

The Future of Oregon's Agricultural Land



Oregon State UNIVERSITY **OSU**
Center for Small Farms & Community Food Systems

 Portland State UNIVERSITY


ROGUE FARM CORPS

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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. ■

Part 1: The Fate of Oregon's Farmland in a Time of Change

The landscape of farming³ is undergoing a slow but inexorable change. Agricultural land succession has been identified as an issue of national concern, sparked by projections that 70 percent of all U.S. agricultural land will change hands *and* up to 25 percent of farmers will retire within the next 20 years (Dean, 2011; Parsons et al., 2010).

In our investigations of Oregon agricultural land tenure, we find similar results: farm operators over age 55 currently

Farmers' decisions about farmland succession impact financial stability and quality of life for retiring farmers and Oregon's farming communities.



control 64 percent of agricultural land, accounting for 10.45 million acres that could change hands in the next 20 years.

The fact that so much land will soon change hands means that retiring farmers will soon make a wide range of decisions about land transition.

As depicted in figure 1, farmers may decide to sell land for consolidation into larger farms, for amenity use that includes only limited agricultural use ("ag-light" use), for urban development or other non-agricultural use, or for ongoing agricultural use by farm successors who may be younger family members or beginning farmers or ranchers (BFRs)⁴ outside the family. Given the range of paths that a retiring farmer may choose, the potential impacts on farmland use in Oregon are uncertain.

³As defined by the Census of Agriculture, "farm" includes ranches. (USDA-NASS, May 2014). All references to "farm," "farmers," and "farmland" in this report include "ranch," "ranchers," and "rangeland."

⁴As defined by the U.S. Department of Agriculture (USDA), a "beginning farmer or rancher" is one 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.

INTERRELATED FACTORS AFFECT HOW AGRICULTURAL LAND WILL BE TRANSFERRED AND USED.

Uncertainty about land transfers arises from internal and external factors at each step in the process. Outcomes for Oregon farmland may depend on whether

- land succession is thoughtfully planned and executed;
- resources are available to support farmers' succession planning efforts;
- farmers have access to potential successors who have or can acquire farming experience;
- potential successors have access to mentoring from experienced farmers and have opportunities to learn from working the land;
- BFRs can acquire land despite competing demands for land for urban or recreational development, farm consolidation,

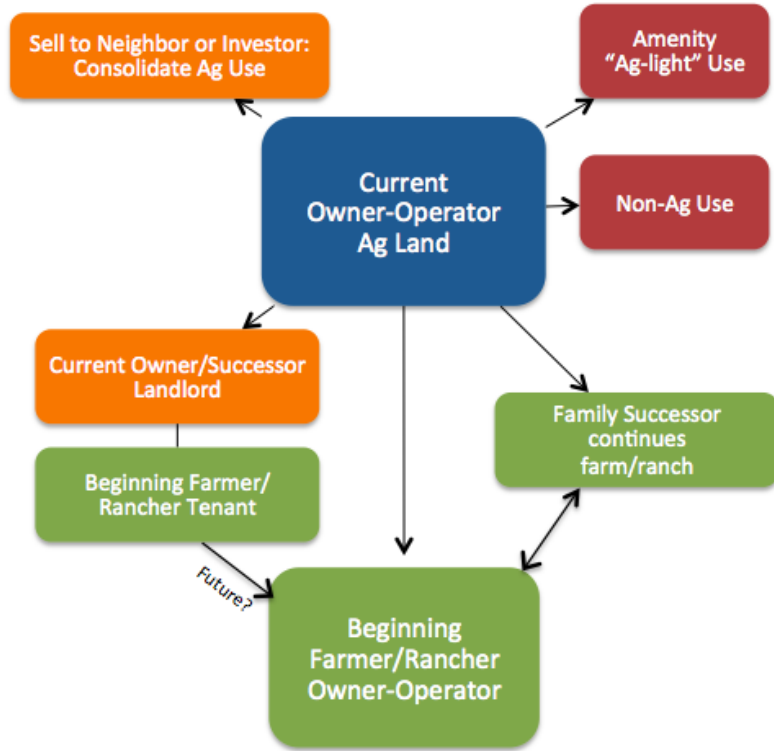


Figure 1. Land transition scenarios: owner and land use outcomes.

- parcelization, amenity use, and out-of-state ownership;
- farm start-up costs are manageable and credit is available for BFRs; and
- land use regulations strategically support preservation of agricultural land.

The impact of such factors on farmers' decision making processes is important to understand because decisions about land transition will affect the financial stability of retiring farmers; farmers' ability to leave a legacy of farmland; the job security of farm workers; the viability of farm businesses; access to land for BFRs; quality of life in communities that depend on Oregon agriculture for food, fiber, economic activity, ecosystem services, and open space; and the overall future of agricultural land use (Parsons et al., 2010; Dean, 2011).

Consequently, land succession planning, access to land for BFRs, and keeping land in agricultural use are high priorities statewide: government, advocacy organizations, and individuals often express an interest in all three issues in the same breath (e.g., Friends of Family Farmers, 2016; American Farmland Trust, 2015).

To illuminate these issues, we conducted research that frames the following subject areas:

- agricultural land and business succession
- access to land for BFRs
- Oregon land use planning laws and policies intended to preserve agricultural land uses

We explore interconnections between factors that affect farmers' decisions about land succession, and we address these issues as a synergistic whole.

Throughout our research, we considered how land succession and access affect farms of different scales, cropping systems, production practices, and market orientations. We also examined the relationships between the internal transfer decisions of farmland owners

and the external forces that influence how agricultural land is transferred and used.

In this report, we address each of the issues related to land transition individually; then we bring them back together to explore interconnections and opportunities to address land succession in Oregon as a synergistic whole. We discuss current programs and policies that address the challenges of farmland succession and keeping land in agricultural use in Oregon. And we identify and evaluate potential program and policy changes.

Throughout the report, we identify critical data gaps and suggest future research to inform private and public decision-making processes about farmland succession. (In appendix A, we provide a list of data sources for potential exploration.)

WELL-PLANNED FARMLAND SUCCESSION BENEFITS FARMERS AND OREGON.

Thoughtful and timely succession planning can ensure a comfortable retirement as well as an agricultural legacy for the retiring generation. Many landowners want to leave a farm legacy by passing on their farm to another generation of owner-operators (American Farmland Trust, 2016). Some farmland succession will be carefully planned and some will be more haphazard; in the absence of a succession plan, opportunistic market forces and state laws governing estate transfer may drive outcomes. A well-

planned transition of agricultural lands to a new generation of farmers who keep the land in agricultural use is valuable not only for the specific farm operation and its owners, but also for a broad range of stakeholders who are indirectly, but decisively, affected by trends in agricultural land tenure.

Effective succession planning that preserves agricultural land can provide the following benefits:

- protection of farm income and assets
- mentoring opportunities for BFRs
- preservation of the diversity and resilience of Oregon agriculture
- jobs, healthy economies, and preservation of natural resources

Haphazard transfer of land and farm businesses can drain assets from the business and the household.

The sections below will examine each of these potential benefits in turn.

Protection of farm income and assets

A farm business can suffer if estate transfer is not planned to minimize taxes, costs of post-death estate administration (including attorney fees and costs resulting from delays in transferring assets), and family tension. Haphazard business and land transfer

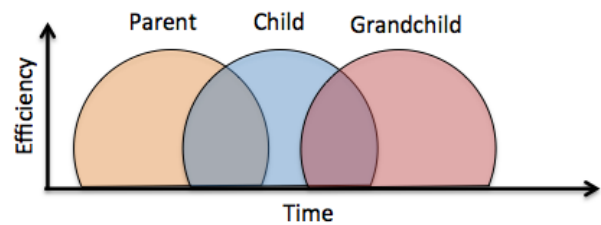


Figure 2. Family Farm Cycle: Planned Management Transfer (McEowan, 2015). The farm business operates efficiently when successive owners overlap their involvement in the business.

can drain assets from the farm business and the family.

Nationally, given that up to two-thirds of agricultural assets are held in real estate and farm property values are increasing, it is in the best interest of the family and business to preserve the value of the land assets and avoid sale of the land to pay for succession costs and division of the estate (Parsons et al., 2010). Careful and deliberate planning for land transition can maximize the remaining value of the farm.

Mentoring opportunities for beginning farmers and ranchers

Land transition that starts before the senior generation is ready to retire eases the financial and emotional impact of land succession on the business and the family. Ideally, successive owners overlap their involvement in the farm in order to allow a potential successor to learn from an experienced operator.

Farmland ownership and management have historically followed the lifecycle of the family. That cycle, depicted in



A diverse agricultural landscape adds resilience to the state's food supply and local economies in the face of economic, climactic or other natural shocks that could disrupt production and markets.

figure 2, naturally overlapped successive generations of operators and allowed for on-the-job training. However, nationally, fewer farms are being passed within the family. At the same time, more BFRs are coming from non-farming backgrounds (Parsons et al., 2010). As a result, overlapping the involvement of successors requires more focused effort.

Opportunities for new farmers depend in part on the actions of current farmers (USDA Advisory Committee, 2015). And it appears that, as Oregon farmers are aging, some are missing the opportunity to bring the younger generation into their farm operations to train into skilled successors.

Preserving the diversity and resilience of Oregon agriculture

Thoughtful succession planning is also important for preserving the character of Oregon's unique and dynamic agricultural sector. That unique character is evidenced by the following:

- Oregon's climate and varied terrain create seven growing regions, together producing over 225 crops on 16.3 million acres (Sorte & Rahe, 2015).
- Oregon is among the top four states for production of several specialty crops, including hazelnuts, grass seed, greenhouse and nursery products, Christmas trees, pears, many varieties of berries, onions, hops, wine grapes, and cherries (ODA Facts & Figures, 2015). Oregon had the fourth-highest sales value of certified-organic products among the states in 2014 and is fifth in organic acres (USDA NASS, 2014).
- Oregon agriculture moves through diverse market channels, from farmers markets to retail stores to export markets (State Board of Agriculture, 2015). Approximately 80 percent of Oregon's agricultural products leave the state, while half of those exports leave the country. Meanwhile, Oregon has a strong market for locally grown food, driven by a growing number of consumers who want to know who produces their food and how.



- As of 2012, Oregon had 35,439 farms.
- The economic impact of Oregon's agricultural production was \$8.2 billion in 2015.
- Agriculture directly accounts for 4 percent of the state's employment and indirectly accounts for 14 percent.

Given the diversity of crops and markets, it is no surprise that Oregon's 35,439 farms⁵ (2012) are diverse in number of acres, crops grown, and revenue.

A diverse agricultural landscape adds resilience to the state's food supply and local economies in the face of economic, climactic or other natural shocks that could disrupt production and markets. Successful intergenerational transition will help preserve this agricultural diversity because farmland will more likely pass to owner-operators rather than to non-farming landowners who may hold the land for its amenity values rather than using it for agriculture, or to investment companies that pursue short-term economic efficiency by consolidating land and producing fewer types of crops.

Farms that change hands through a planned succession are also likely to have more of their economic value preserved for the successor than farms passing without such a plan; the family may spend less to administer the estate and may need to sell fewer farm assets to split the estate equally among heirs. Finally, succession planning that prevents farmland consolidation means that more, smaller farmland properties remain available for more farmers.

Jobs, healthy local economies, and conservation of natural resources

Effective succession planning helps ensure that all Oregonians benefit from access to Oregon-grown products and the open space and environmental amenities that agricultural landscapes provide. Attention to agricultural land tenure is integral to building healthy economies, healthy environments, healthy people, and healthy communities across the state (State Board of Agriculture, 2015).

⁵The Census of Agriculture defines a farm as any place that produced or sold, or normally would have sold, at least \$1,000 of agricultural products in a year (USDA-NASS, May 2014).

Oregon farms play a key role in the economy by providing jobs, increased property values, and productive capacity (USDA Advisory Committee, 2015). The economic impact of Oregon production agriculture was \$8.2 billion in 2015; the sector directly accounts for 4 percent of the state's employment and indirectly for 14 percent (e.g., not just production but processing, distribution, marketing, and so on) (Sorte & Rahe, 2015).

Open spaces on working land can provide important wildlife corridors and other environmental benefits, depending on the farming and

conservation practices adopted by agricultural landowners and operators (Parsons et al., 2010). Land transitions that continue agricultural use can maintain and expand these benefits.

Public policies, educational programs, and other approaches that encourage thoughtful and deliberate transition of agricultural land and businesses in a manner that preserves agricultural uses can help ensure a secure retirement and agricultural legacy for retiring farmers, opportunities for BFRs, and significant economic, environmental, and food system benefits for Oregon. ■

Part 2: Current Knowledge about Farmland Succession, Access, and Use in Oregon

In Oregon, farm and ranch operators over age 55 currently control 64 percent of agricultural land, accounting for 10.45 million acres that could change hands in the next 20 years. These figures are similar to national projections that 70 percent of all U.S. farmland will change hands in the next 20 years.

This unprecedented transfer of land is sparking intense interest

Farmers may be unsure how to retire; a study showed that 82 percent of U.S. farmers have no exit strategy and may not know how to create one.



in whether and how farmers are preparing and planning for farmland succession.

While we can estimate the number of farms and acres likely to transfer based on life expectancy, there are myriad assumptions and uncertainties about the transfer of agricultural businesses and land. Anticipated business and land transfer estimates are therefore neither precise nor static. At the end of this section, we suggest additional data that would improve current knowledge and predictions.

2.1. Who Owns and Operates the Farmland and What Happens Next?

To address farmland succession challenges, we must first examine who owns and operates the land and how land succession is currently occurring or likely to occur.⁶

⁶The primary sources of data that inform our understanding of farmland ownership in the United States are the USDA TOTAL survey and Census of Agriculture. TOTAL focuses on landowners, including non-operator landowners, of agricultural land. The Census of Agriculture focuses on agricultural operators, who may own or rent all or some of the land that they farm.

Data Highlights

About Farmland Owners Nationally

- Principal landlords are older than principal farm operators, 66.5 years versus 58.3 years (2014 and 2012 averages, respectively).
- 57 percent of principal landlords were 65 years or older in 2014. This group accounted for 67 percent of rent received, 67 percent of the value of land and buildings; and 32 percent of the debt related to rented acres.
- 97 percent of principal farmland owners in 2014 were white, 2 percent were Hispanic, and 37 percent were women.
- 54 percent of principal landlords are not currently in the paid workforce; 41 percent have off-farm employment; 45 percent have never farmed.

(Data sources: Census of Agriculture and TOTAL survey)

2.1.1. What we know about farmland owners and operators

As of 2014, almost all farmland owners were white, and those owners held nearly 70 percent of the value of farmland and property in the nation. Consider the following:

- The average age of principal farmland owners (who may or may not be farm operators) was 66.5 years—more than half (57 percent) were 65 years or older.
- Principal farmland owners accounted for 67 percent of rent received, 67 percent of the value of land and buildings; and 32 percent of the debt related to rented acres.
- 97 percent of principal farmland owners were white; two percent were Hispanic; 37 percent were women.

Nationally, farmland owners are predominantly older, white, and male.

NON-OPERATING LANDLORDS OWN 80 PERCENT OF LEASED FARMLAND NATIONALLY.

Many principal farmland owners are non-operator landlords—they do not farm their own land. Non-operator landlords could be the surviving spouse or heirs of former operators, other

private landowners, government or nonprofit entities, or investors including individuals and private firms (Ruhf, 2013; Gosnell, Haggerty & Travis, 2006). Nationally in 2014, more than two million farm landlords rented out 353.8 million acres of land—about 40 percent of all farmland—for agricultural purposes. Of those landlords, 87 percent were non-operator landlords (the other 13 percent were operators that also leased land). Non-operator landlords own 80 percent of all leased agricultural land in the United States (USDA-NASS, 2015).⁷

Nationally, farmland owners purchased more than 60 percent of their land from a non-relative, a relative, or at auction. Among farmland owners as a whole, non-operator landlords were much more likely to have inherited or received their land as a gift than owners who farm their own land.

OREGON FARMLAND IS BEING CONSOLIDATED INTO FEWER AND OLDER HANDS.

Now we turn to Oregon farm *operators*, as distinct from farmland owners. Farm operators may be operating land that they own, land that they rent, or a mix of both. Census data about farm operators are a useful but limited proxy for farmland *ownership*. For example, the Census may indicate an increase in operators who are women and people of color while it ignores that these groups do not own much land.

Most of Oregon's farms are operated by farmers aged 55 and older (USDA-NASS, Table 69, 2012). These older farm operators hold more of the farm businesses and farmland than younger operators (54 and under). Farmland is being consolidated into fewer and older hands: those aged 55 and older operated 23 percent more farms and 26 percent more land in 2012 than in 2002. Almost 80 percent of Oregon's principal farm operators own all of their working land, accounting for 69 percent of Oregon farmland, compared to 61 percent nationwide.

2.1.2. Age of farm operators nationally and in Oregon

First, we pull back the curtain on the national prediction that 70 percent of U.S. farmland will transfer in 20 years, and we validate that prediction for Oregon. The fact that farmers are aging is not surprising, as the population as a whole is living longer and is more vital into older years. Furthermore, farmers play an active role in their operations longer than workers in other professions (Kirkpatrick, 2013). Today's older operators are part of the baby boomer generation, which controls 80 percent of the wealth in the United States and will transfer an estimated \$30 trillion to younger generations in the next 20 to 30 years (Oxford Economics, 2014; Accenture, 2015). Agriculture's intergenerational transfer is a special

⁷The increasing number of absentee landlords in the U.S. is a research topic of interest because of potential impacts on the environment and rural economies (Parsons et al., 2010).

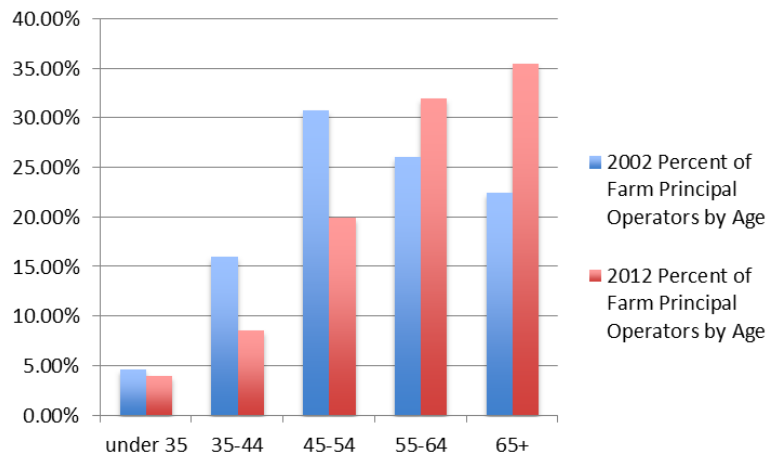


Figure 3. Percent of Oregon’s principal farm operators by age in 2002 and 2012. On average, Oregon’s farmers as a group are older than they used to be.

case of what is playing out nationwide, with unique dynamics and consequences.

