

Summary: The Future of Oregon's Agricultural Land



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Executive Summary

The future of agriculture Oregon—and the economic, environmental, and other benefits it provides—depends largely on a successful transfer of farms¹ to a new generation of farmers. Thoughtful succession planning is more important than ever now that the average age of Oregon farmers is 60 years (up from 55 years in 2002). As older farmers retire over the next two decades, over 10 million acres, or 64 percent of Oregon’s agricultural land, will pass to new owners. How that land changes hands, who acquires it, and what they do with the land will impact Oregon for generations.

¹All references to “farm,” “farmers,” and “farmland” include “ranch,” “ranchers,” and “rangeland.”

²The U.S. Department of Agriculture defines a beginning farmer or rancher (BFR) as someone who has operated a farm or ranch for 10 years or fewer either as a sole operator or with others who have also operated a farm or ranch for 10 years or fewer.

Ten million acres—64 percent—of Oregon’s farmland will change ownership in the next two decades.



STAKEHOLDERS ARE CONCERNED ABOUT HOW THE WAVE OF FARMLAND TRANSFERS WILL AFFECT OREGON.

This unprecedented, large-scale transfer of farmland has raised concerns among stakeholders, who include

- farmers and their families who wish to create a financially secure retirement while passing on a legacy of land that remains in agricultural production;
- beginning farmers² who wish to start new farms or take over existing farm businesses,
- rural communities that hope to preserve their agricultural economy and way of life,
- environmental groups and members of the public who value the open space and wildlife habitat that farmland may provide; and
- advocates for local, community-based food systems and the food security those systems may provide.

These stakeholders express concern that agriculture and its associated benefits in Oregon may be detrimentally affected by increasing trends toward

- the conversion of farmland to non-farm use, development, or fragmentation into parcels that are too small to support most profitable farm businesses;
- the sale of farmland to investors who may hold the land for future development, consolidate farmland, or make less of a positive contribution to rural communities in which they do not live or work; and
- rapidly rising farmland prices, which make it increasingly difficult for beginning farmers, or any person who makes their living primarily from farming, to afford land.

Stakeholders are concerned that the pipeline of skilled beginning farmers—who will keep farmland in sustainable production—is filling too slowly.

NEXT-GENERATION FARMERS FACE BARRIERS TO ACQUIRING LAND AND SKILLS.

Stakeholders are also concerned that the pipeline of skilled beginning farmers, needed to keep Oregon’s agricultural

land in sustainable production, is filling too slowly. Reasons for the delay include

- limited access to farmland;
- rising land prices;
- difficulties accessing capital;
- limited opportunities to gain farming experience;
- high start-up costs for new farms, and limited income sources during a farm’s formative years; and
- systemic barriers that exclude the growing pool of women and people of color who are eager to farm.

TOOLS ARE NEEDED TO PREPARE FARMERS AND TO FACILITATE FARM TRANSITIONS.

As young farmers from farm and non-farm backgrounds struggle to establish a business, organizations that support farmers are attempting to identify and address barriers to entering the agricultural profession. They are also exploring tools to help farmers transfer their land and businesses and keep farmland in production.

OUR RESEARCH EXAMINES LAND OWNERSHIP, LAND ACCESS, AND HOW OWNERSHIP TRENDS MAY AFFECT FARMLAND.

To inform efforts to support both retiring and aspiring farmers Oregon State University, Portland State University, and Rogue Farm Corps collaborated on this report to provide an initial picture of

- who owns and operates Oregon’s farmland and how farmland ownership is changing;
- how farmland is transitioning to new owners;
- how beginning farmers access land;
- opportunities and challenges faced by both prospective and beginning farmers;
- current approaches and tools for succession planning and for preparing a new generation of farmers to fill the gap created by farmer retirements; and
- research needed to provide detail about issues related to farm succession, land access, and land use trends for Oregon agriculture.

OUR RESEARCH SHOWED THAT MORE FARMLAND IS IN OLDER HANDS, AND YOUNG FARMERS FACE BARRIERS TO ACQUIRING LAND.

Our research produced the following key findings:

- Oregon farmers are older on average than at any other time in history. They’ve farmed longer, have larger farms, and hold on to farmland longer. Consider the following:
 - 60 years was the average age of Oregon farmers in 2012, compared to an average age of 55 in 2002 and 50 years in 1982. (The average age of agricultural landowners nationally, including non-farmers, is older at 66.5 years).

Methodology

Our research included

- analysis of accessible and relevant data from the United States Department of Agriculture (USDA), including 2014 Census of Agriculture and Tenure, Ownership, and Transition of Agricultural Land data;
- interviews and focus groups with key informants, including agricultural land owners, beginning farmers, realtors, lenders, government employees, and representatives of various stakeholder organizations;
- an initial review of farmland transfers between the years of 2010 and 2015 in four pilot Oregon counties; and
- a search and review of tools in Oregon and other states that address farm succession planning, and creating opportunities for young farmers to access land, gain experience, and transition successfully into the profession.

For more information about our methodology, see appendix A.



- Oregon farmers are older on average than ever before. They've farmed longer, have larger farms, and keep their farms longer.
- Fewer young people are entering farming.
- A lack of available land has been identified as a key barrier for young and aspiring farmers.

