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Getting started in farming: No path is the same

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Farmland values have experienced increases in the recent past. Today, the agricultural land market is influenced by many factors. A large contributing factor is commodity prices or the income that can be earned from the land. Other key components that influence land value are the amount of debt incurred with land acquisition and government policies, especially policies related to energy, taxes and input costs.

The performance of the U.S. economy and economies throughout the world impact commodity prices, which, in turn, influences land values. Government monetary policies are significant factors to observe, as they relate to inflation and interest rates. Weather-related challenges, both here and abroad, continue to have an influence on land values. Urban sprawl, real estate development and other land use planning issues impact the cost and availability of land.

It is important to remember that farming is a business. Like any other business, an individual must look at the advantages and disadvantages of operating a farm and evaluate key aspects: including all parties involved with decisions, resources available and different enterprises. This article outlines three paths for getting started in farming: joining another generation on the farm, inheriting a farm, and part-time or small farming. Expanded information files on the materials presented here are available on the Ag Decision Maker website, http://www.extension.iastate.edu/agdm/wdbusiness.html.

The decision to make a living from farming requires much thought. Concrete steps must be taken to give the arrangement the best possible chance for success. A commercial farm business involves considerable quantities of land and capital. Gaining access to these resources can be a major challenge or roadblock for a beginning farmer. Not only is it essential to have physical resources, but one

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**Handbook updates**

For those of you subscribing to the handbook, the following new updates are included.

- **Historical Iowa Farm Custom Rate Survey** – A3-12 (3 pages)
- **Change in Hog Prices by Two-Week Period** – B2-15 (2 pages)
- **Change in Cattle Prices by Two-Week Period** – B2-20 (1 page)

Please add these files to your handbook and remove the out-of-date material.

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Extension and Outreach
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must have the managerial ability to combine those resources into an efficient and profitable farm business. For those who have inherited a farm, it can be both exciting and frustrating. Some people know exactly what they would like to do with the farm, but many do not. A number of questions and issues must be addressed before the final decisions are made. For those who enter farming only part-time, even though it is not a career, it can still seem like a full-time job at times. It is important to fully prepare yourself for everything that comes with the responsibility of having a small farm.

Inheriting a farm

Over the next several years the question of what to do with inherited farmland will become increasingly important. The average age of farmland owners continues to increase. According to the 2007 Census of Agriculture, the average age of the principal farm operator was 57.1. The fastest growing group of operators is farmers over the age of 65. The average age of landlords has seen a significant increase as well. According to the 2007 Farmland Ownership and Tenure in Iowa study, more than 55 percent of farmland in Iowa was owned by people over the age of 65. Owners over 75 years of age owned 28 percent of farmland in Iowa.

Individual circumstances dictate the most sensible course of action. In some cases, the land may already be farmed by the individual who inherited it, and the decision could be relatively simple. In other cases, the land may be inherited by someone who knows little about modern agriculture and has no idea what to do with the farm. Finally, if the farm is jointly inherited, the wishes of all parties should influence the decision of what to do with the farm. Regardless of the circumstances, it is important to assess your situation carefully.

There are two major factors that need to be considered before making any decisions. First, it is important to evaluate the land you inherited and understand the farm. In most cases, this will determine the best course of action. The second major factor to consider is whether the farm was inherited by an individual or a group. The more people involved with the inheritance, the more complicated the decision-making process.

Via the home farm

The home farm provides several favorable opportunities. The first opportunity is the access to land. Often, the chief factors constraining a beginning farmer are the unavailability and high price of land. The family farm provides access to capital and the opportunity to accumulate additional capital that might not otherwise be available. Another appealing aspect offered by the home farm is that farming with the older generation provides the opportunity for gaining managerial experience under guidance and encouragement. This managerial assistance removes some of the uncertainty and hesitation in borrowing money and entering new enterprises on an efficient scale. Going back to the family farm has a large sentimental value for some people. You are unable to assign a price to farming the land where you were raised.

Even though the home farm provides a viable opportunity to begin farming, several matters need serious attention. Family arrangements are not automatically successful like some may presume them to be. Serious thought, open discussion and careful planning must take place before reaching an agreement to gain the long-term commitment and confidence needed for success. Prior to any agreement, plans must be developed, understood and agreed upon concerning:

1. What arrangements are made for the new partner to enter the business?
2. How does that person develop a greater role in the management and financial structure of the business?
3. When and under what conditions does the new person gradually assume the managerial reins of the business?

4. How will eventual ownership of the farm be transferred to the younger generation upon retirement or death of parents or family?