THE AVERAGE AGE OF OREGON FARMERS IS 60 YEARS—UP FROM 55 YEARS IN 2002.

Concern about the pace and extent of agricultural land succession—in Oregon and nationally—is based on the fact that farmers, on average, are older than they used to be and therefore nearer to the retirement or death that will trigger a farmland or farm business transfer. The national aging trend holds in Oregon: the average age of all principal farm operators in Oregon was 60 years in 2012, up from 55 years in 2002, and 50 years in 1982. This is slightly higher than the national average farmer age of 58 years in 2012 (USDA-NASS, Oregon, U.S. Historical Highlights, 2014).

However, average age does not paint the whole picture. The age distribution of all farm operators shifted into older categories from 2002 to 2012. As shown in figure 3, in 2002, farmers aged 45 to 54 were the largest group of principal operators. Given that 10 years passed, we

might expect that operators aged 55 to 64 would be the largest group in 2012, but they were not: in 2012, operators aged 65 and older were the largest share of all principal farm operators, managing over 12,500 farms and ranches—approximately one-third of all farms in Oregon (USDA-NASS, 2012).

OLDER FARMERS ARE EXPANDING THEIR FARMS.

Along with individual operations, the agricultural land base has also moved into fewer, older hands. As shown in figure 4, in 2002, the largest share of the land was managed by principal operators aged 45 to 54, who held 29 percent of the land. But by 2012, principal operators aged 65 and older held the largest share of land, working 5.35 million acres, or 33 percent of the land. Similarly, operators aged 55 to 64 controlled

more land in 2012, up 32 percent to 5.1 million acres. Moreover, this same group made greater gains in acres than in farm numbers, adding 948,000 acres (22.8 percent increase) but only 912 more farms (an 8.7 percent increase) reflecting consolidation of land into fewer and larger farms (USDA-NASS, 2012).

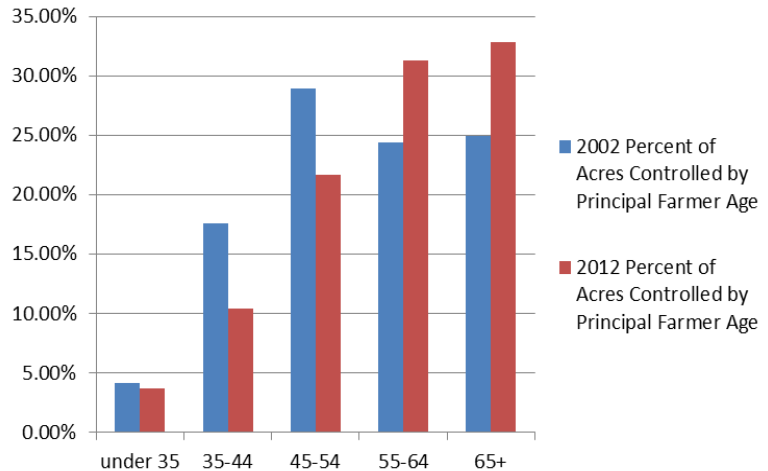


Figure 4. Percent of Oregon farm acres controlled by farmers in each age category in 2002 and 2012. Increasingly, older farmers operate more of Oregon’s farmland.

2.1.3. Retirement farms

The jump in farmers aged 65 and older in Oregon may indicate a wave of retirement to farming, one of the types of farm entry that likely accounts for the higher than expected age distribution of Oregon operators (Kirkpatrick, 2013). Figure 5 provides a summary that puts retirement farms in context with other types of farms in Oregon.

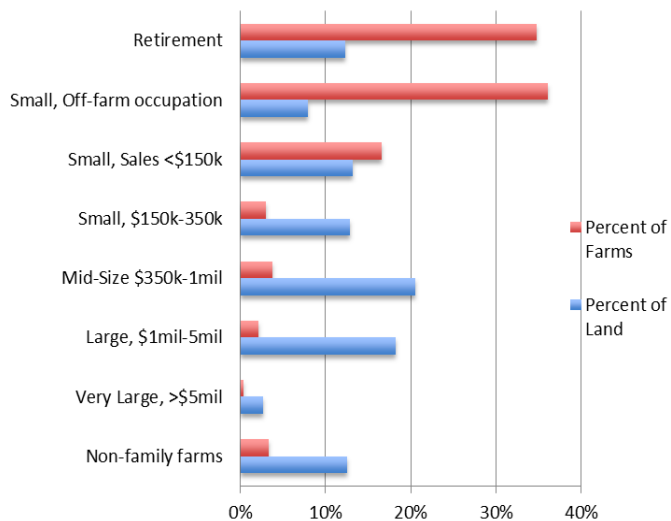


Figure 5. Summary of farms by type of farm as a percentage of all Oregon farms and all Oregon farmland in 2012.

This demographic shift supports the prediction that Oregon may be facing a large intergenerational transfer of farm assets in the next 20 years.

However, delayed retirement and a trend toward people leaving other professions and retiring to farming could significantly decrease the number of acres transferred to younger generations in the near future.

OREGON HAS MORE RETIREMENT FARMS THAN THE NATIONAL AVERAGE.

More than 12,300 farms or 35 percent of all Oregon farms are retirement farms, higher than the share nationally. These farms work almost two million acres, approximately 12 percent of Oregon’s agricultural land. Retirement farms are defined by USDA as small

farms (<\$350,000 GCFI) for which the principal farm operator reported being retired but still farming. The average age of Oregon's retirement farm operators is 69 years old (USDA-NASS, Table 69, 2012). As expected, almost all retirement farm operators are 55 or older, and nearly half are 70 or older.

Retirement farms are also likely to own all of the land they manage, possibly because their farms are much smaller than average and the operators tend to be older and therefore more likely to have accumulated the means to buy land outright.

By excluding retirement farms⁸ from the analysis, we find that 55- to 64-year-olds operate the largest share of farms, at 36 percent, and this is the median age range of non-retired operators. (See figure 6.) The 45- to 54-year-old category has the second largest share,

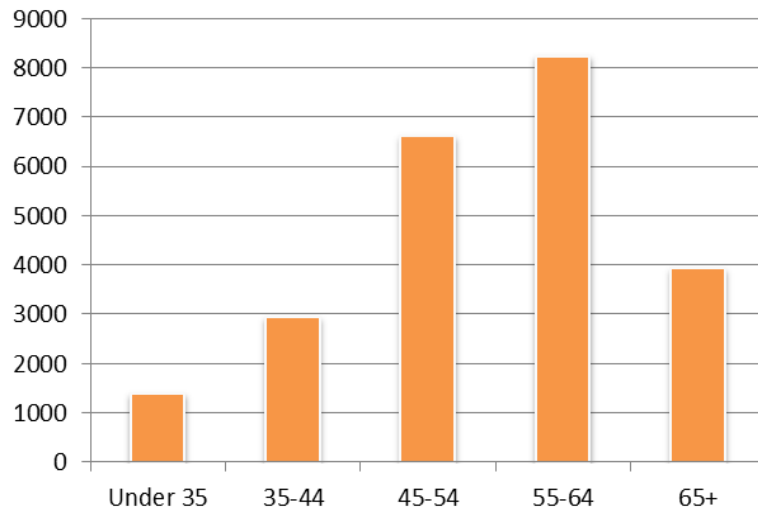


Figure 6. Age of principal operators of Oregon farms in 2012, excluding retirement farms.

at 29 percent. Given that the largest share of the operators were aged 45 to 54 in 2002, we had expected that the largest share of operators in 2012 would be in the 55- to 64-year-old range; which is what this analysis shows. Non-retired operators aged 65 and older manage just over 3,900 farms (17 percent) on 3.3 million acres (20 percent) (USDA-NASS, Table 69, 2012).

While average farmer age has increased steadily since 1982, general statistics for all agricultural operations only paint the picture of current land tenure in broad strokes. We cannot compare the number or proportion of retirement farms to earlier years, because 2012 was the first year in which this data was collected. However, retirement farms may well have increased in numbers in Oregon over the last ten years: these could be farmers who have retired *in* farming by continuing engagement with their operation while slowing down, or farmers who have retired *to* farming by entering agriculture after another career (Kirkpatrick, 2013). When we exclude retirement farms, we see that the 45- to 55-year-olds

⁸ Note that there are retirement farms in every age category, including four operators under 25. When excluding retirement farms, we are excluding all farms in that category, regardless of age of operator.

and the 55- to 64-year-olds each hold a strong share of Oregon operations currently, and the median age range of Oregon farmers is 45 to 55 years.

Additionally, we do not yet know the relative gross sales per acre of retirement farmers, including retirement farmers in different age categories. Since the Census revenue threshold for “farm” is set quite low (\$1,000 of agricultural products per year), it is possible that a significant proportion of census respondents defining themselves as “retirement farmers” might be operating in the lowest gross income categories, thereby inflating representation in older age categories with individuals who might not be running a farm business for profit. Future research should include a cross-tabulation of USDA Census data for retirement farmers, average age, and gross sales; for example, gross sales below \$10,000.

Even though non-retirement farms have an expected age distribution based on that in 2002, the land succession question is still relevant, as operators 65 and older, retired or not, operate one-third of the farms and the land.

Operators aged 65 and older can be divided into those on the 8,635 retirement farms (24 percent of all farms), on 1.8 million acres of land, and 3,924 non-retirement farms (11 percent of all farms), on 3.3 million acres of land.



Oregon’s agricultural businesses have deep family ties: 97 percent are family-owned, and 1,175 of those farms (about 3 percent) have been operating within the same family for at least 100 years.

2.1.4. Indications of farm succession planning

First, we discuss the national trends related to farm succession, based on USDA’s Tenure, Ownership and Transition of Agricultural Land survey (TOTAL survey). We supplement that data by examining succession planning indirectly by looking at the legal organization of farm businesses and succession planning implications, and the number and age of operators for each farm.

Data on tenure, ownership, and transition of agricultural land

The TOTAL survey asked farmland owners in all 48 contiguous states about their plans for transferring ownership in the next five years. Owners who

responded to the survey anticipate transferring about 15 percent of their land in the next five years—a transfer of 91.5 million acres or 10 percent of all farmland nationally. Additionally, they plan to put or have already put 57.1 million acres into wills. Overall, landlords plan to put about half of all land in trusts (with operator landlords planning to transfer a larger percentage—70 percent—through trusts than non-operator landlords). About 23 percent of farmland that is expected to be transferred is expected to be sold to a non-relative, 14 percent sold to a relative, and 14 percent gifted to a relative.

These percentages differ from how land has changed hands in the past, in that more than half of all land owned by current land owners was bought from a non-relative. One possible inference is that how landowners expect to transfer their land is not always what actually happens, which could be a sign of unimplemented succession plans.

These national trends may apply in Oregon, though too few Oregon farms were surveyed to ensure that the findings hold here.⁹ A state-specific survey that surveyed enough farms across categories (size, type, location, etc.) to be representative would meet that need.

Organizational structure of farm businesses and the implications for farm succession

Agricultural businesses have deep family ties: 97 percent of farms in Oregon are family-owned,¹⁰ and 1,175 of those farms (about 3 percent) have been operating within the same family for at least 100 years and have earned the title “Century Farms” (USDA-NASS, Farm Typology, 2015; Oregon Century Farm and Ranch Program, 2016). However, nationally, only 20 percent of all family farms survive beyond one generation, an indication of the complexity of farm succession planning. The odds of making it to six generations or more to become a Century Farm are miniscule (Pitts et al., 2009; Parsons et al., 2010).

⁹ The USDA Tenure, Ownership, and Transition of Agricultural Land (TOTAL), in 2014, surveyed agricultural landowners in all 48 contiguous states, but took a representative (and therefore statistically significant) sample in only the top 25 cash receipt states, which did not include Oregon. As a result, official data are publicly available only at the national level and for these 25 priority states. We are seeking Oregon data and will report on it in a future report; however, the analysis will be limited by the small sample size.

¹⁰ Only 3.3 percent of Oregon operations are non-family farms, which hold 12.5 percent of the land; however, they have an average farm size on par with small and midsize family farms, with 1,714 acres per farm. A non-family farm is one in which the operator and persons related to the operator do not own a majority of the business (USDA-NASS, January 2015). The rate of family ownership in Oregon is similar to the rest of the United States.

Organizing the farm business as a business entity is often the first technical step in farm succession planning because the legal business structure of a farm has an impact not only on the farmer's liability, but also on how the farm will pass to the next generation.

Historically, 90 percent of Oregon farms have been held as sole proprietorships (USDA-NASS, Oregon Historical Highlights, 2014). When a business is owned as a sole proprietorship, one individual owns all business assets in his or her name. Thus, when the individual dies, the business "dies" as well. Real estate is often co-owned by husband and wife, so if there is a surviving spouse, the land stays with that person, who may continue to farm or rent out the land. When both land and assets are owned by only one person and no estate planning has occurred (such as writing a will), all property passes to surviving family according to state intestacy laws.

Therefore, without any estate planning, the farm assets and land of sole proprietorships pass to family members, but dividing the assets among several people can cause a major disruption to the farm business. Successors are burdened with sorting out the distribution of property and buying assets from other family members who have also inherited farm property. There is also a risk that the assets, including parcels of land, could be sold to pay debts or provide income to remaining

family members if a succession plan is not in place.

In 2012, the vast majority of Oregon farms and ranches—84 percent—were still sole proprietorships, and that share has been slowly decreasing (USDA-NASS, 2012). Among all forms of farm business organization, nationally, sole proprietorships have the highest average principal operator age, at 60 years.

Organizing the farm as a business entity is often the first technical step in farm succession planning.

Younger farm operators are slightly more likely than older operators to organize as a state-registered business organization, such as a limited liability company (LLC) or corporation (Mishra, El Osta & Steele, 1999, USDA-NASS, 2012). Another option used by some farms divides the farm business into separate legal entities (LLC, corporation, partnership) for the land and the various business enterprises that use the land, which may be useful for succession planning and dividing farm income among two or more generations.

Business planning and organization are essential to succession planning for a family business, thus, the fact that 13 percent of family-owned farms are now held as partnerships or family

corporations—up 4 percent since 2002—indicates that some succession planning may be occurring.¹¹ But, this decrease in sole proprietorships might be attributable to more younger operators organizing their businesses as formal entities, with operations held by older farmers (who are more likely to pass on their businesses in the short-term) remaining vulnerable as sole proprietorships.

Farm operators as a possible indicator of succession planning

Aging farmers may choose to stay on as principal operator while designating successors to work alongside them in preparation for a gradual transition. The Census of Agriculture provides the number of operators per farm (defined as individuals with decision-making

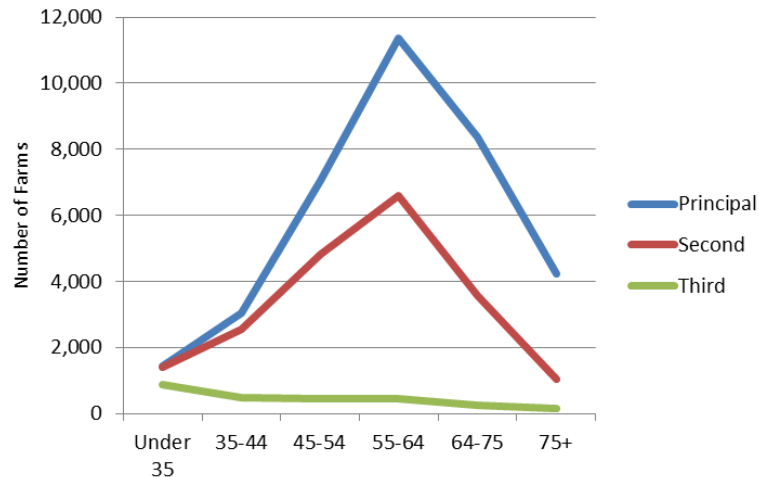


Figure 7. Age distribution of principal, second and third operators. (responsibilities) and the age of those operators. Older principal operators working alongside a younger successor may list their successor as a second operator on the Census of Agriculture survey, giving us another indication of farm succession planning.

Across all Oregon agricultural operations, 44 percent have one operator, about half have two operators, and 7 percent have a third operator. These numbers are consistent across all farm size and ownership categories (USDA-NASS, Table 69, 2014). The principal operators are oldest, with an average age of 60 years, while second and third operators tend to be younger. (See figure 7.)

These data are suggestive but not conclusive. They cannot tell us the level of authority per operator or intended succession plans. Moreover, while additional operators likely have some management role, they do not necessarily own the land or other assets, nor do they have an automatic right to acquire the farm after the principal operator’s death. Without a cross-tabulation of census data, we also cannot tell which farms have an older operator paired with a younger, or which farms

¹¹The Census of Agriculture changed the form of business organization category slightly from 2002 to 2012 and the categories do not differentiate every variation of limited liability business entity. These percentages are estimates from the USDA-NASS Historical Highlights document.

have a spouse or siblings in the same age category listed as principal and second operators. There may be other younger operators on the farm that are not counted in the Census data because the older generation fills out the Census survey and each respondent decides whom to list as operators (Mishra, El Osta & Steele, 1999).

There are operators of every age listed as principal, second and first operators. At some point, the oldest operators may turn the reins over to the younger generation, whereby the successor becomes the principal operator and the older generation becomes second or third operator, but we cannot tell from this data at what time that change happens. Interestingly, 1,023 farms list a second operator who is over 75 years old, and 158 farms list a third operator over 75, possibly reflecting this change in order of operators.

Although we do not have sufficient data to know how many older principal operators have a younger successor working with them, this is an area of priority research for the future.

2.1.5. Challenges of farm succession planning

Postponing retirement may be a conscious choice: some farmers and ranchers say they will “never retire” or want to “die with my boots on” (Baker et al., 2000; American Farmland Trust, 2016). However, others clearly want to retire but struggle with the process: 82

percent of U.S. farmers lack an exit strategy or do not know how to create one (Spafford, 2006).

One study found that aging operators report that they are “not ready yet,” but they also report difficulties in family dynamics and the intimidating complexities of legal and financial arrangements, leading to anxiety, fear, and sadness (Ruhf, 2013). Practical concerns about retirement income and not having a successor also keep farmers from retiring (Baker et al. 2000).

While nearly all Oregon farms are still held by families, the number of farms that pass to a younger generation in the same family is decreasing.

However, even if the senior generation wants to be involved for as long as possible, they can begin management succession and estate planning well before they are ready to retire.

While nearly all farms are still held by families, the number of farms that pass to a younger generation in the same family is decreasing: only about half of agricultural land was acquired from within the family in the early 1990s, with similar reports from later studies that show increased non-family transfer

of agricultural land and assets (Parsons et al., 2010; Ruhf, 2013).