- Nearly 123 percent more farms and 26 percent more acres are now controlled by farmers aged 55 and older than in 2002.
- Almost two-thirds of Oregon's farmland may be transferred over the next 20 years as the baby-boomer generation of farmers retires. Consider the following:
 - Farm operators aged 55 and older control 64 percent of agricultural land, or 10.45 million acres, which could change hands in the next 20 years.
 - Business planning and organization are essential to succession planning for a family business; therefore, the fact that 84 percent of Oregon farms are sole proprietorships suggests that the vast majority of Oregon farmers may not have created thorough plans to smoothly transfer their businesses and assets to the next generation.
- Fewer young people are entering the farming profession in Oregon. Consider the following:
 - 24 percent of all Oregon farmers in 2012 were beginning farmers, down from 32 percent in 2002.
 - Although 15 percent of beginning farmers are under the age of 35, nearly half of beginning farmers are aged 45 or older.
 - Amassing down payments, acquiring credit, or securing adequate income during start-up may be more difficult for young people than older people entering the profession.

- Aspiring farmers face many barriers in accessing and securing land. Consider the following:
 - A lack of available land has been identified in national surveys as a top barrier for beginning farmers.
 - Two-thirds of Oregon’s farmland is controlled by farmers aged 55 and older.
 - The amount of Oregon land in agricultural use has declined by half a million acres since 1974. Meanwhile, 65,600 acres were taken out of exclusive farm use (EFU) zoning during this time.
 - At least 5 to 10 percent of farmland sales in Washington, Benton, Clackamas, and Polk counties between 2010 and 2015 were to owners who retained out-of-state addresses.
 - 25 to 40 percent of farmland sales in those counties were to business entities, many of which are primarily focused on investment, finance, property management, and development.
 - Land costs may be prohibitive. Average land value is rising across Oregon, even when adjusted for inflation. The average estimated market value of an acre of farmland with buildings in 2012 was \$1,882, up from \$1,534 in 2002, according to the Census of Agriculture. Realtors and land seekers are seeing much higher land prices, especially for irrigated land near urban areas and along transportation corridors.
- Beginning and small-scale diversified farmers seeking smaller parcels of land that may or may not be zoned for EFU face competition from amenity buyers.
- Certain groups of beginning farmers, including people of color, indigenous people, women, immigrants, refugees, and veterans face unique barriers in accessing land.
- Farmland leasing arrangements provide a less capital-intensive path to land access but may impede beginning farmers’ success. Consider the following:
 - Beginning farmers are almost three times more likely to lease than established farmers are. 11 percent of beginning farmers lease all of the land that they operate (up from 8 percent in 2002), compared with 4 percent of non-beginning farmers.
 - Leasing does not build equity in land.
 - Leases may deter long-term investments that can enhance profitability—for example, investments in buildings, soil quality, perennial plantings, and organic certification.
 - Leases often do not provide long-term stability and leave farmers vulnerable to losing critical production land when their lease expires.



Oregon farmers would benefit from training and support services for succession planning, and from opportunities to farm side-by-side with potential successors.

OUR RESEARCH FRAMED OPPORTUNITIES FOR ADDITIONAL EXPLORATION OF THE FUTURE OF OREGON'S FARMLAND.

Our research identified additional Oregon-specific questions about land succession, land access, land use trends and policy, and tools relevant to all of the above. Some of the questions we would like to continue to explore include the following:

- How many Oregon farmers are planning for succession? What are the characteristics of these farms and their plans? When will succession occur?

- In what situations will succession-planning assistance have the greatest value for the family, Oregon agriculture, and land use?
- Who is buying Oregon's farmland, and how are they using their land?
- How many Oregon farms are owned by out-of-state, international, or institutional owners? How is this changing over time, and how might it affect future uses of the land and beginning farmer access?
- How do beginning farmers transition from lease arrangements to land ownership? How many, farm tenants become landowners, and how do they do it?
- How effective are land-link, incubator, and other creative land-sharing or succession arrangements, and how might they be improved or expanded?
- What are the benefits and costs of different models of land transfer?
- How do different categories of beginning farmers (e.g., women, people of color, immigrants, multi-generation versus first-generation farmers, and commodity farmers versus direct-market farmers) experience issues of land access and tenure?
- How is the increasing amount of housing and other non-agricultural use on farms affecting farmers and farming?
- What existing and potential tools and policies can best conserve Oregon's farmland for farming?

WE RECOMMEND APPROACHES, PROGRAMS AND POLICIES TO SUPPORT SUCCESSION PLANNING AND TO HELP BEGINNING FARMERS ACQUIRE SKILLS AND LAND.

A number of programs exist to help farmers develop succession plans and to help beginning farmers access farmland and transition into management and ownership of existing farm business. However, many of these programs do not meet current demand; they could be better connected to each other; they could be expanded to all parts of the state and to more farmers; they could be better funded; and they could be supplemented by additional tools.

Based on our research, we recommend the following approaches:

- Support, promote, and expand trainings for farmers on succession planning.
- Establish succession coaches who can help prepare farmers for the emotional, financial, and legal aspects of succession.
- Train succession service providers, such as estate planning attorneys and accountants, on how to address unique family dynamics and taxation issues commonly encountered in farm estate planning.

- Promote working lands easements to help retiring farmers generate liquidity from their land, (making the land more affordable to beginning farmers), and permanently protect it from development.
- Promote land-sharing models, such as community land trusts and creative leasing arrangements.
- Promote programs like Oregon Farm Link to help connect beginning farmers with land or experienced business partners.
- Expand the number and geographic reach of nonprofit farm incubators that offer low-cost access to land and enable beginning farmers to gain experience.

Understanding farmers' needs and identifying effective ways to support beneficial succession of millions of acres of Oregon's farmland will require additional quantitative and qualitative research, outlined in this report. The results of the proposed research will help nonprofits, producer organizations, government agencies, educators, public policy makers, and others provide more effective support for a thoughtful transition of Oregon agriculture to a new generation of farmers. ■