Because of the large quantities of resources involved and the total dollar value of these resources, all parties must recognize that a family arrangement has long-term consequences. It is not something to be entered into haphazardly or with less than full confidence by all parties that a successful working relationship is possible. It is unlike many nonfarm jobs at which two weeks notice will terminate employment. Traumatic personal and financial consequences and strained family relationships can result from the failure of a family farming arrangement. Furthermore, after the arrangement is started, a lot of hard work and considerable “give-and-take” on the part of all participating parties will be necessary to keep the arrangement going.

Before starting a family farming arrangement, it is also essential that serious consideration be given to such matters as:

1. Is there the opportunity for both generations’ goals and objectives to be met?
2. Is the business large enough, or can it be made large enough to financially support multiple families?
3. Will the arrangement supply the economic security required by the older generation?
4. Will overall family harmony be maintained?

**Part-time or small farms**

There are many different motives people have for wanting to get into part-time farming ranging from a desire for open space and learning experiences for children to a transitional step into full-time farming. If you are simply looking for a place to live in the country for the scenery and your own garden, a smaller operation with plenty of scenery might be a better choice to meet your goals.

The two most important questions that should be asked are: 1) Why do I want to have a part-time farm? and 2) What do I expect to obtain from the farm? Once these questions have been answered, develop goals for the purpose and function of the farm. This will help set up a long-term plan using the farm system best suited for you.

**Advantages and disadvantages of part-time farming**

When deciding whether to farm on a part-time basis, assessing both the advantages and disadvantages will help determine the best fit for you.

**Advantages** - Part-time farming is not right for everyone. It can support a healthful way of life in the country away from urban congestion. The farm can provide open space and learning opportunities for children. If the family is able to furnish the necessary labor and management and choose the right enterprise, the farm could supplement cash income.

The physical labor of the farm may provide satisfaction or have a therapeutic effect for some people. This same labor can become overpowering and a drudgery to those who are not accustomed or conditioned to it. Finally, the air and light pollution may be less in the country than in town.

**Disadvantages** - Advantages for some become disadvantages for others. For some people, being far away from neighbors or town can cause a feeling of isolation. Part-time farmers with family have to prepare for higher transportation costs, especially if members are involved in many activities in town. Farm life can become confining and boring to family members, particularly if they select enterprises that conflict with their goals and desires. For example, some livestock enterprises must be tended to every day.
Loss of a crop or an animal is always somewhat traumatic. But it can be even more devastating for a part-time farmer who may not have the commercial farmer's philosophy on these inevitable losses. Losses due to market conditions may be catastrophic to people who are unaccustomed to farm price fluctuations.

Finally, although air and water pollution may be less or different in the country than in town, they are not completely eliminated. The family may simply exchange industrial smoke and car exhaust fumes for animal waste odors and weed pollens.

**Conclusion**

Getting started in farming is less financially attractive than it was 50 years ago. The risks involved are high. There is a lot of initial capital needed to be purchased.

The ultimate success of a farm operation depends on how well the individual or family members are able to cope with potential disadvantages, or how strongly they feel the advantages of farm life outweigh the disadvantages.

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**Farmland rental rates increase moderately in 2013**

*by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu*

Rental rates for Iowa farmland have been pushed significantly higher by the favorable corn and soybean prices that farmers have enjoyed since 2010. This trend continued in 2013, but the rate of increase slowed considerably.

Results from the most recent survey of farmland rental rates carried out by Iowa State University Extension and Outreach showed that the average estimated cash rent for corn and soybean land in the state for 2013 was $270 per acre, an increase of $18 per acre or 7 percent from last year. This compares to increases of 16 percent in 2011 and 18 percent in 2012. Lower crop yields due to prolonged dry weather and lower price forecasts for the 2013 crop have tempered the optimism about prospective profits.

Average rents were moderately higher in all nine crop reporting districts, with increases ranging from 13 percent in east central Iowa to 4 percent in southwest Iowa.

For more information on the topics included in this article, view the materials available on the Ag Decision Maker website at: http://www.extension.iastate.edu/agdm/wdbusiness.html.

**Resources**

- AgDM Information File C4-07 - Inheriting a Farm
- AgDM Information File C4-08 - Via the Home Farm
- AgDM Information File C4-09 - Part-time Farming (Available in July 2013)
- ISU Ag Decision Maker website - http://www.extension.iastate.edu/agdm/
- ISU Beginning Farmer Center - http://www.extension.iastate.edu/bfc/

*This material originally appeared in the Summer 2012 USDA NIFA Small Farm Digest.*