The first, and arguably the most important, step in succession planning is identifying a successor or successors: many operators report that their children are not coming back to the farm, so they are looking to their grandchildren or non-family successors (American Farmland Trust, 2016). One long-time Oregon farmer commented in an interview with us in 2016,

“We are looking for the 30- to 40-year-old that wants to take over. I will keep working here until I can’t anymore, but I do want to slow down. As long as I have my health, I have 15 to 20 years left. We would make an avenue for someone to join us, gradually take over.”

Even when a successor is identified, financial constraints make the transfer difficult for the retiring generation, particularly when the majority of the operator’s assets are in the property. In an interview in winter 2016, one long-term rancher in Crook County, who recently passed on his land to his son, commented on the challenges of that decision:

“All my real estate holdings are in [my son’s] name, held in trust.... That was a big, a hard thing to do, because suddenly, I don’t have that golden parachute. I no longer have a lot of money to

Data Highlights

Farmland in Oregon: Trends 2002–2012

- Oregon principal operators aged 65 and over grew from 22 percent in 2002 to 35 percent in 2012. They operate 5.35 million acres of Oregon agricultural land.
- Operators aged 65 and older can be divided into retirement farm operators, operating 24 percent of the farms on 1.8 million acres, and non-retirement farm operators, who hold 11 percent of farms on 3.3 million acres.
- Excluding retirement farms, 55- to 64-year-olds operate the most farms (36 percent), with the next largest share (29 percent) operated by 45- to 54-year-olds.
- 97 percent of farms are owned by a family, an individual, or a family-held corporation.
- 84 percent of all Oregon family farms and ranches are owned as sole proprietorships, and only half of Oregon farms have identified more than one operator with management responsibilities.

[travel or move elsewhere]. I put everything in trust, and now we're stuck."

Anecdotally, we know that many older agricultural landowners in Oregon do not have succession plans in place. As noted by one long-time farmer in Polk County during an interview in winter 2016, "I know of two farms where two men dropped dead...[the farms] just got sold to whomever came in and bought them." While the family may benefit from the proceeds of the sale, future use of that land and the outcomes for the community are uncertain and depend on who was able to buy the land. As discussed below, competition for agricultural land is coming from many quarters.

Succession plans can ease the retirement transition and provide financial security and emotional solace to the senior generation, many of whom are attached to the land and operation and want to see it continue successfully (American Farmland Trust, 2016).

2.1.6. Summary of knowledge on farmland succession in Oregon

Most of Oregon's agricultural businesses and land are operated by farmers aged 55 and older (Census of Agriculture, 2012). Compared to younger generations (up to age 54), the baby boomers (55 and older) hold more of the farm businesses and land and are consolidating it into fewer and older



Competition for Oregon's agricultural land is coming from many quarters.

hands: those over 55 operated 23 percent more farms and 26 percent more land in 2012 than in 2002. This suggests Oregon could see a large intergenerational transfer of assets, up to 10.45 million acres, accounting for 64 percent of agricultural land, in the next 20 years. However, this will be tempered by delayed retirement and the "retirement to farming" trend, which could significantly decrease the number of acres transferred to younger generations in the near future.

Principal operators aged 65 and older are the key demographic for immediate farm succession planning because they operate one-third of the farms and the land. Succession planning for retirement farms with principal operators aged 65 and older will have different characteristics and consequences for farms with non-retirement operators

aged 65 and older. Succession planning is likely to be more effective if tailored to the different characteristics and motivations of each population.

We know that 97 percent of farms in Oregon are owned by families; 84 percent of these are sole proprietorships; and almost half of *those* have only one principal farm operator. Under these conditions, agricultural land tends to pass to family members intentionally through wills or co-ownership of land, or without deliberate planning through the laws of intestate succession. However, increasing numbers of new farmers and ranchers are entering the agricultural sector from non-farming backgrounds, providing more opportunities to transfer management and eventual ownership to a non-family member (Parsons et al., 2010).

Apart from what we can infer from the age of principal farm operators and the business structure of farms, we have very little data about existing agricultural succession plans in Oregon.

How land transfer happens for any particular agricultural operation depends on a number of internal factors, such as the operator's health and desire to stay active in the business, family member interest and ability to participate in the business or continue to own the land, family dynamics, financial ability to retire, and whether a successor has been identified from within or outside of the family.

Landlords own a significant portion of Oregon's agricultural land, leasing to tenants who work the land, a trend that is increasing in the United States. If today's aging landowners die without a succession plan, their family members will take ownership and decide the future use of the land. They could continue as landlords to the existing tenants, change the lease terms or take on new tenants. It is possible of course that some or all of the land would be sold to a tenant or another operator (Parson et al. 2010; Duffy, 2008).

Apart from what we can infer from the age of farm operators and the business structure of farms, we have very little data about existing farm succession plans in Oregon. More research is needed.

More and better Oregon data would provide insight into the amount of farmland that is transferred to non-family operators either by sale or gradually through lease, option to purchase, or lease-to-own relationships.

Thoughtful and timely succession planning can ensure a comfortable retirement as well as an agricultural legacy for the retiring generation. Many landowners want to leave a farm

legacy by passing on their farm to another generation of owner-operators (American Farmland Trust, 2016).

Succession planning is also essential for farmers who simply want to generate a return on their investment and retire from farming. Some Oregon operators have implemented successful succession plans, and we can learn from their experience. One long-time farmer in Polk County commented in an interview in winter 2016, “The people that took over my farm came and apprenticed from me, learning the system here, learning the market. They were at it for a couple of years before they took over from me. They are doing a great job.”

Aging landowners can be informed of the changing landscape of succession planning today: reasons for creating succession plans, how to connect with and train successors, types of succession transfer plans, and incentives to keep land in agricultural production.

2.1.7. Priority data and future research about farmer age and succession planning

Many questions remain about the retiring farmer population such as the age and characteristics of agricultural landlords (versus solely farm *operators*), and whether farmers have younger operators working alongside them as they move into retirement. There are also many outstanding questions about succession and transfer timing and plans, and challenges faced by retiring

operators who could benefit from education efforts, technical assistance or public policy. Below are promising sources of data and future research.

Census special tabulation

For greater insights into the Census data, we can request (from USDA-NASS) special cross tabulations of existing Census data to find out how many Oregon farmers aged 65 and older have a younger farmer listed as an operator and how much land is in multiple-operator farms. (American Farmland Trust did a similar study outside of Oregon in 2016.) It would be useful to look at additional characteristics for all age groups to analyze the older and younger generations because of the differences in their demographics in the 2012 Census.

Other special cross tabulations can shed light on other key information. For example, breaking down multiple operator, farm type, and age to find differences in regions, commodities, and farming practices may show opportunities for succession planning training and assistance through farmer associations such as commodity associations.

Survey of Oregon succession planning

Collecting comprehensive data about farm operator succession plans in Oregon is both possible and extremely valuable. For example, every five years since 1941, Iowa State University has conducted a legislatively-mandated survey about land succession in Iowa



Additional data worth pursuing include

- special census tabulations about farmer age and number of operators
- a state survey akin to the TOTAL survey
- a survey on succession planning in Oregon
- farmer focus groups

(Iowa State University, 2015). Iowa's robust, active and long-term commitment to studying land succession is a model to draw upon.

We could use a similar state-level survey to gather the same data as TOTAL while also including farm location, size in acres and sales value, marketing channels, business structure, and other pertinent questions. This research would indicate whether and how land and farm business transfers vary based on those characteristics. We could also ask whether a succession or estate plan has been created, if a successor has been identified, and what the timeline is for transition of assets or management.

We want to collect a meaningful picture of the types of farms and ranches that are ready for succession planning. Operations with certain characteristics may tend to be more stable and

profitable over time while operations with other characteristics might experience more turnover or unsuccessful intergenerational transition, necessitating different supports and policies. There may be key times in the business lifecycle to target farm owners for education and support in their estate planning. A clearer picture of Oregon agricultural operations will help policymakers target their efforts, develop policy tools tailored for different scales and types of operations, and avoid unintended negative consequences on some farm sectors.

Focus groups

American Farmland Trust (2016) conducted focus groups in the New England states to learn about the succession process from both retired and operating farmers aged 65 and older.

Focus groups provide an opportunity to go beyond reporting the existence of succession plans and also learn the challenges these operators face in the succession planning process.

Farmer age by region

Oregon's distinct growing conditions throughout the state may be associated with differences in farmland control and intergenerational transfer. Reporting differences among urban and rural areas, east or west of the Cascades, and other sub-regions aids our investigation and recommendations, as policy or educational materials may be targeted in specific ways or may have different consequences in different parts of the state.

Other data sources

It appears that Oregon does not directly track out-of-state ownership of Oregon land. Absentee landowners living outside the state may show different patterns of land transfer. It would be useful to track trends in out-of-state ownership, to anticipate consequences for future land transfers.

Other promising sources of information include Oregon's Natural Resources Tax Credit, the Northwest Farm Credit Service, and the USDA Farm Service Agency. For more information on data sources, see appendix A.



Access to land—the ability to lease or purchase appropriate and affordable farmland or to partner in a farm operation—has been identified as a critical challenge for beginning farmers nationwide.

2.2. How Will Beginning Farmers and Ranchers Gain Access to Land?

National discussion of BFRs speaks to their importance to “the future of this country not only as producers of the food, fuel, fiber, and horticultural products we all consume, but also as the rural and urban entrepreneurs who assure productive economies all around them” (USDA BFR Advisory Committee, 2015). While BFRs can be of any age, *young* BFRs are of particular interest, as it appears that farmers are entering retirement age more quickly than younger farmers are entering the industry. Consequently, our discussion pays special attention to young farmers

and ranchers as a sub-category of all BFRs.

We attempt to paint a picture of BFRs and land access in Oregon by examining both demographics and the challenges BFRs face in acquiring land and starting agricultural businesses. We also identify data gaps and future research priorities, including opportunities to learn from the primary support organizations for Oregon BFRs.

USDA defines a 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.

Beginning farmers face escalating purchase and rental rates, difficulty negotiating leases, financing barriers, increasing production costs, and financial barriers to investing in infrastructure and conservation practices.

Access to land—the ability to lease or purchase farmland or partner in a farm operation—has been identified as a critical challenge for BFRs. BFRs will vary in the type of land they seek and the

challenges they face in accessing land and establishing an agricultural business.

For example, Land for Good identifies three key stages for BFRs, relevant to the search for land (Ruhf, 2013):

1. “Prospective” farmers who plan to farm but are not yet farming. These BFRs (who would not be counted in the Census data) may have access to land through family but likely are seeking land. Others in this category may have the means to acquire land before they acquire the skills to farm—they are likely to be older and to have access to capital.
2. “Start-up” farmers in their first three years of farming, who are more likely to be tenants, but who may own some or all of the land that they operate.
3. “Operators” who are changing, expanding, or relocating their operations in years four through nine. They are likely to be full or part owners of land that they farm, but they may expand their operations by leasing land.

Other categorizations are certainly possible.

The point is that BFRs at different stages may be seeking different types of land and may have unique opportunities and challenges in doing so. It is worth noting that established farmers, while they are advantaged by skills and experience, face some of the same challenges as BFRs, including escalating purchase and

rental rates, difficulty negotiating leases, financing barriers, increasing costs of production, and financial barriers to investing in infrastructure and conservation practices (Ruhf, 2013). In addition, while first generation BFRs often appear to be the focus of concerns about land access, multi-generational BFRs—who from one perspective might seem to be “in line” for a place to farm (e.g., once their parents retire)—are likely to have their own land access challenges, which are also important to understand and address.

2.2.1. Characteristics of beginning farmers and ranchers in Oregon

In 2012, Oregon had 8,339 BFRs, making up 24 percent of all 2012 farm and ranch operators. But that was a sharp decline from 2002, when there were 12,866 BFR operators in the state, accounting for 32 percent of all farm operators (USDA-NASS, 2012).¹² This change follows a similar downward national trend in which beginning farms and ranches have been declining for at least three decades: In 1982, 38 percent

¹²For the first time in 2012, the Census reported the number of years a principal operator has managed any farm. In Oregon, 18.8 percent of farmers were BFRs by this definition, and 5.8 percent of operators had less than five years of experience on any farm. These figures are similar to national statistics but there is no comparable past data in Oregon. On average across age groups, U.S. operators have two to three years of other farm experience before operating their present farm (USDA-NASS, 2012).

Data Highlights

Who are Oregon’s beginning farmers and ranchers (BFRs)?

Trends 2002-2012

- In 2012, 19 percent of Oregon farm operators had less than 10 years of experience on any farm; 24 percent had less than 10 years on their current farm, down from 32 percent in 2002.
- Young farmers tend to be BFRs and are more likely to have an off-farm occupation.
- BFRs are all ages: in 2012, 36 percent were under 45, while 64 percent were over 45.
- BFRs leave farming in much higher numbers than experienced farmers; between 2002 and 2012, the number of farms operated by BFRs dropped by dropping 4,527 farms (35 percent), while the number of non-BFR farms dropped by only 67 farms (0.25 percent).

of the principal operators had less than 10 years of experience, and by 2012 only 25 percent of U.S. principal operators were BFRs (Ahearn, 2013; USDA-NASS, June 2014). The change in the number of Oregon BFRs can be partly attributed to BFRs crossing the 10-year-experience threshold out of BFR status, but more significantly we see evidence of farm exit—farmers leaving the profession—among BFRs during the decade.

Gaining experience and farm entry

We can look at BFRs who have been operating for four years or less to get a sense of farm start-ups: 7.6 percent of operators had been on their present farm for four years or less in 2012, down from 11.6 percent in 2002. The decline in both the BFR population in Oregon and farm start-ups illustrates that not enough new farmers are filling the “pipeline” as some BFRs “graduate” beyond the tenth year and older farmers retire (USDA-NASS, 2012).

Farm exit

Another look at the Census of Agriculture data shows that farm exit from 2002 to 2012 happened almost exclusively within the BFR population. Oregon lost 4,600 farms from 2002 to 2012, but if existing farmers and BFRs faced identical pressures to exit the sector, then we should have seen equal losses from both BFR and non-BFR categories. However, we saw that BFRs exited at much higher numbers, dropping 4,527 farms (35 percent), while the number of non-BFRs dropped by only 67 farms (0.25 percent) from

2002 to 2012 (USDA-NASS, 2012).¹³

Note that farm “loss” doesn’t necessarily mean that the land is no longer in active agricultural production. Instead, we see average farm size growing, indicating that existing operators are now managing land that had previously been managed by exiting farm operators.

Age of beginning farmers and ranchers

One study of BFRs from 1999 defined “young” as under the age of 35; 15 years later, a 2016 study defined BFRs under the age of 45 as “young” (Mishra, El Osta & Steele, 1999; American Farmland Trust, 2016). Although not all BFRs are young, young farmers and ranchers are likely to be BFRs. Age is important because young BFRs may face different challenges than older BFRs.

Young farmers are likely to be BFRs

There is long and widespread interest in young farmers and ranchers and the particular challenges that they face (Steele, 1999). Operators under the age of 35 average less than 10 years of farm experience, but there are some with over 10 years of experience. Operators aged 35-44 are almost evenly split between BFRs and non-BFRs, averaging 10.7 years on their current farm for those reporting a farming occupation. The proportion of BFRs over 45 is much lower. (See figure 8.)

¹³ Much of this decline can likely be explained by the exit of nearly 5000 “micro” farms; i.e., farms with less than \$2500 in annual sales.

For a snapshot of young operators, we can look at the change in the number of operators under 45 and the amount of land they managed from 2002 to 2012.¹⁴ (See figure 9.) The share of operators in the three youngest age groups dropped over that 10-year period. Operators between the ages of 35 and 44 dropped the most, down 3,389 farms and 1.31 million acres. However, while the number of younger farmers and the amount of land they control has declined, operators in the younger age categories were also operating some of the largest farms in 2012 (USDA-NASS, 2012). Many of these younger farmers may have

¹⁴ The Census data breaks out age categories into under 25, and 25 to 34 years. For the purposes of this report, we have combined these two categories into an under 35 group. The under-25 numbers are less than 1 percent of the farms in each of the Census years; their numbers dropped by 84 farms from 2002 to 2012, to 92 farms in 2012.

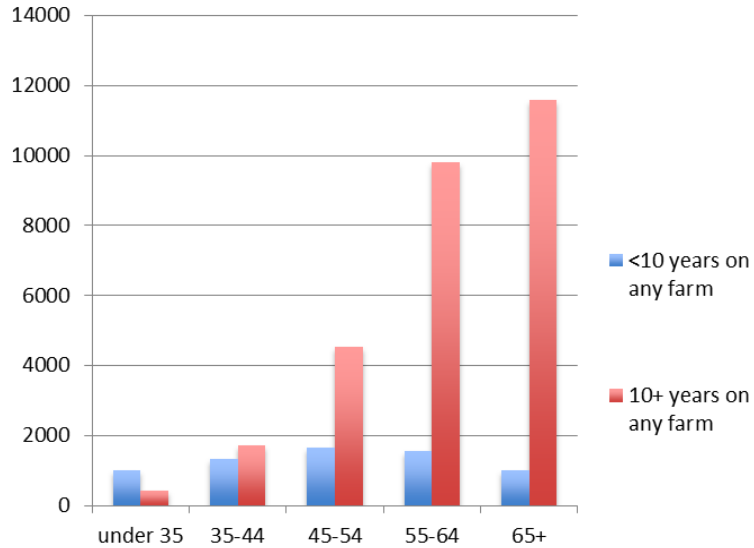


Figure 8. Oregon farm operators' years of experience by age category in 2012.

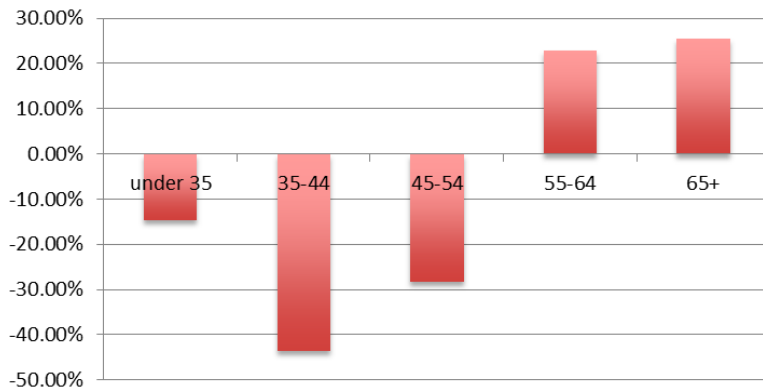


Figure 9. Percent change in Oregon acres controlled by principal farmer age, 2002-2012.

inherited the assets or management of their family's business.

