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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?

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- 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.

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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.

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.



Farmland rental rates increase moderately in 2013

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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.

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Typical rental rates per bushel of corn yield, soybean yield and CSR point were computed for each county. In addition, typical charges for land growing oats and hay, for grazing pasture and corn stalks, and for renting hunting rights were reported.

The intent of the survey is to report typical rents being paid each year, not the highest nor the lowest values heard through informal sources. Rental values were estimated by asking people familiar with land rental markets what they thought were typical rates in their county. The number of responses received this year was 1,703, a 20 percent increase from last year. Of the total responses, 50 percent came from farmers, 27 percent from landowners, 13 percent from professional farm managers, 8 percent from agricultural lenders, and 2 percent from other professionals.

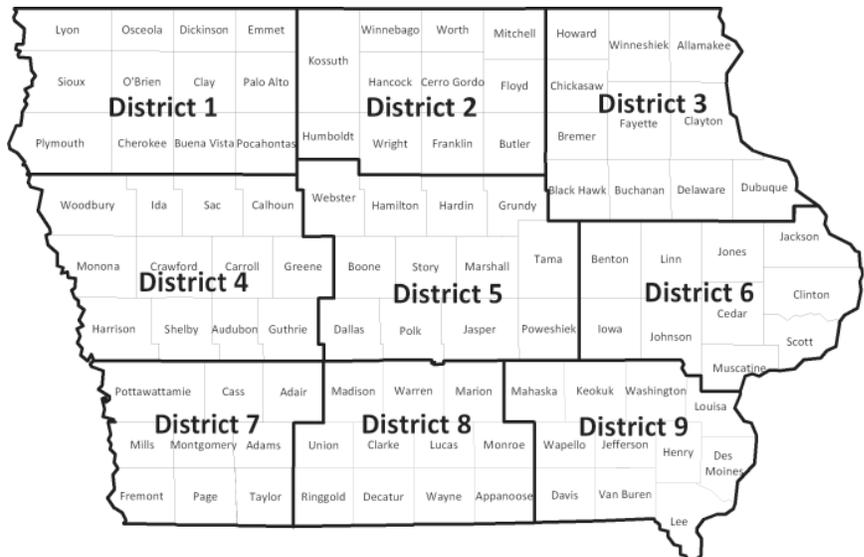
The Cash Rental Rates for Iowa 2013 Survey is available online as a downloadable document from the Ag Decision Maker website.

Other resources available for estimating a fair cash rental rate include these Ag Decision Maker information files: Computing a Cropland Cash Rental Rate (C2-

20), Computing a Pasture Rental Rate (C2-23) and Flexible Farm Lease Agreements (C2-21). All documents include decision file electronic worksheets to help analyze leasing questions.

Leasing workshops provide resources on farmland surveys and leasing arrangements

Farmland leasing workshops for both tenants and land owners are being held again this year during July and August. These workshops are designed to assist landowners, tenants and other agri-business professionals with current issues related to farmland ownership, management and leasing agreements. In previous years, over 50 meetings were held across the state. This



Overall Average of Typical Cash Rents 2009-2013, Corn and Soybean Acres

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
District 1	\$187	\$188	\$224	\$267	\$283
District 2	196	191	220	277	294
District 3	186	192	223	266	281
District 4	196	195	227	279	294
District 5	197	195	226	275	297
District 6	193	196	219	252	284
District 7	170	176	213	246	257
District 8	146	151	177	193	210
District 9	173	169	198	217	229
State	\$183	\$184	\$214	\$252	\$270

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year meetings will again take place in various counties, and there is sure to be one at a time and place that will work for you.

Meetings are approximately three hours in length and are facilitated by ISU Extension farm management specialists. Each workshop attendee will receive a set of beneficial materials regarding farm leasing arrangements and farmland ownership.

Topics covered include:

- Iowa Cash Rental Rate Survey and Land Values Survey
- Comparison of different types of leases
- Lease termination
- Impacts of yields and prices
- Calculating a fair cash rent
- Use of spreadsheets to compare leases
- Issues unique to this year's production and an outlook for 2014
- Available Internet resources

The ISU Extension calendar lists available meeting dates, locations and links to more information. Locations will be added as they become available, or contact your county extension office to find the nearest meeting location. The leasing section (<http://www.extension.iastate.edu/agdm/wdleasing.html>) of Ag Decision Maker also provides useful materials for negotiating leases, information on various types of leases, lease forms and newly updated decision tools.

Knowing the latest information and where to find the best resources will make decisions easier for you and your clientele. Look to ISU Extension and Ag Decision Maker for information and decision tools this summer.

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Internet Updates

The following information files and decision tool have been updated on www.extension.iastate.edu/agdm.

Getting Started in Farming: On the Home Farm – C4-08 (15 pages)

Understanding the Components of an Interest Rate – C5-94 (2 pages)

Understanding the Time Value of Money – C5-96 (9 pages)

Financial Ratios – C5-97 (2 pages)

Current Profitability

The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability – A1-85

Soybean Profitability – A1-86

Iowa Cash Corn and Soybean Prices – A2-11

Season Average Price Calculator – A2-15

Ethanol Profitability – D1-10

Biodiesel Profitability – D1-15

Returns for Farrow-to-Finish – B1-30

Returns for Weaned Pigs – B1-33

Returns for Steer Calves – B1-35

Returns for Yearling Steers – B1-35

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