to conceptualize Farm Link programs broadly as a link to resources that help people successfully enter, exit, or expand a farm operation, rather than solely as a service that helps match people seeking agricultural land with available parcels.
- Program success is suggested to benefit from collaboration among a range of stakeholders in order to reach different audiences, tap diverse expertise, and leverage resources. Some of the work of a Farm Link program can be accomplished by coordinating existing resources (e.g., agencies collaborating to host a workshop, produce a manual, or provide outreach about the program).
- Farm Link programs are housed in different places – departments of agriculture, universities, and non-profit organizations. More important than the host location is adequate resourcing and collaboration. Success is fostered when stable and adequate resources are secured up front.
- Matching land seekers with land owners can be very resource intensive. Ample and well-framed outreach and recruitment is critically important, especially to existing and non-farming landowners. A number of interviewees emphasized the importance of being physically “in the field” building awareness and relationships.
- It is important to ensure that the program staff skill is well aligned to program needs. A number of interviewees noted that the interpersonal skills or “the human touch” has been equally or more important to their program than any other expertise. Additional skills that were mentioned by interviewees as important include data management (e.g., well-designed intake form), web development, and expertise in agricultural land transfer, tax, and succession.
- The program mission must be clearly defined and strategies aligned with the mission. For example, if the goal is to keep farmland in production, attention needs to be spent on succession planning and beginning farmer support as much or more than on “match” opportunities. If the program aims to serve farmers rather than people seeking rural “lifestyle lots” it may be useful for the “seeker” applications to include a requirement such as minimum number of years of farming

⁴ Titles of these programs vary; here, “Farm Link” is used as an umbrella term. The full report, “*Growing Opportunity: An Examination of Existing Farm Link Programs and Their Applicability to Oregon*” can be found at <http://www.pdx.edu/cupa/seofprogramming.html>.

⁵ Here, the terms farm and farmer are used to represent the full range of farming and ranching operations and operators.

⁶ The terms match and link are often used interchangeably.

⁷ The research was conducted between August and September 2007.

⁸ Two of the existing programs did not respond to inquiries.

experience. Also, a maximum operation size may be specified if there are concerns about consolidation of land ownership and industry concentration.

Existing Farm Link Programs

California Farm Link

<http://www.californiafarmlink.org>

Connecticut Farm Link, Connecticut Department of Agriculture

www.farmlink.uconn.edu

Iowa Farm On and Beginning Farmer Center, Iowa State University

<http://www.extension.iastate.edu/bfc/programs.html>

Maine FarmLink, Maine Farmland Trust

<http://www.mainefarmlink.org/>

Michigan Farm Link, Michigan Farm Bureau

<http://www.michfb.com/youngfarmers/farmlink>

Land Link Montana (Formerly Montana Farm Link), Community Food and Agriculture Coalition

<http://www.landlinkmontana.org/>

New England Land Link, New England Small Farm Institute

<http://www.smallfarm.org/nell/index.htm>

New Jersey Farm Link, New Jersey State Agriculture Development Committee

<http://www.nj.gov/agriculture/sadc/farmlink/>

New York Farm Link and Farm Net, Cornell University

<http://nyfarmlink.org/> <http://www.nyfarmnet.org/>

North Carolina Farm Transition Network

<http://ncftn.org/>

Pennsylvania Farm Link and Pennsylvania Center for Farm Transitions

<http://www.pafarmlink.org/> and <http://www.agriculture.state.pa.us/cft/site/default.asp>

Land Link Vermont, University of Vermont Center for Sustainable Agriculture

<http://www.uvm.edu/~susagctr/?Page=begland.html> = <http://www.uvm.edu/landlinkvt/>

Virginia FarmLink, Office of Farmland Preservation, VA Dept. of Agriculture and Consumer Services

http://www.savefarms.com/farmlink_about.htm

Washington Farm Link, Cascade Harvest Coalition

<http://www.cascadeharvest.org/>

Wisconsin Farm Link, Wisconsin Department of Agriculture, Trade, and Consumer Protection

http://datcp.state.wi.us/mktg/agriculture/farm-center/transfers/farm_link.jsp

Examples of Existing Beginning Farmer Programs

Beginning Farmer Center

Iowa State University (Iowa)

Formed by legislative mandate in 1994 to provide services to beginning farmers and to help make land links between aspiring and retiring farmers. Develops, coordinates, and delivers targeted education to beginning and retiring farm families. Provides programs and services that develop skills and knowledge in financial management and planning, legal issues, tax laws, technical production and management, leadership, sustainable agriculture, human health, the environment, and leadership.