Not all BFRs are young

Operators managing any farm for less than 10 years are evenly distributed across all age groups in Oregon, similar to national statistics; the average age of BFRs nationally was 49 in 2012 (Ahearn, 2013). (See figure 10.) For many it can be a second career, and some may return to a farm mid-career when the senior generation is ready to retire. There is also the phenomenon of "retirement to farming," when a farm

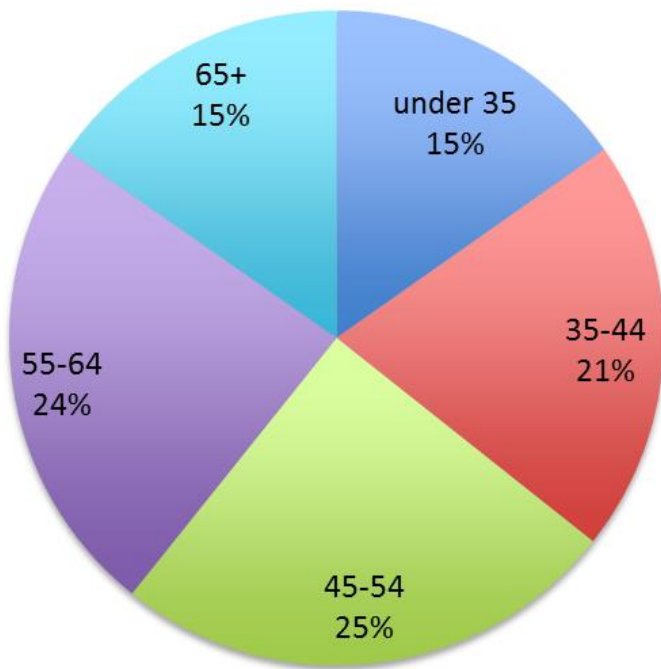


Figure 10. Beginning farmers and ranchers by age.

operator enters into farming later in life after retiring from another career (Kirkpatrick, 2013).

Another source of information on BFRs in Oregon comes from the training programs available throughout the state. Since 2008, the OSU Small Farms Program has offered its BFR training program, *Growing Farms: Successful Whole Farm Management*, in multiple locations across Oregon. Approximately 500 people have taken the course, which was designed for BFRs who self-identify as “ready-to-farm.” In 2015, 34 students took the course in three locations. Of these, 85 percent had access to land (own or lease not specified). The average student was aged 30 to 40, and 27 percent of students were over 50. In the future, data could be collected more systematically from OSU’s program and other BFR training programs across the state, to better understand the demographics and land access issues of BFRs in Oregon.

Leasing trends for BFRs

In Oregon, 11 percent of BFRs lease all of the land that they operate (up from 8 percent in 2002), compared with 4 percent of non-BFRs. Operators under 35 are also more likely to rent land than older age groups. Most Oregon farmers own the land that they work rather than lease it. Comparing themselves to other farmers, BFRs may be more motivated to own their land rather than lease, leading to frustration with access to land ownership.

Multiple farm operators per farm

From 2002 to 2012, there has been a slight rise in multiple operators on a single farm for both BFRs and non-BFRs. Moreover, BFRs are more likely to report multiple operators: 61 percent of BFR principal operators compared to 55 percent of non-BFR principal operators report second or third operators making management decisions about the

operation. Given that BFRs are distributed among all age groups, it is unclear why BFRs are more likely to have multiple operators or what roles the other operators play in the operation. Given that BFRs, in general, have less farm experience and more off-farm income, multiple operators may contribute to the viability of the farm, supplying additional labor, skills, and management responsibilities.

Examining multiple-operator-farms by operator age, we see that people under 35 are the largest share of third operators on farms with three or more operators. Although few of these younger operators are now principal operators, their place as second or third operator is evidence that they are gaining experience in the farm sector.

It is possible that as older operators have delayed retirement, younger farmers have had to extend their apprenticeship and delay their full entry into the operation.

Other characteristics of BFRs

BFRs tend to engage in more off-farm work nationally and in Oregon, where they are more likely to have a non-farming occupation: 23.1 percent of non-farming occupation operators are BFRs, while only 14.7 percent of farm operators that list farming as their sole occupation are BFRs.

Nationally, BFRs own smaller farms in terms of acreage and sales and have higher average expense-to-sales ratios.

They are also more likely to be women and minorities than experienced farmers are. Women and minorities are distributed across the range of farm experience. Based on available Census data, it appears that national trends are consistent with Oregon; however, a detailed analysis requires a special tabulation of the Census data by years on any farm or years on their present farm (USDA-NASS, June 2014).

2.2.2. Challenges that BFRs face

Based on national surveys, BFRs believe that the top barriers to their success are lack of available land and high startup costs, especially relative to anticipated farm income (Ahearn & Newton, 2009; Shute, 2011). The challenge rests not only in land *availability* but land *affordability*. Other barriers cited by BFRs include the following:

- Difficulties with leasing land
- Limited access to credit and professional services
- Few opportunities for training and farming experience
- Difficulty negotiating successful succession arrangements

In Oregon-specific assessments that identify similar challenges, land access also emerges as a top concern for BFRs (American Farmland Trust, 2015; Friends of Family Farmers, 2016).

Access to appropriate, affordable land

Accessing land—that is, finding appropriate land to start or expand a farm or ranch business—is consistently

identified as a barrier to success by BFRs who do not come from a family farm or ranch and who, therefore, do not have the opportunity to inherit land. This is also more commonly a barrier for young BFRs than for BFRs coming to agriculture after retiring from a career, since the latter are more likely to have capital to independently fund their start-up (e.g., savings, proceeds from selling other real estate).

Nationally, average farmland values doubled between 2000 and 2010. Oregon's farm values are also rising.

What is “appropriate” land for each BFR, and therefore what type of agricultural land they seek, varies based on individual goals: the crops they want to produce (e.g., horticultural crops, field crops, or livestock), how they want to farm (e.g., certified organic, conventional), how they want to market and generate agriculture-related income (e.g., through direct or consumer markets, wholesale channels, or agritourism), and where they want to live (for business and personal reasons). For example, a diversified vegetable farmer aiming to sell primarily direct-to-consumer likely will seek high quality soils, water rights, and a location near population centers with established local

markets. A rancher raising beef can be successful with lower quality soils in a more remote location.

Water rights

One important aspect of appropriate land is water availability. Water rights, in part, determine the types of crops that can be grown on a parcel of land and the potential farm revenue. If land does not currently have water rights, an application for a water permit requires a “water availability analysis.” For most of the state, there are no new surface water permits available for the irrigation season. Ground water is also limited in many parts of the state and requires further study; it is not a good long-term solution for commercial farm irrigation needs. With scarcity of new water rights, land with existing water rights will see higher market prices in coming years (Hobson, 2016; Oregon Water Resources Department, September 2008).

Rising land prices

A second barrier to land availability is affordability. Between 2000 and 2010, national average farm values doubled, from \$1,090 per acre to \$2,140 per acre (Shute, 2011). Oregon’s farm values are also rising: farm real estate value, which includes the value of all land and buildings on a farm, was \$2,200 per acre in 2016, up from \$1,960 in 2012 (USDA-NASS, 2016). Northwest Farm Credit Services (2016) also reports increased average land values for both cropland and pastureland in recent years. (See figure 11.)

The price of a specific farm parcel depends on a variety of factors. Those intrinsic to a particular parcel include location, proximity to markets, soil types, water rights, existing infrastructure, the availability and quality of existing housing, and development rights.

Development pressure

External factors affecting availability and affordability of agricultural land include development pressure (to the extent permitted by Oregon land use laws and local decisions and markets) and demand for farmland from other buyers, who range from amenity seekers (e.g., people who buy land for vacation homes) and developers to larger-scale farming operations and investors.

Accordingly, prices for Oregon farmland vary considerably by location. Generally, Willamette Valley counties and others along I-5 and I-84 had higher average

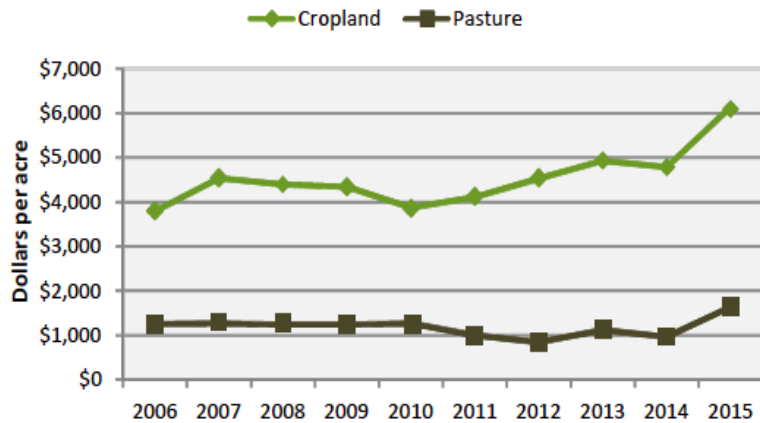


Figure 11. Oregon average land values. *Source: Northwest FCS*

per-acre rates. These areas tend to be close to major transportation corridors and markets, higher soil quality, water availability, and on-site housing or the potential to build housing, leading to higher prices.

An analysis of the market value of land and buildings (using 2012 data from the Census of Agriculture) indicates that Hood River County had the highest per acre average value in Oregon, at \$19,000, followed by Clackamas (\$13,486), Multnomah (\$11,928), and Josephine (\$10,052). Realtors and BFRs reported significantly higher rates than in recent years, especially for parcels within easy driving distance from Portland. Our four-county analysis revealed an average price of nearly \$30,000 per acre in Clackamas County and \$20,000 per acre of farmland in Washington County.

During an interview in winter 2016, a BFR who also practices as a realtor observed that only 29 of the nearly 600 farm properties that sold in the Willamette Valley in 2015—between five and 80 acres, with water rights and a house or the potential to add a house—sold for under \$500,000 (according to the Willamette Valley Multiple Listings Service). Only one of those farms, with 29 acres, agricultural water rights and a fixer home, was north of Salem, and it sold for cash in a very short time.

Such prices make land ownership very difficult for BFRs. Commented one BFR (an intern on a farm in Washington County) at a workshop in spring 2016, “It seems like an unattainable aspiration to own your own farm.”

While not as high per acre, the market value of land and buildings in Eastern Oregon is also increasing. The counties with the highest percentage increases from 2002–2012 were Grant County (106.1 percent) and Morrow County (104.2 percent).

Other factors affect the availability and affordability of agricultural land, including development pressure and demand for farmland from buyers who do not plan to farm.

According to one beginning farmer, “It seems like an unattainable aspiration to own your own farm.”

Currently, Northwest Farm Credit Services reports that there are limited listings of agricultural properties and that listed properties sell quickly due to low supply of high-quality agricultural land and strong demand from non-farmers and from operators wishing to expand their farms.

Agricultural land has outperformed the stock market in recent years, making it attractive to investors. Thus, Northwest Farm Credit Services predicts stable to increasing land values across the state, which is good for current landowners but a challenge for BFRs seeking land.

Agricultural land has outperformed the stock market in recent years, making it attractive to investors.

Conversion of agricultural land into other uses also constricts the supply of land available for BFRs (American Farmland Trust, 2016). Anecdotal data suggests that farmland near urban areas is attractive to BFRs, especially those who plan to focus on direct markets and need access to a large base of consumers.

Even in Oregon, where farmland protection is strong compared to other states, the amount of land in farms continues to decline. In 2012, 16.3 million acres of land were in farms and ranches, or about 25 percent of the non-federal land in Oregon, down from 17.1 million acres in 2002, a 4.6 percent decrease. Most of this land was lost to residential development. We explore the issue of development pressure in more depth below.



In 2012, 16.3 million acres were in farms, or about 25 percent of the non-federal land in Oregon, down from 17.1 million acres in 2002, a 4.6 percent decrease. Most of this land was lost to residential development.

Farmland is bought and sold on the open market and thus is subject to market pressures. National and global pressures include competition for agricultural land from absentee landlords and investors leading to higher prices and the “financialization” of agricultural land (Fairbairn, 2014; Magnan, 2015; MacDonald, Korb & Hoppe, 2013). Another market pressure, particularly documented in western states, is purchase for lifestyle and amenity reasons, rather than for commercial production and income-generation (Gosnell & Abrams, 2011; Gosnell, Haggerty & Travis, 2006; 1000 Friends of Oregon, 2005). More

localized influences affecting demand in Oregon include drought in California,¹² related climate projections that portray Oregon as favorable for expanded food production, and demand for land for growing high-value crops (e.g., marijuana and hazelnuts). Yet another source of demand comes from agencies and organizations that purchase agricultural land to take it out of production to achieve conservation goals, such as wetlands restoration.

Farmland transfer: who is buying farmland?

Statewide data on who is buying Oregon farmland is not readily available. In response to this gap, we conducted a pilot study to answer the question for four counties in the Willamette Valley: Benton, Clackamas, Polk, and Washington.

To learn who is buying farmland in Oregon, we conducted a pilot study in Benton, Clackamas, Polk, and Washington counties.

From 2010 to 2015, the average annual number of land transfers was 43 in Polk, 52 in Benton, 89 in Washington County and 191 in Clackamas. Average parcel size ranged from 20 acres in Clackamas, 28 in Washington, 50 in Benton and 187

¹²See, e.g., Akkad (2016) for a media description of California buyers relocating to Oregon.

in Polk. Average sales price per parcel ranged from around \$600,000 in Washington and Clackamas Counties to \$873,000 in Benton and \$1 million in Polk County, equating to an average sales price per acre from \$5,341 in Polk County to \$29,817 in Clackamas. These averages exclude major outliers and parcels selling for \$100 or less, but still include parcels sold below market value, many of which were likely sold to family members. These family transactions may obscure a higher actual average price for properties sold on the regular market. Price variation depends on property characteristics: some but not all parcels had water rights and housing.

The percentage of out-of-state (but within the United States) buyers ranged from 5 to 10 percent among the counties, but this is likely an underestimate, because it only counts taxpayers who retain an out-of-state address and does not count those who used or changed to an Oregon address. California was the most common place of residence of out-of-state buyers. While only 1.5 percent of Oregon's agricultural land overall is in foreign ownership,¹³ this is up from 0.46 percent in 2002¹⁴ (USDA FSA,

2014). The percentage of out-of-county buyers was much higher than out-of-state buyers in our study, ranging by county from 17 to 31 percent.

In our interviews in winter 2016, realtors noted that while there has long been demand for Oregon farmland properties from out-of-state and out-of-country buyers, such buyers seem more prevalent lately. One realtor said that these buyers are "a large percentage of my buyers," that they are predominantly from China, Canada, California, and other regions of the United States, and that some of them are looking for large parcels of farmland. Realtors and property owners have seen an increase in demand from California companies for land to grow hazelnuts and blueberries, for example. These companies sometimes buy and consolidate multiple properties.

Business entities, including LLCs, partnerships, and corporations, accounted for 15 to 35 percent of sales in the counties, but more than that in terms of acres in Clackamas and Washington Counties. Non-agricultural businesses and investors appear to be

¹³ The American Foreign Investment Disclosure Act of 1978 requires reporting any interest in the land other than a security interest (i.e., mortgage). A "foreign person," includes any individual who is not a citizen, national, or permanent resident of the U.S. or a U.S. territory. Foreign "persons" also include foreign governments, entities which are created or have their principal place of business in a foreign country, and U.S. entities in which there is a significant foreign interest (USDA FSA, 2014).

¹⁴ Of the approximately 25 million acres of agricultural land that is privately owned in Oregon (2012 data; this includes timber land in addition to farm and range land), about 3.1 percent of it is foreign owned. Nationally, the percentage of foreign ownership of agricultural land has been increasing modestly for the past decade.

increasingly interested in agricultural land. A significant number of the business entities that purchased farmland in the four counties are primarily focused on investment, finance, property management, property development and construction, and real estate—not directly related to agricultural production.

The scale of investors and their approaches varies. On the smaller side, Farmland LP, a private equity firm based in California, gained attention when it purchased about 1,000 acres outside of Corvallis in Benton County. Its model is to buy land, lease it to farmers, and work with them to transition the land to certified organic production.

Interviewees had mixed reactions to Farmland LP's purchases. On the one hand, many applauded the focus on sustainable practices and saw opportunities for farmers to access farmland. On the other hand, some see the purchase contributing to the escalation of prices in the region. They also expressed concern that such models do not allow tenant farmers to invest in the land and build long-term equity.

Another investment firm operating at a much larger scale is TIAA-CREF, a global pension fund manager. Before 2007, TIAA-CREF did not own a single farm. Today, it is the single largest platform for agricultural investment in the world. When asked about TIAA-CREF's plans for future investments in

Oregon farmland, representatives responded: "Oregon is a difficult market for TIAA-CREF to enter because farmland is not very consolidated." However, they are seeking opportunities

An employee of the Department of Land Conservation and Development commented, "We have always taken it for gospel that there will always be land... to hear [about the challenges of available and affordable land] really shook the ground underneath me."

in fruit and nut orchards and vineyards in Oregon. Representatives commented during an interview in 2016: "We are dedicated to this space, we are a leader, and whether we do it or not, the space is becoming institutionalized as we speak," suggesting that farmland purchase is becoming a common investment practice. This was echoed in our interviews with other investors.

As our four-county pilot study demonstrates, there is tremendous competition to purchase Oregon agricultural land. While the results are most relevant to this four county region, we heard significant concern about the

cost of land in our interviews with farmers and ranchers around Oregon.

During an interview in 2016, one long-time landowner and farmer in the Willamette Valley observed, “Across the street on the corner, there is a sign that says ‘Wanted Tillable Acreage,’ with a [phone] number... That did not use to happen.” A long-time rancher in Crook County noted, “The land prices are too scary high. You have to be born into it, or come into a lot of money.”

An employee of the Department of Land Conservation and Development (DLCD) commented, “We have always taken it for gospel that there will always be land... to hear [about the challenges of available and affordable land] really shook the ground underneath me.” Future research will replicate this study in other regions to inform region-specific policies or programs.

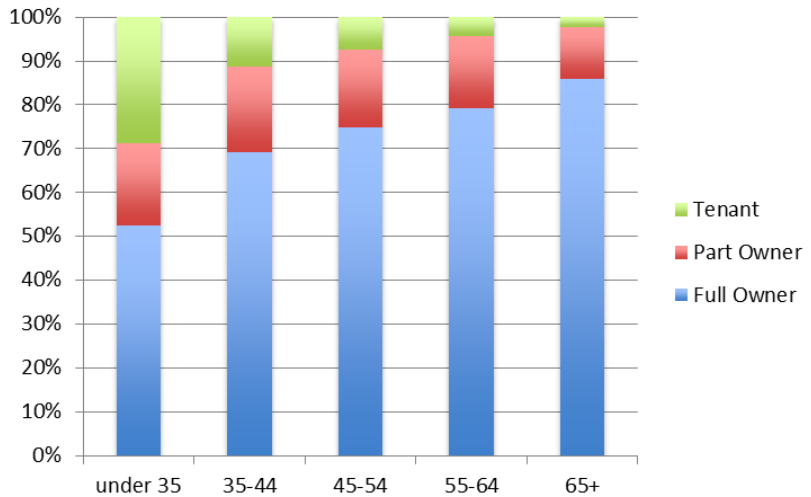


Figure 12. Percent of farmers by age who own or rent farmland.

