America's Aging Farmers

Who Will Take Their Place?

Common perceptions of the "graying" of America's farmers have been confirmed by Census of Agriculture data. The Ag Census showed an increase in average age of farm operators from 50.5 to 52 years between 1982 and l987, a decline in the number of farmers under age 25 from 62,336 to 35,851 and an increase in the number 65 or over from 400,000 to 447,000.

In 1987 more than 21 percent of all farmers were 65 or over. By comparison, only 3 percent of the total U.S. labor force is 65 or over. Self-employed workers tend to retire later than others, but even compared with self-employed workers (9 percent of whom are at least 65) farming has a large proportion of older persons.

The trend toward older farmers began in the 1950s. The rapid off-farm migration of the 1950s left a relatively small number of young farmers and a large older cohort who had begun farming before the off-farm exodus began. Hence, the average age of farmers in the Census of Agriculture rose steadily from 46.5 years in 1940 to 51.7 in 1974, slightly less than 1987's average 52. Between 1964 and 1974 there were about 14 farmers 65 and over for every 10 farm operators under 35, compared with a ratio of 16 to 10 in 1987.

Concerns about aging farmers were temporarily allayed by an unusual influx of young farmers in the 1970s, due to a combination of farm sector prosperity, maturing of the "baby boom" cohort, and greater preference for rural living. The average age dropped between 1974 and 1978 from 51.7 to 50.3 before rising from 50.5 to 52 between 1982 and 1987.

> **Few young people are entering farming. If new young farmers do not step forward to replace retiring farmers, ownership of land and other farm assets may be concentrated into fewer, ever-larger operations. Larger farms are more likely to purchase inputs, obtain credit, and market products outside the local community. A decline in farm population could also threaten the viability of rural retail businesses and handicap rural social organizations, schools and churches.**
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> *— Fred Gale*

With the onset of the farm financial crisis in the 1980s, potential new young entrants were discouraged by bleak financial prospects and scarce farm credit.

The most noticeable trend over the past several decades has been a steady decline in the number of middle-aged farmers. The number of farm operators 35 to 64 years old fell from 3.2 million in 1954 to under 1.4 million in 1987.

The number of young and older farmers has been more steady. The result is that farmers are more evenly distributed across age groups than they were in 1954. Changes in all age groups during recent years have been small in comparison with changes during the 1950s and 1960s. More recent Current Population Survey (CPS) data show continued decline in the number of under-35 farmers and farm managers between 1987 and 1990, and a fairly constant number of farmers 65 and over.

Adjustments in farm numbers take place primarily through changes in entry, which responds to earnings prospects and entry costs in farming compared with other occupations. In earlier decades, off-farm migration was common for farm families. Today exit is driven primarily through normal attrition of older farmers. Entry is concentratecl among young people, and is more responsive to economic conditions than is exit.

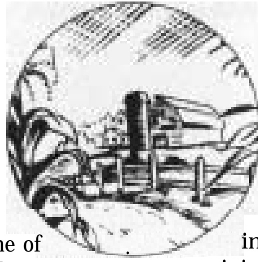
Young people contemplating a career choice have more flexibility in responding to economic conditions than older people. All people, no matter what their occupation, become less likely to change jobs as they grow older. This means that when farm prospects are gloomy, farming tends tp become "grayer" as fewer young people are attracted to farming, the profession becomes younger. Reduced entry of young farmers was responcible for the faster decline in numbers of farms between 1982 and 1987 versus 1982-1987. Much attention was given to farm exits during the 1980s, but overall, exits seem to have been stable between 1978-1982 and 1987-1987.

The effects of financial stress likely fell disproportionately on younger farmers. Younger farmers are more highly leveraged than older farmers, and many who entered during the boom years of the late 1970s borrowed heavily to purchase land at high prices. When land values fell, younger farmers encountered the greatest financial problems servicing debts at the high interest rates prevailing at the time. This is reflected by a noticeable increase in exits for 35 to 44 year old farmers. Forced exits were a small proportion of total farm exits in the 1980s.

Based on the 1987 age distribution and exit rates during 1978-87, net exits by farmers 55 and older should continue at a steady rate of about 48,000 per year through the 1990s.

Net entry of farmers 35 to 54 years old should be small. It's unlikely that net entry of those under 35 years would exceed 15,000 per year. Consequently, farm numbers should continue to decline from the current 2 million to 1.75 million by the year 2002.

Entry Will Remain Low



Although the overall income and financial situations of U.S. farms have improved during the past several years, entry of young farmers will likely remain low due to the poorer long-run prospects for farm careers compared with other occupations.

The Bureau of Labor Statistics projects a decline of 224,000 self-employed farmers between 1990 and 2005. Young people are responding by choosing other occupations, as indicated by declining enrollment in agricultural courses of study.