<http://www.extension.iastate.edu/bfc/>

Beginning Farmer & Rancher Opportunities

Center for Rural Affairs (Nebraska)

Program includes land link service, financial planning services, advocating for innovative tax law, providing information about innovative production & marketing strategies, and estate planning services.

http://www.cfra.org/resources/beginning_farmer

Central Illinois Farm Beginnings

University of Illinois Extension & the Land Connection (Illinois)

A one-year program that relies on the Land Stewardship Projects curriculum and materials.

A collaborative effort between University of Illinois Extension and the Land Connection.

<http://central.illinoisfarmbeginnings.org/>

Cultivating Success

Washington State University Small Farms Program, University of Idaho Extension & Rural Roots (Idaho & Washington)

Offers educational programs to increase the number of and foster the success of sustainable small acreage farmers and ranchers in Idaho and Washington. <http://www.cultivatingsuccess.org/>

Farm Beginnings

Land Stewardship Project (Upper Midwest)

Year long beginning farmer training program including 36 hours of seminar time as well as farm tours, mentorship, & access to revolving livestock loan program. Expanded to Illinois, Nebraska & Missouri.

<http://www.landstewardshipproject.org/farmbeg.html>

Growing New Farmers

New England Small Farm Institute (Massachusetts & Northeast)

Online directory of over 200 public, private & non-profit organizations working to support new farmers in New England, through technical assistance, access to land, access to capital & financing, and access to markets. <http://growingnewfarmers.org/>

Intervale Farms Program and Success on Farms Program

Intervale Center (Vermont)

A farm incubator program that helps remove start up barriers by leasing land, equipment, greenhouses, irrigation, and storage facilities to small independent farms, along with mentor opportunities. Success on Farms is a two year business planning program designed to help farmers improve viability.

http://www.intervale.org/programs/agricultural_development/intervale_farms.shtml

http://www.intervale.org/programs/agricultural_development/success_on_farms.shtml

iFarm Oregon

Friends of Family Farmers (Oregon)

A land and resource connection service with an online database. This project connects new and young farmers to agencies and organizations that provide agricultural financial services and educational opportunities. Also maintains a land database to match landholders and farmers exiting agriculture with entering farmers in Oregon. http://www.friendsoffamilyfarmers.org/?page_id=130

New American Agriculture Project (NAAP)

MercyCorps NW (Portland, OR)

Non-profit providing a suite of services to immigrant and beginning farmers in Portland area, including technical training, access to IDA accounts and loans, business planning, seeds, tools, and access to leased land. https://www.mercycorpsnw.org/mercy/corps/info/new_agriculture_project/

New Entry Sustainable Farming Project

Tufts University and Community Teamwork (Massachusetts)

New Entry Sustainable Farming Project (NESFP) offers diverse training opportunities, farmland access, and technical assistance to individuals interested in starting their own farm enterprises. There is a strong focus on helping immigrants, refugees, native-born Americans, and other socially-disadvantaged individuals to become farmers in Massachusetts. <http://nesfp.nutrition.tufts.edu/>

New York Beginning Farmer Resource Center

Cornell University Cooperative Extension & New York Farm Viability Inst. (New York)

The Center provides support for beginning and diversifying farmers by offering a farmer forum, FAQs, farm planning support/templates, and access to a network of farmers. Some funding is provided by the New York State Department of Agriculture and Markets. <http://beginningfarmers.cce.cornell.edu/>

PEPA – Programa Educativa Para Pequeños Agricultores

Agriculture and Land-based Training Association (ALBA) (Salinas, CA)

Non-profit program providing 6 month multi-lingual classroom training in organic agriculture production and farm management. Students graduate from program onto ½ acre parcels of land to begin farming independently. ALBA provides infrastructure for lease, including walk-in cooler, tractors, irrigation, etc. for collective use. <http://www.albafarmers.org/>