Further detail on the methods and results of the four-county Agricultural Land Sales Study is provided in appendix C.

Lease length and terms

Leasing land is a more affordable, less capital-intensive way to launch an agricultural business. Because they have not tied up all their start-up capital and credit in land acquisition, BFRs who lease land can theoretically spend more on production and building their markets. Once they have a proven business, they are in a stronger financial position to qualify for a loan and (ideally) have the records to prove it.

Approximately 30 percent of agricultural land is leased in Oregon, a number that has been holding more or less steady for decades (USDA-NASS, 2012). We see expected trends in age of operators by land tenure status: As figure 12 illustrates, the youngest farmers are much more likely to be tenants, although just over 50 percent fully own the land that they operate. Older farmers are less likely to lease all or part of the land they operate; this also applies to older BFRs, who may bring capital from previous careers.

Leasing land can be a prudent strategy for BFRs who need to build experience, and some experienced

producers choose to lease for flexibility or because of relationships with the landowners. Leasing can also be a succession planning strategy, giving BFRs lower-cost entry while providing rental income for retiring landowners. Lease-to-own arrangements are also possible, as a kind of seller-financed mortgage.

However, leasing has risks, primarily related to lease length and terms. Many BFRs ultimately want to own their own land not only for stability, but because owning land is a way to build equity. Because it is typically the highest-value asset in agricultural operations, land provides security for loans and long-term retirement plans.

According to one beginning rancher who leases, “You are not a cattleman, you are not a meat producer—you are a pasture manager....it is very difficult to walk away and go to a new rental property....that is the issue of leasing versus owning”

Short-term leases, in particular, can be challenging for production systems that benefit from or require long-term investment, such as long-term soil quality improvements, pasture quality,

Leasing land can be prudent for BFRs who need to build experience, but leasing has risks. Short-term leases can be challenging for production systems that benefit from long-term improvements to soil and infrastructure in order to remain viable.

perennial crops, organic certification, or physical infrastructure such as livestock barns or packhouses. Farmers in short-term leases lack the ability to plan for the long-term. It can be devastating for a BFR when a lease is abruptly terminated or not renewed. Even when BFRs seek long-term secure leases, some landlords are only willing to offer annual or seasonal leases. As one beginning rancher explained during an interview in 2016,

“You are not a cattleman, you are not a meat producer—you are a pasture manager. The animals are your tools, they are the byproduct really—the eggs, poultry, meat. It is very difficult to walk away and go to a new rental property when you just put all that time and effort into

building the pasture...that is the issue of leasing versus owning.”

Leasing also does not necessarily offer a long-term pathway into ownership. As one leasing farmer put it, “the people who own the land, we don't know who they are; we don't know the succession plan in the family.”

With increasing investor and other non-farming/absentee ownership of agricultural land using leasing as a business model, lessee operators may have even less of a potential path to ownership. There may also be negative implications for the environment and rural economies if this trend intensifies (Parsons et al., 2010).

High startup costs relative to anticipated farm returns

Starting a farm is an expensive proposition, including the cost of land (purchase or lease), infrastructure (fencing, equipment), and operating expenses (livestock, seeds, amendments). It is difficult for BFRs to save money for their own operations while working on other farms. Increasing costs have put pressure on farm profitability over the years. BFRs are expected to have low gross returns in the start-up years and must ramp this up before they can be profitable or expand.

Over the last two decades, average farm real estate values in Oregon increased 46 percent from \$1407 per acre in 1996 to \$2060 per acre in 2014; average cash

rent increased 74 percent, to \$200 per acre of irrigated cropland in 2014 (all in 2015 dollars). Yet for the average farm, the market value of agricultural products sold increased only 22 percent per acre in roughly the same time period, from \$253 per acre in 1997 to \$309 per acre in 2012 (all 2015 dollars) (USDA-NASS, Table 1, 2012). As a result, today's farm net income is 7.1 percent lower than in 1996.

These averages are useful primarily to illustrate the gap between land prices and expected returns from farming. A farmer's actual costs and income of course depend on many factors (e.g., crops, production practices, the need for hired labor, markets, scale, etc.). And like all self-employed professionals, BFRs have other, non-farm costs, including housing, transportation, health care, saving for retirement, and so on.

All agricultural producers are challenged by rising costs, especially if revenues do not rise too. But high costs are a particular challenge to farm start-ups.

Off-farm income is common for young farmers and for BFRs of all ages to support both their family and operation (Ahearn, 2013). This can be a prudent strategy, allowing the agricultural business to grow sustainably without the pressure of immediate profitability, though it does take time away from the agricultural business itself. Studies of farm exit show higher probability of leaving farming for younger operators,



BFRs report credit barriers that include

- large down payments
- prohibitive loan requirements
- low loan limits
- short repayment timelines
- BFR's limited business inexperience
- difficulty getting small operating loans
- credit risks of start-ups

which may be due to having less farming experience, lower sales, and more off-farm work—all common characteristics of BFRs (Hoppe & Korb, 2006).

Access to credit

Access to capital through credit has always been a challenge for farmers, given the inherent risk of farming (Ahearn & Newton, 2009). There is little published data about who receives BFR loans, but anecdotal evidence from Oregon suggests that many young producers are not qualifying for federal Farm Service Agency (FSA) loans and are having trouble accessing other loans.

Commonly raised issues from a national survey of BFRs were inconsistency in knowledge among FSA officers, inability to get small operating loans, loan requirements that disqualify BFRs, short timelines for repayment, and slow payments and low loan limits on direct loans (Shute, 2011). The BFRs we interviewed in Oregon also reported challenges getting loans for their farms.

It is important to note that along with learning to farm or ranch, BFRs often need to learn how to run a business. Sometimes farmers cannot get a loan because they have not kept the right records, or organized them correctly, to demonstrate they are credit-worthy.¹⁵

¹⁵ Oregon has numerous educational programs to help BFRs gain financial and business management skills, offered by, for example, the OSU Extension Small Farms Program, several community colleges, Rogue Farm Corps, and others.

It is important to note that the difficulties Oregon BFRs reported to us about securing Farm Service Agency loans may be isolated experiences: FSA does make loans and loan guarantees to BFRs who are unable to obtain financing from commercial lenders.

Farms in the start-up phase are higher credit risks than established farms. A farm's debt repayment capacity utilization (DRCU) is the ratio of current farm debt relative to the maximum farm debt supportable out of only farm income. A DRCU exceeding 100 percent indicates that off-farm income or other assets must have been used to make debt payments. In 2011, 23 percent of beginning farms had a DRCU exceeding 100 percent, compared with 13 percent of established farms (Ahearn 2013).

Many of the service providers we interviewed commented on the difficulties many BFRs face in financing their farm business. One realtor noted,

“[Farmers] need more down payment as a rule than someone buying a house in a subdivision. There are only so many lenders

that will finance properties with acreage. Some lenders shy away from that, they want all the value in the buildings and structures. You have to have cash for a 25–30 percent down payment. Fewer people qualify under these kinds of conditions.”

In addition to requiring significant down payments, traditional lenders are not equipped to take on the risk of supporting small-scale farming. A farmer near the coast commented: “The Farm Service Agency did not believe our income projection on a per acre basis. FSA is a more conventional institution. A direct market farm does not fit into the FSA boxes.”

Yet as other interviewees pointed out, other lenders are better suited for working with smaller farmers and are actively working to be more accessible to BFRs, though they may not be as widely known as FSA.

For example, Northwest Farm Credit Services developed its AgVision program for BFRs who have less than \$250,000 annual gross agricultural income and who are 35 years old or younger or have 10 years or less in farming or both. AgVision offers more competitive rates, reduced or waived fees, less-restrictive underwriting standards, and a mentor program (Northwest Farm Credit Services, n.d.).

It is important to note that the difficulties Oregon BFRs reported to us about securing FSA loans may be isolated experiences: nationally and in Oregon, FSA does make loans and loan guarantees to BFRs who are unable to obtain financing from commercial lenders and it targets a portion of its farm ownership and operating loan funds to BFRs. There are several types of FSA loans with different purposes, maximum amounts, and term lengths depending on BFR needs (USDA, Loans for your Farm or Ranch, n.d.).

"I have not found any agency I can just go to...[to] see what kind of tax incentives [exist]"

Additionally, new opportunities for BFRs have emerged in the past decade from other non-traditional sources, such as crowd funding or Community Public Offerings, described in our recommendations below.

Access to professional services

In addition to lenders, BFRs also typically need realtors and legal services. However, not all real estate agents understand what farmers and ranchers—much less BFRs—need. Realtors without expertise in farmland may not have full knowledge about, for example, water rights attached to the land.

BFRs also report difficulty obtaining relevant legal assistance related to land purchases, evaluating lease agreements, or other legal tools such as easements, and creative land transfer models. For example, regarding easements, a long-time farmland owner in Eastern Oregon commented during an interview in winter 2016:

“So far, I have not found any agency I can just go to, fill out the form, see what kind of tax incentives [exist].... My neighbor and I could create 1500 acres in one spot that all had one easement on it. But there is nobody going around training farmers to do that. You can talk to NRCS and the FSA, and they will give you a form... but it is not easy to do.”

BFRs also participate in government programs at a lower rate than established farmers do (Ahearn 2013). In response, USDA has expanded programs to assist BFRs in numerous ways. The 2014 Farm Bill increased funding to the Conservation Reserve Program Transition Incentives (TIP), which helps retiring farmers transfer their land to BFRs. The federal crop insurance program was altered to have increased funds and make the overall program more useful and accessible. In Oregon, crop insurance programs have been further integrated to provide



Leasing or buying often requires cultivating relationships with landowners, which may be challenging for immigrants, non-English speakers, and people of color.

assistance and lessen the risks to BFRs. However, these aspects of the 2014 Farm Bill are not yet fully implemented in Oregon (Williamson, 2014).

Groups with additional barriers

Certain groups of BFRs including people of color, indigenous people, women, immigrants, refugees, and veterans face unique barriers in accessing land (Parsons et al., 2010). A range of historical circumstances and policies systematically hinder farmers and farmworkers from disadvantaged groups (Alkon & Agyeman, 2011).

Increasing numbers of women and people of color are seeking to enter the agricultural sector but may face systemic barriers. For example, Spanish-speaking BFRs in the Willamette Valley report

experiencing more difficulty leasing due to landowner discomfort with particular groups or individuals. One representative of a Latino farmer association commented during an interview in winter 2016, “There is a lot of land going to waste around here (in Washington County), and we could use it but there are some limitations... because there is some uncomfortableness with Latino people.”

Leasing or buying often requires cultivating relationships with landowners, which may be challenging for immigrants, non-English speakers, and people of color.

2.2.3. Priority data and future research about beginning farmers and ranchers

We have found no comprehensive assessments of the number and characteristics of beginning farmers and ranchers (BFRs) in Oregon, let alone a fully representative assessment of whether and how access to land is a challenge across the full range of BFRs.

Access to land might vary among family inheritors, retirement farmers, or those not from a farming family, and across different demographics (i.e., race and gender). It should be acknowledged that, while access to land comes up regularly in listening sessions, surveys, and interviews, this could be an artifact of which BFRs participate in the research.

Special Census tabulation about Oregon BFR experience

One way to learn more about BFRs would be to request a special cross-tabulation of Census of Agriculture data for Oregon that includes data about farmers' experience working on any farm and on their current farm. This research would uncover possible variation from national trends.

Tapping the experience of community organizations

This report draws on the experience of many of the public and private organizations that provide training and services to BFRs. These organizations have developed a good sense of the challenges that Oregon BFRs face and the type of farmland and opportunities BFRs are seeking. Gathering data from public and private organizations working with BFRs could be done more comprehensively; for example, the OSU Small Farms Program aims to do a statewide survey of all alumni of their BFR training program, *Growing Farms*, to explore a range of issues related to BFR development, including land tenure and land access.

Additional organizations that could provide insights into Oregon BFRs' experiences include the following:

- Rogue Farm Corps
- Friends of Family Farmers
- The Oregon Farm Bureau's Young Farmers and Ranchers Program

- Adelante Mujeres
- Portland Area CSA Coalition
- East Multnomah County Soil and Water District
- Oregon community colleges that have farmer training programs (e.g., Linn-Benton, Clackamas, and Chemeketa community colleges)

Surveys of agriculture students

The OSU College of Agricultural Sciences plans to conduct entry and exit surveys of students; these surveys could provide another avenue for assessing the plans and needs of BFRs. The surveys could include questions about plans to return to a family farm or start a new farm, and questions about anticipated challenges.

Analysis of land-linking programs

It would also be useful to know how effective Oregon's land-linking programs (i.e., FarmLink by Friends of Family Farmers) are. Land-linking programs connect farmland owners and land seekers, to facilitate transfer among the two. An analysis of Oregon's land linking programs would provide information about current usage by landowners and land-seekers, along with illustrative examples and suggestions for improvement.

Expanded study of competition for land across Oregon

Additional research on competition for agricultural land in Oregon should be conducted, with a broader geographic

Oregon has some of the country's best farmland and a robust farm economy; Oregon's many land use laws and policies, particularly exclusive farm use zoning, are critical to maintaining this land base.

scope than our four-county pilot study. Besides county-level transfer data, other sources of information on farm sales and ownership in Oregon include Northwest Farm Credit Services, Farm Service Agency, Oregon Association of Farm Realtors, Greater Oregon Chapter of the Appraisal Institute, and investor reports on investments in agricultural land. These potential data sources are discussed in more detail in appendix A.

2.3. Agricultural Land Base and Land Use

To understand the future of farming in Oregon, it is important to consider Oregon's farmland base and land use planning.

Oregon has some of the country's best farmland and a robust farm economy. Currently, over 16 million acres of land are in farm use in Oregon, according to the Census of Agriculture and to aerial photo assessments (Gray et al., 2016).

Oregon's many land use laws and policies, particularly exclusive farm use (EFU) zoning, are critical to maintaining this land base. Challenges, including parcelization, new dwellings, and non-farm uses on EFU lands, suggest the need for additional policy refinement.

Finally, it is important to recognize that some farming occurs on non-EFU land. This land may be especially important for BFRs and small-scale, diversified direct market farmers and, as such, deserves attention.

"We wouldn't have a [land use] planning program today if the farmers...hadn't come to the legislature and said, 'We need your help. We're losing farmland left and right.'" (Oregon Department of Land Conservation and Development & Portland State University, 2016)

2.3.1. Overview of Oregon land use planning

Oregon is noted for its tradition of strong land use planning, including

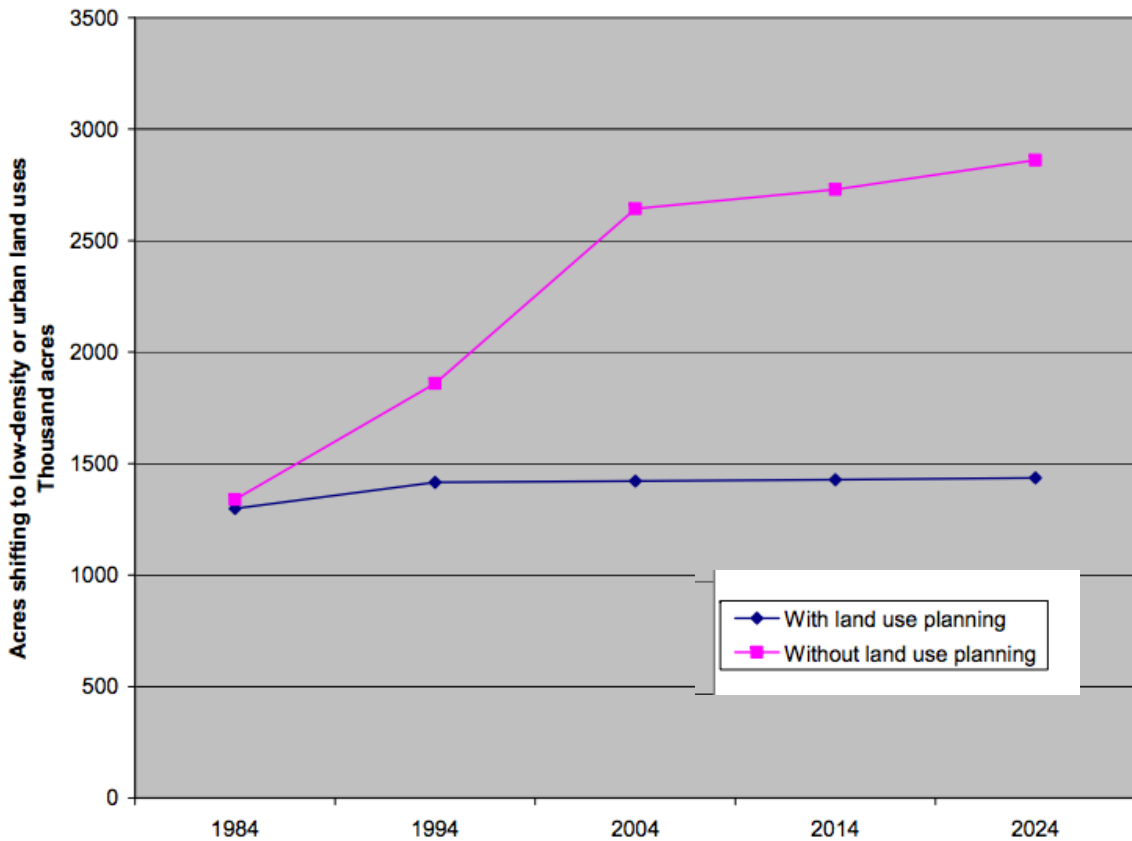


Figure 13. Comparison of area, with and without land use planning, of non-federal land in Western Oregon changing from resource to low-density and urban land uses, 1984-2024. *Source: Lettman , 2009.*

efforts to contain urban sprawl and protect agricultural land (Bengston et al., 2004; Daniels and Nelson, 1986; Gosnell et al., 2010; Kline, 2005; Nelson, 1992). Figure 13 illustrates the effect of land use planning on the repurposing of farmland in one region of Oregon.

Established in the early 1970s by the Oregon Legislature in Senate Bill 100, Oregon’s land use planning program emphasizes the protection of farmland, and farmers were instrumental in the law’s passage. A former director of Oregon’s Department of Land Conservation and Development notes,

“We wouldn’t have a planning program today if the farmers, some of them, hadn’t come to the legislature and said, ‘We need your help. We’re losing farmland left and right in the Willamette Valley and other parts of the state. There has to be a planning program.’” (Oregon Department of Land Conservation and Development & Portland State University, 2016)

Of Oregon's 16 million acres of farmland, 15.5 million acres are zoned exclusive farm use. Oregon's land use protections are credited with slowing the conversion of private farm, forest and rangelands to low-density residential and urban uses.