Traditionally, farm entrants have been drawn from the pool of young people who were raised on farms. The shrinking of this pool, due to past declines in farm birth rates and off-farm migration, is another factor contributing to low farm entry. The pool of potential farm entrants may shrink by 20 to 30 percent between 1992 and 1997.

Although farm production will likely continue to grow at a modest pace, fewer farm operators will be needed to produce any given amount of food and fiber. The large number of farmers who are 65 or over can be adequately replaced with a smaller number of new young farmers, because older farmers generally have smaller farms and produce less than younger farmers.

Farmers 65 and over had an average farm size of 520 acres and sales of $49,500 in 1987, compared with 800 acres and $144,000 for farmers aged 35 to 54 (comparing only those whose principal occupation was farming). Many older farmers probably operate small-scale farms because they are partially retired.

Older farmers may also be less productive due to lower education levels and lower adoption rates of new technologies. In 1990, 44.3 percent of farmers 65 years and older had not completed high school, compared with 12 percent of those 25 to 34 years old. Only 22 percent of 65 and older farmers had post-high school education, compared with 40 percent of young farmers.

Some Communities May Face Adjustments

The land of retiring farmers will be absorbed into the farms of established neighboring farms or diverted to nonfarm uses if there are few beginning farmers to buy or rent it. Of course, this means a continuation of the trend toward fewer and larger farms, a trend believed by many to have adverse effects on rural communities.

However, while farming is the dominant form of land use, it is not the main source of economic activity in most rural communities. Only about a fifth of non-metro counties are classified as "farm-dependent" (at least 20 percent of labor and proprietors' income derived from farming). Most nonmetro counties are more dependent on manufacturing and services industries for employment and income.

Farm-dependent counties are concentrated in western Minnesota and Iowa, and the Great Plains, where entry of young farmers has been the strongest and average farmer age is the lowest in the nation (about 49 years). The decline in farm numbers has been slower in these regions than in the Midwest and South.

The trends toward older farmers and fewer farms are slower in these farm-dependent areas, but the effects of the trends are more noticeable since farming plays a more important role in the local economy and social structure. The consolidation of farms into fewer but larger operations appears to be most rapid in the Midwest and South where the availability of nonfarm opportunities has drawn many young people into other careers.

The highest average farmer age (about 54 years) is found in Appalachia and parts of the Deep South. In these areas, farms are generally small and unprofitable, and young persons often migrate to take advantage of employment opportunities in Sun Belt cities. The economies of rural communities in these areas are usually based on manufacturing or mining, while farming plays a relatively small role.

For the most part, a high average age of farmers reflects poor farming opportunities relative to nonfarm opportunities. But in the West, Northeast, and places adjacent to urban areas, entry of older operators, primarily people who move to farms after retirement from another job, has boosted the average farmer age. In many rural areas, the farm sector is more dependent on the nonfarm sector (for off-farm income) than vice-versa.

Can Public Policies Stop the Trend?

A number of policymakers and farm advocates have pushed for government programs to help beginning farmers get established. The Agricultural Credit Improvement Act (HR 4906) that passed the House of Representatives in August 1992 offers low-interest or guaranteed operating loans through the Farmers Home Administration (FmHA) to beginning farmers with fewer than five years of experience. It also offers a down-payment loan program for the purchase of farmland.

The bill requires that a farmer "graduate" to commercial credit within 10 years. The bill redirects FmHA resources away from struggling experienced farmers who are chronically dependent on government aid to beginning farmers who show potential for success in farming.

Such credit subsidies for beginning farmers may be a more cost-effective way to achieve the goal of preserving the institution of the family-owned and -operated farm than the current array of production subsidies and market interventions that benefit all farmers. But attention should also be given to how existing policies work against beginning farmers. Many farm programs favor large producers, because program payments are tied to production.

Taxation of capital gains based on inflationary dollars may discourage older farmers from retiring. While the price of farmland has risen steadily with inflation, farmland values in real terms are nearly equal to levels of the 1960s in many areas. An older farm operator who sells land purchased 20 to 30 years earlier faces the prospect of large capital gains taxes. This provides incentives for aging farmers to hold on to their land until death, and consequently restricts the amount of land available for new farmers to purchase.

Estate taxes often prevent the passing of family farms intact to a younger generation. A family-operated farm can be worth $1 million or more, so a farmer's heirs often have to liquidate farm assets to pay inheritance taxes.

Government programs for beginning farmers will help some individuals, but will probably not reverse current trends. Beginning-farmer subsidies were in place in a number of states throughout the 1980s, and made little difference in attracting more entrants. An estimated 3,500 farmers have received subsidized loans totaling nearly $400 million since 1980. This is but a small fraction of the total number of beginning farmers. An estimated 27,000 farms operated by farmers under 35 years old began operations each year during that period.