Of Oregon's 16 million acres of farmland, 15.5 million acres are zoned exclusive farm use (EFU). Counties identify land for EFU zoning based on soil class and parcel size.

Within EFU zones, minimum lot sizes are relatively large (80 acres in Western Oregon and 160 acres in Eastern Oregon) with smaller lots allowed in some counties, and there are various restrictions on development.

EFU lands, along with non-EFU lands used for defined agricultural activities, have reduced property tax assessments.

Not all high-quality farmland is zoned EFU: many smaller parcels with high-quality soils that did not meet the minimum lot size were instead zoned rural residential, mixed farm-forest, or

other zoning. We discuss the importance of these parcels below.

Oregon's land use protections are credited with slowing the conversion of private farm, forest and rangelands (resource lands) to low-density residential and urban uses (developed lands) (Gray et al., 2016; Lettman, 2009). The conversion rate was five times higher before the land use planning laws were implemented than during the past decade. Oregon is losing less resource land per new state resident, instead developing more compact and dense urban areas¹⁶ (Lettman, 2011). However, some farmland is still lost to more developed land use classes.

According to aerial photo analysis, agricultural land (including range, mixed range/agricultural, mixed forest/agricultural and intensive agricultural land) accounted for 16.3 million acres in Oregon in 2014, down from 16.8 million acres in 1974 (Gray et al., 2016). The amount of land in mixed forest/agriculture and intensive agriculture each declined about 100,000 acres over those 30 years. Figure 14 shows the changes in land use in this time period.

While the overall decline seems minimal, there are important regional variations. Almost half of all agricultural land

¹⁶ The area of resource land converted to developed land was 0.2 acres per person from 2005-2014 (which included a recession), compared to 0.9 acres of conversion per person from 1974-1984, pre-land use planning.

conversion occurred in Central Oregon; nearly one quarter in the Portland Metro area; and one quarter in the rest of the Willamette Valley (Gray et al, 2016). Much of the land lost was prime farmland.

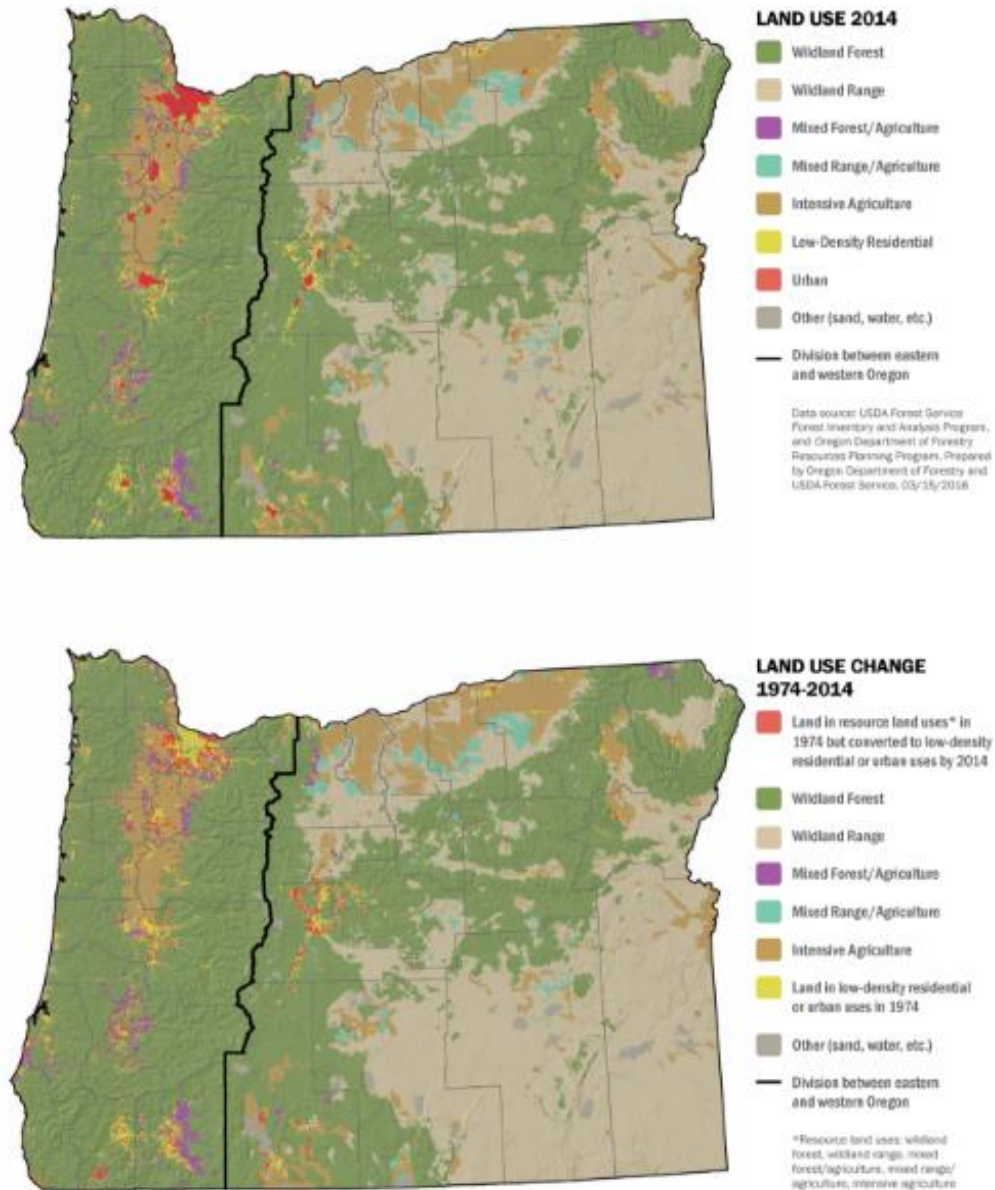


Figure 14. Land use and land use change in Oregon.

While land use planning has ensured a relatively stable supply of agricultural land in Oregon for the past 40 years, there are multiple pressures. Agricultural zoning, while critical, is only one tool; other tools, though available, have not been effectively implemented in Oregon. We briefly discuss some of the main issues of concern.

2.3.2. Pressures to convert agricultural land to other uses

From 1989 to 2013, 56,600 acres of EFU land were rezoned, 57 percent for rural development and 43 percent for Urban Growth Boundary (UGB) expansion (DLCD 2013). In recent years, Crook, Deschutes, Malheur, Jackson, Union, and Yamhill Counties all rezoned more than 175 acres of EFU land each. (See figure 15.)

Demand for housing and industrial development

One source of pressure for rezoning EFU land is the demand for housing and industrial development. We can expect ongoing pressure for UGB expansion as the state's population grows, primarily in the Portland Metro region and along the I-5 corridor. For example, in 2016, the state legislature created a UGB Expansion for Affordable Housing Pilot Project (HB 4079), allowing two cities to expand their UGBs by up to 50 acres for affordable housing. Some of this land will likely come from the agricultural land base.¹⁷ Some farmers interviewed for this project are concerned that land use planning, and

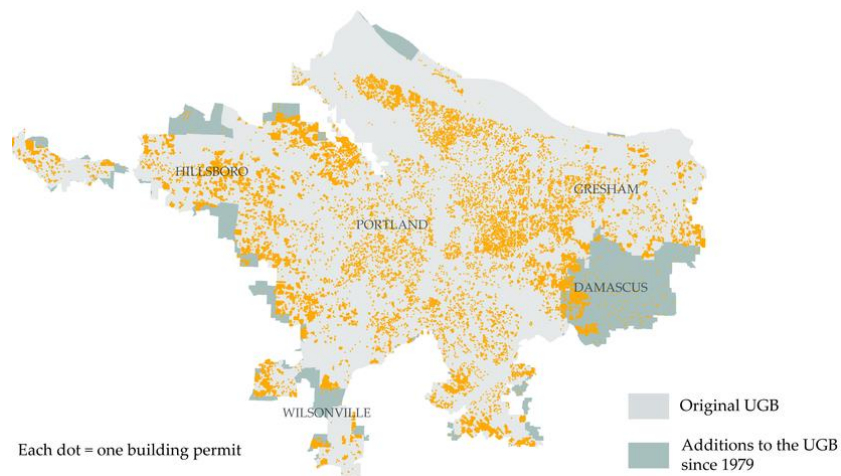


Figure 15. Residential permits 2000–2013.

agricultural zoning specifically, are not enough to protect farmland. Some noted that local elected officials do not prioritize farmland conservation over development interests. A farmer in a Portland Metro area county explained during an interview in winter 2016 that “one of the County Commissioners told me ‘you don't need to worry about it ... we could develop agricultural land until you're dead, and we wouldn't run out of agricultural land.’”

¹⁷ The Trust for Public Land and Coalition of Oregon Land Trusts are developing a series of maps on change in land use and number of farms, by state and by county. They are also exploring how to identify Oregon farmland that is potentially threatened. For more information, visit the Oregon Working Lands Data Bank website at <http://tplgis.org/OR/WorkingLands/>.

Parcelization of agricultural land

Parcelization refers to dividing large tracts of contiguous agricultural land into smaller parcels of land. This practice is allowed by county-level zoning rules. For example, large areas of the EFU zone are smaller than the 160-acre standard in Eastern Oregon and 80-acre standard in Western Oregon because some counties have reduced minimum lot sizes in EFU lands (known as “go below” standards). (See figure 16.)

There have been 3,068 recorded parcelizations of agricultural land since 1994 (based on DLCD data). The rate has fluctuated since 1994, averaging 140 per year before 2010 with spikes in 2006 (258) and 2007 (428). From 2010 to 2015, the average fell to 60 per year.

The median “parent parcel” size was 180 acres, and the median size of the parent parcel after parcelization was

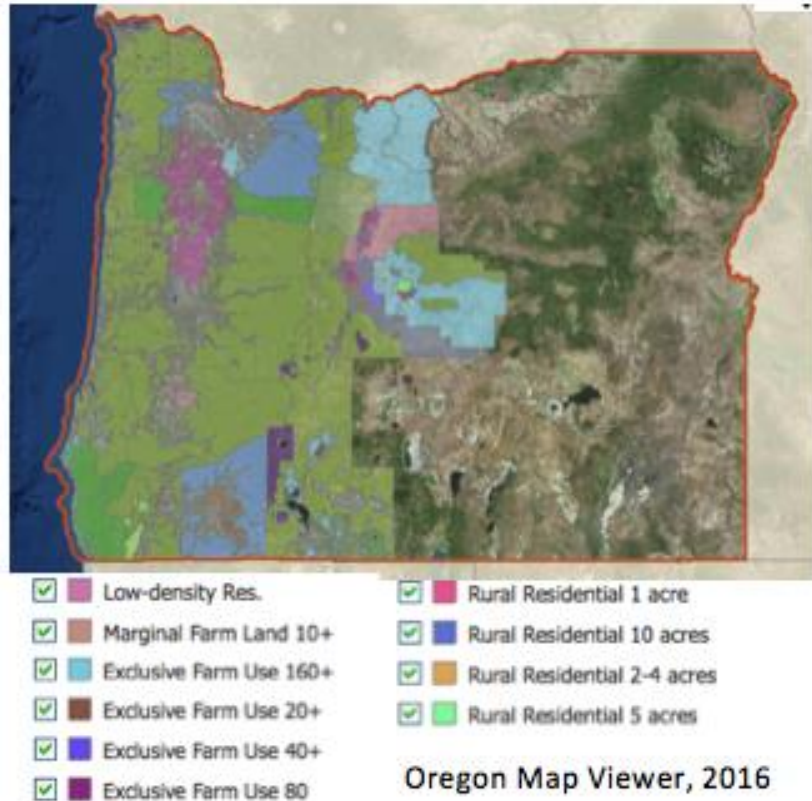


Figure 16. Land use in Oregon.

139 acres, yet this varies greatly by county.¹⁸ County-to-county variation illustrates inconsistency in how such planning decisions are made, given that all such decisions start from the same state statutory guidance.

Parcelization affects agricultural use in different ways. On the one hand, it may enable different kinds of farming, including smaller-scale intensive crops such as diversified vegetables or wine grapes. Smaller properties may at times be more affordable for BFRs. Price per

¹⁸ Douglas (348), Deschutes (271), and Crook (266) had the most parcelizations. Wheeler, Jefferson and Morrow had the largest initial and ending parcel sizes while the smallest average original and ending parent parcel sizes were in Hood River County, which went from 47 to 31 acres and Tillamook, which went from 36 to 32 acres.

acre tends to increase as size goes down and is affected by market competition, proximity to urban areas, and whether there is a house and in what condition.

On the other hand, the break-up of large parcels makes certain kinds of farming much more difficult. For example, some Eastern Oregon ranchers we interviewed said that parcelization is making it more difficult for them to run a viable cattle business. A Crook County rancher explained, during an interview in winter 2016, that to be economically viable in today’s markets, he needs a herd of 200 to 400 mature female cows. To do so without “scorching the earth” requires a significant amount of land: he owns 17,000 acres and leases an additional 25,000 acres of federal land. Meanwhile, properties near his ranch are being partitioned, sometimes into residential subdivisions or hunting sites, and he worries about the future of ranching in the county. Low-density ex-urban and ranchette development, often interspersed with working farms and ranches, is a trend across the American West (1000 Friends of Oregon, 2005).

Increasing dwellings on EFU land

Development on agricultural lands has increased steadily since 1974. Notably, the number of structures on intensive agricultural land has increased from 4.6 structures per square mile in 1976 to over 7 structures per square mile in 2014 (Gray et al., 2016). (See figure 17.)

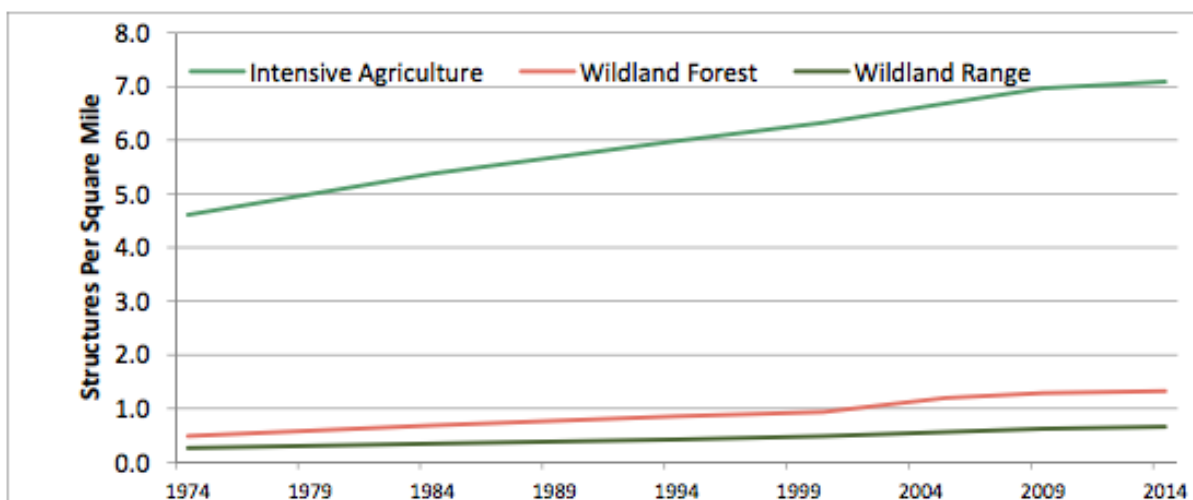


Figure 17. Structures per square mile on non-federal land remaining in intensive agriculture, wildland forest, and wildland range uses, 1974–2014.

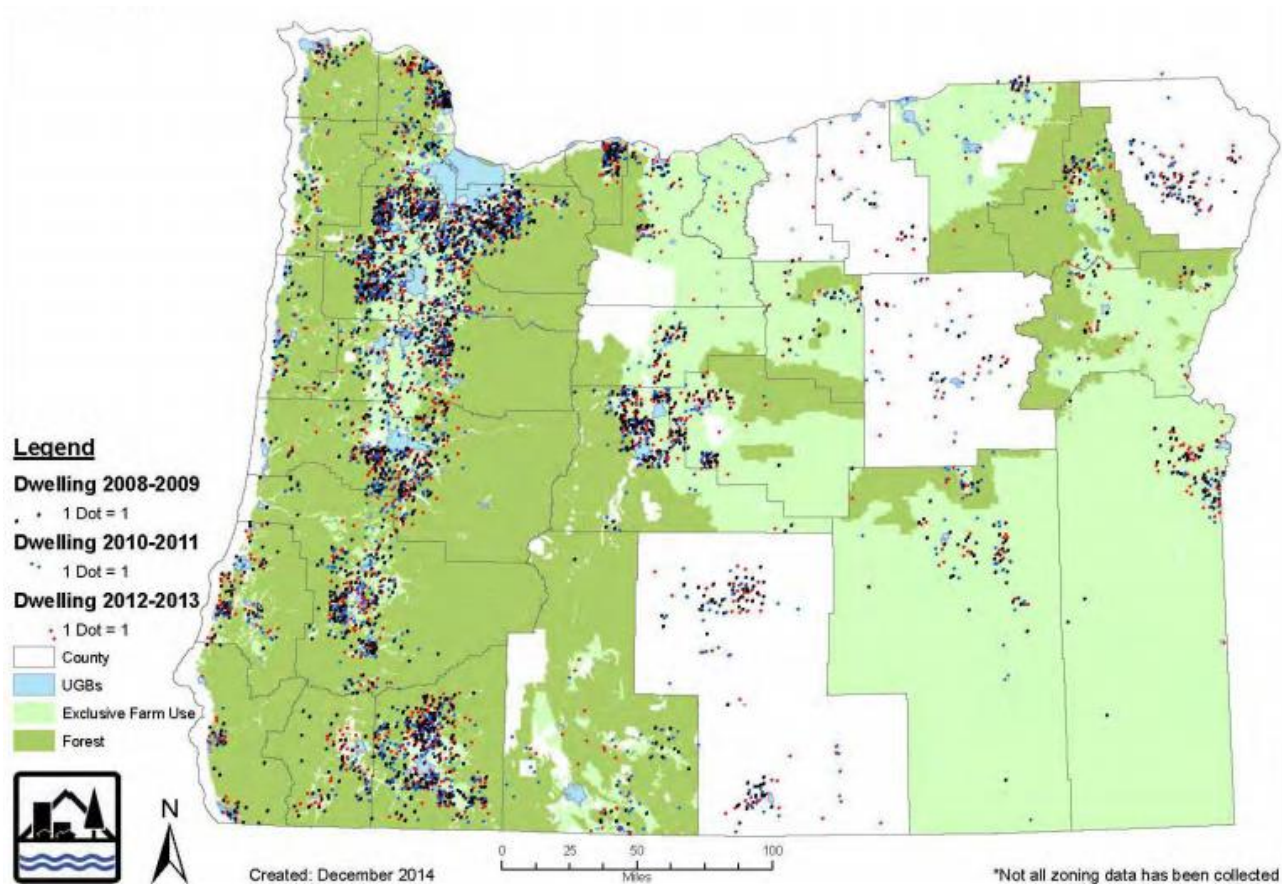


Figure 18. Dwellings in farm and forest zones, 2008–2013. *Source: 2012-2013 Oregon Farm and Forest Report*

Much of this development is due to greater housing density. Between 1986 and 2013, approximately 22,000 new dwellings were approved on agricultural land (814 per year). This has mixed implications for farmers.

In EFU zones and agricultural portions of mixed farm-forest zones, dwellings are allowed in seven different circumstances.¹⁹ From 2008 to 2013, most of the dwelling approvals on EFU land were concentrated in the Willamette Valley and southern Oregon, as well as the Bend region, shown in figure 18.

Turning again to the four counties we focused on in our land transfers pilot study (Benton, Clackamas, Polk and Washington): in these four counties, the new permitted dwellings were mainly a mix of replacement and “temporary hardship

¹⁹ The seven dwelling types allowed on EFU-zone land are: primary farm dwellings, accessory farm dwellings, relative farm help dwellings, non-farm dwellings, lot of record dwellings, replacement dwellings, and temporary hardship dwellings.



The trend of increased dwellings on EFU land benefits farmers who want more housing or opportunities to earn income from agritourism. But dwellings also increase the costs of acquiring and maintaining land, thus creating barriers for some farmers.

dwellings”²⁰ in Polk County, temporary hardship dwellings in Benton County, replacements in Washington County, and a mix of the two in Clackamas County. Few mechanisms are in place to monitor new housing to assure it is used for the stated intent. In an interview, a DLCD employee noted that there is a stringent approval process but little follow up to determine how the dwelling is actually used.

More housing development is expected on EFU land: under Measure 49 (2007), 6,224 new dwellings and 3,940 new

parcels (i.e., divisions of existing land parcels) were authorized statewide on EFU land (DLCD 2012–2013 Farm & Forest Report). The counties with the most authorized new dwellings were Clackamas (1,158 new dwellings), Lane (466), and Jackson (445). These same counties had the most authorized new parcels as well.

The trend of increased dwellings on EFU land has mixed implications for farmers. On one hand, many operators want to live on their land; for example, some livestock farmers need close access to their animals. Farmers may also want additional dwellings for family members, labor, or for other farm-related income purposes, such as agritourism.

But the trend also has potential negative implications for farmers and farming. A dwelling can significantly increase the lease or purchase cost of a farm property and can create an extra financial burden (e.g., to maintain and rent out) for farmers not needing to live on the property. New, large, and high-end dwellings may make parcels out of financial reach for BFRs and even established farmers and may make amenity ownership more likely. On a larger scale, the cumulative impact of thousands of individual dwelling approvals may include increased land prices, traffic congestion, conflicts with non-farm neighbors, and the exodus of

²⁰ A “temporary hardship dwelling” qualifies for a temporary permit for use of a manufactured dwelling, residential trailer or recreational vehicle as a dwelling to provide care to one or more persons due to an age-related or medical condition.

agricultural support businesses and services (e.g., agricultural equipment sales and repair businesses). Together, these can erode the viability of farming.

Additional uses allowed on farmland

The number of non-dwelling uses allowed on EFU land is also increasing. (See figure 19.) In 1963, the first statutory EFU zone included just six non-farm uses; today over 50 uses are allowed (Oregon Revised Statutes 215.213). Some of the additional uses are explicitly related to agriculture and allow operators to supplement their income, e.g., agricultural buildings, farm stands, and agritourism venues. Of the

842 permits issued for other uses in 2012 and 2013, the most common type was for an agricultural building. Agritourism can improve a farm's economic viability, as one of our interviewees explained:

“If you have some extra acres, [you can] have a few set aside for camping and farm stay, and the rest is a working farm, which people can be involved in or observe while visiting... [Earning] an extra \$75,000 a year would have made the difference for us buying our property....it would change things drastically.”

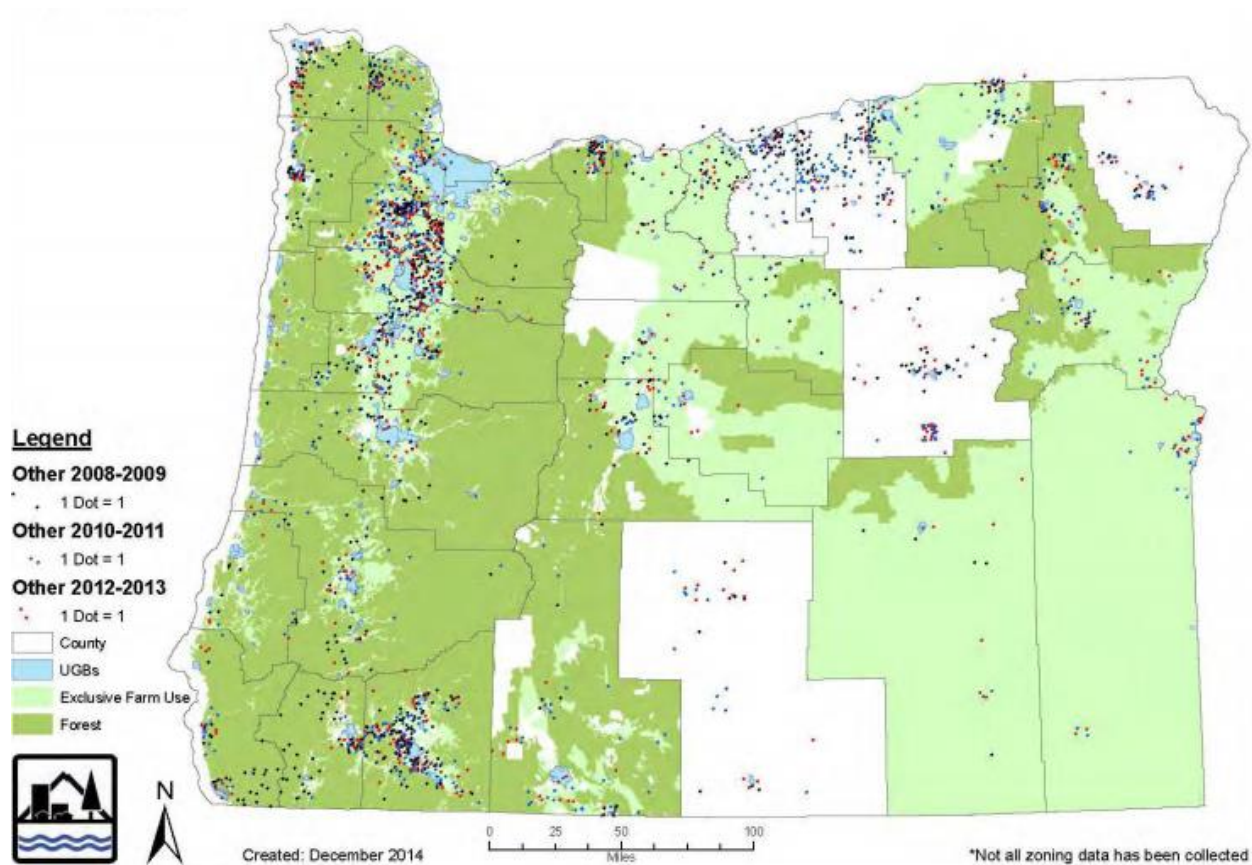


Figure 19. Other uses in farm and forest zones, 2008–2013. Source: 2012-2013 Oregon Farm and Forest Report

Oregon's 2011 agritourism law (SB 960) is beginning to be clarified by DLCD, court cases, and by individual counties. Yet due to ambiguity and uneven county-level regulation, some farmers are wary of agritourism and others do it without legal permission. And while some farmers favor agritourism, there is debate about what types and at what scale it is appropriate. For example, while a farmer may benefit from hosting weddings or large events, neighboring farms may be negatively affected by traffic and noise.

Many of the approved uses on farmland are not clearly related to farm operations at all: for example, mineral aggregate operations and golf courses.

Land access and tenure challenges for farming on non-EFU land

As noted earlier, not all farming occurs on EFU land. Farmers also farm non-EFU land zoned rural residential, rural reserve, or farm-forest. For many BFRs and small-scale, direct-to-market farmers, EFU properties, with their large acreage and price tag, are not appropriate or affordable.

The non-EFU parcels that BFRs often seek are smaller, potentially more affordable, have less tillable land, are closer to population centers, have a house or other housing on the property, and sometimes have water rights. Some BFRs farm on non-EFU land before transitioning to larger-scale EFU land. Small-scale, diversified farms can often

succeed financially with much smaller parcels than minimum EFU sizes.

However, a challenge related to non-EFU land is that there are no specific protections for farming and no requirements for ongoing agricultural activity. This, combined with the smaller parcel sizes, leads to such parcels being attractive to amenity buyers (non-farmers), increasing competition and often price.

Therefore, more attention should be paid to protecting and promoting small-scale farming and land access and tenure on non-EFU land. One small-scale, organic vegetable farmer on the North Coast commented during a panel in winter 2016,

“If we are looking to build a healthier food system and provide actual good crops being grown near communities...those smaller size farms are most valuable.... I would say, if you had to pick which farms to protect, well protect all of it, but protect those first.”

Amenity owners

Repeatedly during our research for this project, we heard concern about amenity ownership of agricultural land; that is, ownership of farmland or rangeland by people for “lifestyle” or “hobby” purposes only. Data about the prevalence or location of amenity users on Oregon farmland are not available, but amenity ownership of agricultural

land is increasing nationally (Gosnell & Abrams, 2011; Gosnell, Haggerty & Travis, 2006). Concerns about amenity ownership are that it inflates farmland prices and may lead to conflict with neighboring farms.

An unanswered question is whether amenity users do and should benefit from the state's special agricultural property tax assessment (Information Circular 150-303-645). The standards to obtain the special assessment are minimal. Owners of EFU zoned land automatically receive the special tax assessment. For non-EFU land, owners must submit documentation showing that the land is currently used and has been used exclusively for farm use (which includes a broad array of activities ranging from raising crops and stabling horses to growing Christmas trees and various forms of animal husbandry) for the two years prior; and the land meets a minimal income requirement (\$650 per year, for three of the five previous years, for a parcel 6.5 acres or less).

2.3.3. Priority data and future research agenda

The above review suggests that while Oregon has retained a robust land base, there are a number of challenges for farmers and farming both on agricultural zoned land (EFU) and non-EFU land. Each of the above issues suggests needs for additional research.

Among those areas of needed research are the following:

- Gain a better understanding of historical farmland loss and identify lands most at risk. Identifying which high-value agricultural land is at most risk of development would help policy makers and others provide additional protections and decide where to target limited resources.
- Examine the positive and negative impacts to farming and farmers of new dwellings and additional farm and non-farm uses in EFU zones.
- Examine how to protect and promote farming on non-EFU land. As noted, many BFRs and small-scale direct market operators farm on such land.
- Investigate amenity ownership of farmland. In this area, one particular area of examination is the impact of Oregon's special agricultural tax assessment.
- Investigate whether other tools used elsewhere in the United States can be employed to supplement the land use program. Those tools might include the following:
 - conservation or working lands easements
 - transfer of development rights
 - revision of special tax assessment to better support farming ■

Part 3. Land Transfer and Use Scenarios

Each parcel of agricultural land in Oregon has three unique characteristics: who owns the land, who works the land, and the type of activities that take place on the land.

Land tenure describes the first two characteristics, defining the legal relationship among individuals or groups with respect to land ownership, use, control, and transfer of land. For example, the land could be owned by an individual or business entity, the landowner or a tenant could operate it, and it could be used for an agricultural or non-agricultural purpose.

Oregon is facing a change in land ownership for many parcels—up to 10.45 million acres in the next 20 to 30 years,

How farms change hands will affect economic, social, and environmental outcomes for Oregon’s rural and urban communities for generations.



according to our estimate—and with change in ownership *could* come change in who operates the land and the use of the land. Changes could affect—positively or negatively—Oregon’s agricultural sector and economic, social, and environmental outcomes for Oregon’s rural and urban communities.

3.1. Evaluating Land Tenure and Use Scenarios

We can organize ownership, operation, and type of land use into several different potential future land tenure and land use scenarios. (See figure 20.)

If ownership is transferred and the land remains in agricultural use, the land could go to a family or non-family successor, to a neighbor to expand an operation, or to a landholding entity that will rent the land to operators.

In a second land tenure pathway, the land could go from owner-operated to a landlord-tenant situation, where the tenant keeps the land in agricultural use.

Finally, the land could be transferred to a new owner, who could either convert to the bare minimum agricultural use to keep the special tax assessment status, or develop the land into residential or urban uses, to the extent allowed by county and state land use policy.

Making these pathways available to BFRs—with or without a family farm connection—who will keep the land in production agriculture will help to ensure the future productive capacity of Oregon agriculture.

Transfer ownership to family successor, continue farm use
The land could go to a family member who continues with the farming operation. For this scenario to be most fruitful, the senior farmer would train and pass the managerial responsibilities to the next generation during his or her lifetime, and create a thorough plan for the passing of assets.

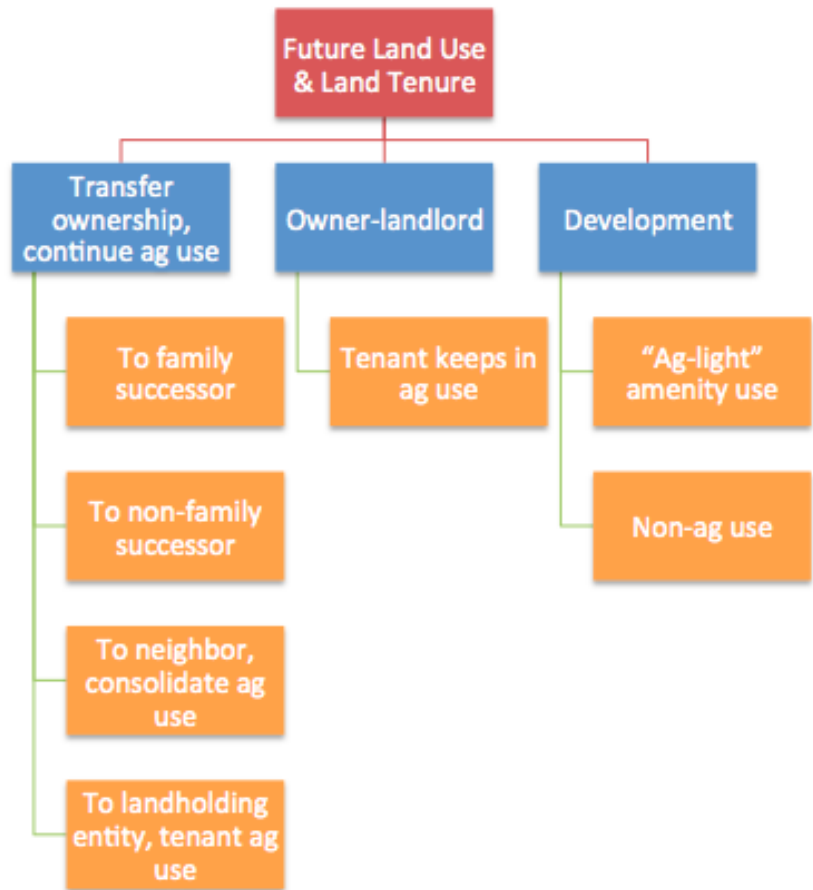


Figure 20. Land tenure and use.

The timing of full ownership transfer can be planned based on the tax consequences of in-life transfer of property, the capital assets of the successor, the desires and expectations of other potential heirs, and the wishes of the senior generation to stay in an ownership role. Regardless of how slowly or quickly ownership transfers during the life of the senior generation, an estate plan must be in place to complete the transfer after death.

There are several ways that land and business assets can pass from the senior to the junior generation, with many variations of the main models tailored to the family’s needs. The “spin-off” model is used when the junior generation sets up a separate agricultural business entity and begins renting or buying assets from the senior generation’s existing business. The senior generation may begin to divide the operation between

the two businesses, gradually passing more to the junior generation over time.

Another option is the “superfirm” model, where the senior generation creates a business organization such as an LLC or corporation to hold the agricultural business assets; then the family members own interests or shares in the business. The business employs a manager, which provides an opportunity for the senior farm operator to train the junior successor and eventually to turn over the daily management functions of the business. Ownership interests can be divided among family members, including family members who are off the farm. The senior generation can derive retirement income from dividends generated by the business, or in other ways depending on how the land and other assets are held.

Transfer ownership to non-family successor, continue agricultural use

In this scenario, sales to a non-family member are an opportunity for BFRs who buy the land or farm business (or both) outright. The likelihood of this type of transfer in Oregon will depend on farm characteristics such as size and total value. Sales to a non-family member involve a two-step process: linking a BFR with a senior operator who wishes to transfer land to a BFR, then providing transfer models and other support to ensure a successful transfer that benefits the senior farmer and heirs as well as the successor farmer.

Transfer to neighbor, continue agricultural use

Another possibility is selling farmland to a farming neighbor or other entity that is consolidating it into a larger operation. These sales are likely less risky and therefore more attractive for both seller and buyer and are already a recognized trend considering that farm size has increased steadily in Oregon and nationally. A neighbor who is already an established farmer likely has an existing relationship with the landowner, a functional business plan, and access to capital to complete the purchase, so that the seller never has to put the land on the market. A future research avenue is to carefully evaluate the extent and consequences of increasing farm size and decreasing farm numbers in Oregon, the implications of identified trends, and the policy interventions that are appropriate.

Transfer to landholding entity, continue agricultural use with tenants

Land may also be held by another entity, such as government agencies or investment firms within or outside of Oregon. There could be important differences in land use and management due to absentee landlord dynamics or other issues to be investigated in future research. Renting land from government or investment entities could provide opportunities for BFRs to gain valuable experience at a lower start-up cost through lease agreements, but care must be taken to ensure equitable terms for the lessees.

Landlord-tenant continues farm use

A potential intermediate step in the transition process is when the owner-operator retires to landlord status and finds a tenant to work the land. This approach creates an opportunity for a BFR to gain experience and establish a farm business with low capital input, then potentially move into ownership in the future.

Some BFRs have had success in developing relationships with landlords that become succession relationships. In an interview in winter 2016, an Adelante Mujeres representative described a farmer who “is leasing from a landowner who is a little ill now, and it seems like [the landowner] is going to pass the estate to him... The landowner is really happy with him... so the future is a little hopeful.”

But the opposite can also happen. Other BFRs spent three years living on someone else’s farm with the handshake understanding that the property owner would transfer the land to them at death. Then the property owner’s mind changed, which was very difficult for the BFRs.

Transfer to new owner, develop to “ag-light”

When productive agricultural land goes on the market, there is a chance of it shifting to “ag-light” use: just enough agricultural activity to keep the special farm use tax assessment. Some recent trends suggest that retirees or out-of-



When productive agricultural land goes on the market, there is a chance of it shifting to “ag-light” use: just enough agricultural activity to keep the special farm use tax assessment.

state residents are moving to agricultural lands in rural areas for the amenities and lower cost of living and are shifting their land to “ag-light.” It is worth exploring how this trend affects land values and if there are options for public policy intervention.

However, this scenario could provide an opportunity for BFRs to connect to different kinds of landowners for mutual benefit. Retiring farmers, family members who become landlords, and retirees who own farmland and want the special farm use tax assessment can lease land to BFRs who will use it productively, giving the BFRs valuable experience, giving the landowner rental income, and keeping active production on quality agricultural lands.

Transfer to new owner, develop to non-agricultural use

Because of Oregon's restrictive land use laws, outright development of agricultural land is limited but is of greatest threat on the edges of urban areas. Future research on the development pressure and land values at the urban growth boundaries (UGBs) will be a valuable addition to the analysis.

3.2. Existing Tools and Policy Recommendations

Addressing Land Succession, Access to Land for BFRs, and Agricultural Land Use

A next step in analyzing these scenarios is to consider any regional differences (see appendix B for an initial data set) and how each may be more or less appropriate (or likely) for a given scale or type of farming. This level of nuance would help hone potential policy interventions to encourage desirable outcomes for the various stakeholders.

In addition, identifying appropriate public policy interventions requires a big-picture view of the characteristics of and differences among the scenarios. For example, family dynamics are an important factor in many or all of these scenarios but are less influenced by public policy and are more appropriately addressed by education and outreach.

In addition to succession planning, innovative easement and lease tools can

In addition to succession planning, innovative easement and lease tools can help make land more affordable for BFRs to purchase or lease.

help make land more affordable for BFRs to purchase or lease. By selling some property rights but retaining the right to farm, ranch, or harvest timber on the property via a working lands conservation easement, a landowner can generate liquidity to divide the estate between multiple heirs or to fund existing or expanded business operations, while keeping the property as a productive, functioning farm operation that provides open space and ecosystem benefits.

Ownership is not the only strategy for land access: farmers use not only traditional lease agreements but an evolving suite of creative land sharing models. Such models must be evaluated in terms of how risk is shared between farmer and landowner and whether farmers have the long-term stability to justify investments in infrastructure, perennial cropping systems, and building high quality soil. That is, tenant farmers without full ownership still need a way to build and retain equity.

Many lease examples are available online and from partner organizations



An Oregon-specific farm-succession curriculum or “toolbox” covering a full range of land transfer approaches might be useful for farmers and professionals who want help with land transfers.

(e.g., California Farm Link, Friends of Family Farmers (FoFF), Adelante Mujeres, Land for Good’s “A Landowner’s Guide to Leasing Land for Farming” at www.farmlandinfo.org, Drake University Agricultural Law Center: <http://sustainablefarmlease.org/>).

Of particular interest are leases that support sustainable agriculture; for example, ground leases that include building soil quality as “infrastructure” on the farm in order that farmers may retain the equity built by investing in soil conservation practices. Examples of working lands easements are available from American Farmland Trust. Future research may explore examples of easements with affirmative provisions for conservation practices.

An Oregon-specific farm succession curriculum or “toolbox” that covers a range of land transfer approaches would be useful, not only for farmers and ranchers, but also for attorneys, realtors who assist farmers with land transfers.

A database of experts and advisors for Oregon farmers and ranchers to make highly customized agreements would also be valuable. For example, Rogue Farm Corps is helping to organize a Continuing Legal Education (CLE) event focused on farm and ranch management and ownership transfer strategies for attorneys.

3.3. Priority Data and Future Research about Succession, Access to Land and Land Use Planning Challenges

Based on what we have learned from our research, we suggest the following as priority research topics:

- How might working land easements be used most effectively to protect farmland?
- What types of lease and easement arrangements encourage conservation or sustainable agriculture practices by owner-operators or tenants?
- What strategies should a “toolbox” for land transfer planning include?
- How is the inheritance tax credit being used?
- How is the special tax assessment being used? ■

Part 4. Evaluating Strategies to Secure the Future of Oregon Agriculture

The issues of succession planning for the senior generation of operators, access to land for BFRs, and keeping land in agricultural use each apply in a unique way to each parcel of agricultural land and each farm operation. How those issues play out depends on the characteristics of the land, methods of operation, and the current operator. However, the outcomes of these issues have enough in common to allow for strategies that apply across the landscape, while addressing differences in scale, region, and more.

Farm succession is complex—strategies must address emotional aspects, family dynamics, successor relationships, financial goals, and legal issues.



Here we explore policy interventions that may support keeping land in agricultural use while assets pass to the next generation of farmers and ranchers in Oregon. Some tools directly address challenges unique to each issue area—issues such as succession planning, access to land for BFRs, and keeping land in agricultural use—while other tools work at the intersection of those issue areas. After describing existing and potential tools, we will evaluate promising future strategies to address future land tenure in Oregon across the landscape.

4.1. Existing Tools and Policy Recommendations for Farmland Succession Planning

Although policy tools can provide financial support for succession planning, many of the barriers encountered by the retiring generation of operators are internal: finding a successor, feeling ready to begin the process, and gaining the knowledge and support needed to facilitate a successful succession. Intermediaries, such as attorneys, financial planners, and real estate agents, can play a huge role in the succession planning process

to provide needed knowledge and support. Tools exist for each of the internal barriers to succession planning, but there are also opportunities to strengthen the support networks for succession planning.

Identifying a successor

Senior operators often struggle to identify a successor from within or outside the family. Many report that their children are not coming back to the farm, so they are looking to their grandchildren or for non-farm successors (American Farmland Trust, 2016). Internships, as well as matchmaking programs like Oregon Farm Link, not only connect BFRs with senior operators or landowners for land leases or partnerships, but also could be a pathway for connecting non-family members for potential farm succession. These programs will be discussed in greater detail below under the Access to Land section.

Assistance with succession planning

Succession planning training for farmers and non-farmers has been occurring throughout Oregon in recent years. The OSU College of Forestry runs the “Ties to the Land” project that involves training and educational materials for forest owners (Oregon State University, Forestry and Natural Resource Extension, 2016). In 2008, the Department of Applied Economics conducted a “Ties to the Land” workshop series for farming and ranching families and produced materials for self-paced learning called

Internships and programs like Oregon Farm Link, not only connect BFRs with senior operators or landowners for land leases or partnerships but also could connect non-family members for potential farm succession.

“A Family Legacy: Succession Planning for Ranch and Farm Owners” (Oregon State University, Applied Economics, 2016).

The Oregon State University Austin Family Business Program (AFB), established in 1985, is the oldest continuously operating family business succession education program in the United States and partnered on developing the “Ties to the Land” projects. AFBP has offered conferences and workshops on succession education for many years, most recently in five Oregon locations from 2014 to 2016 (Oregon State University, Austin Family Business Program, 2016). Other OSU Extension faculty members have provided similar programs and support in different regions of Oregon over the years.

Land succession planning is not unique to Oregon. In the Northeast United States, the nonprofit Land for Good has



A new, affordable statewide farm succession assistance program—especially if it were affordable and trusted by the agricultural community—could be valuable for conducting outreach to farmers and teaching succession planning courses.

been providing succession coaches with an understanding of the complexity of the process from all perspectives: emotional, successor relationships, financial and legal (Ruhf, 2013). Coaches are not experts in any field of succession planning but can help farm operators and landowners identify and set goals for their exit strategy, analyze a business valuation to determine if those goals are achievable, narrow the strategies for exit and succession planning, and prepare the family to speak with professionals; for example, attorneys and CPAs. Similar programs operate out of land grant universities in Iowa, Nebraska, New York, Pennsylvania, Vermont, and Wisconsin.

In Oregon, Northwest Farm Credit Services provides succession planning services, but only to their clients and at full cost. Even so, the agency reports more demand for these succession services than they can satisfy. Chemeketa Community College professionals offer similar services to their students and former students, but we are not aware of other farm succession coaches operating regularly in Oregon. There are not enough succession counselors to meet Oregon's needs, and the services that do exist do not offer comprehensive statewide coverage of all farmers and ranchers.

A new statewide farm succession assistance program—especially if it were affordable and operated through an organization trusted by the agricultural community and with strong support infrastructure—could be very valuable in conducting outreach to farmers and ranchers, teaching exit and succession planning courses, consulting with individual farmers and ranchers, and training professionals like attorneys, CPAs, and financial planners on the specific needs of farmers and ranchers.

Providing training for support professionals

Attorneys, CPAs, financial planners, and other professionals who play a role in implementing exit and succession plans could more effectively support farm succession planning if they learned about the particularities of agricultural

businesses. Farms and ranches are unique among family businesses in many ways, from the fact that the owner-operator often lives at the business, to the large proportion of assets typically held as real estate. This type of professional training could reduce transaction time and cost and improve succession plan quality. Farm succession toolkits exist in other states, but because of Oregon’s unique land use system, an Oregon-specific toolkit of succession planning models could be of great assistance to these professionals. The toolkit could also include creative lease or lease-to-own models to assist BFRs without family land in progressing towards farm ownership. We discuss such a toolkit below.

Working lands conservation easements

Working Lands Conservation Easements can also help landowners with an intergenerational transfer of assets. Landownership includes a bundle of rights; the landowner can sell or donate specific rights incompatible with agricultural land use—e.g., the right to develop the land for residential housing—to a qualifying governmental body or nonprofit organization, which creates a permanent, enforceable easement. In exchange, the landowner receives cash, a donation credit, or a combination of the two for the appraised value of the rights conveyed. Working lands easements allow a

landowner to continue the productive use of his or her property while at the same time creating liquidity from real estate without breaking the property into parcels. This cash or charitable donation credit can be used for any purpose, including dividing an estate between multiple heirs. In a simplified example, the heir who wishes to farm can receive an intact farm parcel while the non-farming heir can receive cash. The conveyance of property rights through such an easement should also reduce the purchase price of the property, making it more affordable to BFRs. And at the same time, this tool preserves farmland in perpetuity for future generations.

Complicating the appeal of working lands easements in Oregon are the state’s land use laws, which greatly restrict permissible development rights and leave fewer severable rights than in other states. However, severable rights still exist, sometimes at great value. But because of the perceived challenge of a low appraisable easement value, fewer working lands easements exist in Oregon than in other states.

Additionally, although a federal match program exists to fund the purchase of working lands easements,²¹ prospective easement buyers (e.g., agricultural land trusts) have found it difficult to secure matching funds from existing state funding programs. Work could be done

²¹ The Agricultural Conservation Easement Program—Agricultural Lands Easements (ACEP-ALE), administered by the United States Department of Agriculture’s (USDA’s) Natural Resources Conservation Service (NRCS).

“Incubator” farms, which provide land, technical assistance, and equipment to beginning farmers during their initial start-up years, are useful for BFRs who have experience to start a farm operation but want to hone their skills.

to better align the requirements and timeline of existing match programs with the federal program, or to create a new state program.

Retirement farms

Operators of retirement farms could especially benefit from approaches that encourage and support succession planning. On average, they are smaller parcels and these operators may be relatively new to farming. These retirement farms could be prime entry points for BFRs.

4.2. Existing Tools and Policy Recommendations to Assist Beginning Farmers and Ranchers

Many programs and policies exist in the private and public sector, locally and nationally, to assist BFRs.

Land for lease or sale, and connection to experienced farmers

Several programs in Oregon facilitate land leasing and transfer of ownership to BFRs. FoFF’s Oregon Farm Link is an online platform where interested BFRs and landowners from around the state submit profiles to advertise the availability of or their interest in finding a business partnership or land for lease and sale. More than 70 connections between BFRs and landowners have been made through Oregon Farm Link and its predecessor iFarm since it began in 2009.

While FoFF does not actively make matches between Oregon Farm Link participants, FoFF and other partners do train BFRs and potential landlords on how to negotiate and maintain a farm lease agreement or farmland sale. One of these partners is Adelante Mujeres, which has organized four Fields for Food events to train their Spanish-speaking farm intern graduates as well as potential landlords in the Forest Grove area. These trainings not only give BFRs the resources and knowledge they need to enter a lease, but also give landowners the confidence to engage with BFRs for longer term (over three year) contracts that are important for farm business stability.

“Incubator” farms, which provide land, technical assistance, and equipment to beginning farmers during their initial start-up years, are useful for BFRs who have experience to start a farm operation but want to hone their skills

and access land and amenities like tillage, propagation houses, and storage at a reduced cost. Oregon's best example is the Headwaters Farm Incubator, operated by the East Multnomah Soil and Water Conservation District.

Currently in its fourth season, Headwaters leases land to BFRs at 25 percent of market rate for the first year, 50 percent for the second year, and 75 percent in the third year, with the goal of "graduating" their farmers to successful independent operations after the fourth year. Headwaters also offers workshops in coordination with other BFR service providers in the Portland metro area.

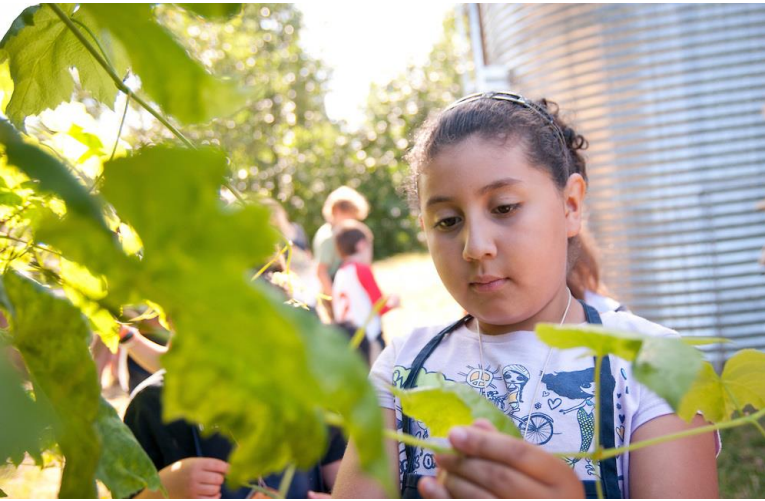
Access to credit and professional services

Several Oregon organizations offer training, consulting, and lending programs for BFRs. USDA's Farm Service Agency offers loans and loan guarantees to all farmers, and targets a portion of their loan funds to BFRs as well as women and minority farmers and ranchers. Their microloan program (offering loans up to \$50,000) can be useful to BFRs seeking operating capital in some circumstances. Northwest Farm Credit Service, a cooperative lending institution, also offers loans, loan guarantees, and trainings to all farmers and ranchers. Northwest Farm Credit Services' AgVision program focuses lending on BFRs, and their RateWise program offers reduced interest rates in return for participating in business training classes.

Oregon BFRs who have secured a loan for the purchase of farmland or depreciable farm property may be able to reduce their interest rate by up to one-quarter of the total rate through the Beginning and Expanding Farmer Loan Program (also known as the Aggie Bond Program), created by the Oregon Legislature in 2013 and administered by Business Oregon. Under this program, eligible lenders owe no federal income tax on interest payments from qualifying loans (up to \$517,700) to Oregon residents who are the primary farmer, have a net worth of no more than \$750,000, and have never owned or operated a farm larger than 30 percent of the county median size. This program does not help small farmers and BFRs qualify for a loan, but it does help them service the debt. The first Aggie Bonds-backed loan, made by Northwest Farm Credit Services, was completed in 2016.

The Small Business Development Center and SCORE also offer one-on-one consultations to beginning entrepreneurs, including farmers and ranchers. Nonprofit groups like Farm Commons offer training and services to help farmers and ranchers understand and comply with legal considerations of leases, marketing contracts, labor law, taxation, and more.

A number of nonprofits and tribes around the state offer Individual Development Accounts (IDAs), where low-income individuals and entrepreneurs can receive a match for money that they put into savings,



People of color face special challenges as beginning farmers. Adelante Mujeres trains and supports Latino and Spanish-speaking farmers in the Forest Grove area, and Huerto de la Familia offers micro-enterprise development support to Spanish-speaking entrepreneurs in the Eugene area.

typically at a three-to-one ratio. Private contributors provide the matching funds through a state tax credit. Participants are required to complete business planning courses and to meet a savings goal before they can access the funds.

Multiple avenues exist for community investment or crowd funding, including KIVA Zip, Kickstarter, and Slow Money, which are new and largely untested.

In addition, a newly created state tool called Community Public Offerings (CPOs) allows entrepreneurs to raise up to \$250,000 by selling equity shares in their businesses. Entrepreneurs can

Multiple avenues exist for community investment or crowd funding.

legally advertise these securities, subject to certain limitations, and an investor who is an Oregon resident may purchase up to \$2,500 per CPO.

In addition, BFRs have also formed innovative relationships with angel and “patient capital” investors from their communities—these lenders often chose to invest their wealth in local food systems because they wanted to give back to their food system, community, and environment.

Socially disadvantaged groups

All BFRs face tremendous challenges in establishing agricultural businesses, but certain groups tend to face even steeper odds. Anecdotal evidence suggests that immigrant BFRs in particular have difficulty qualifying for loans, and non-English-speaking farmers can have trouble navigating regulations and negotiating contracts, like leases.

Two examples of Oregon organizations that serve these disadvantaged groups are Adelante Mujeres, which trains and supports Latino and Spanish-speaking farmers in the Forest Grove area, and Huerto de la Familia, which offers micro-enterprise development support to Spanish-speaking entrepreneurs in the Eugene area. Women farmers, a

growing demographic of BFRs, also find Networks around the state, facilitated by OSU's Small Farms Program.

4.3. Possible Land Use Policies and Tools

This report begins to unpack some of the complex issues concerning the future of Oregon's farmland base, farming, and access to land by BFRs. Oregon's strong land use planning has been critical to ensuring the protection of farmland to date. As we pointed out earlier, however, there are ongoing challenges to the future of farming both within EFU zones and on non-EFU land. It is outside of the scope of this report to make specific recommendations. However, possible regulatory changes to be considered include the following:

support from four Women Farmer

- greater protection and incentives for farming on non-EFU land, such as revisions of the tax structure and possibly anti-nuisance and right to farm legislation;
- stricter limits on non-agricultural uses allowed on EFU land; while balancing the need for farmers to diversify their income streams; and
- revision of the special tax assessment on EFU and non-EFU land to incentivize farming.

Tools used by other jurisdictions and identified for further exploration in Oregon are conservation working land easements, transfer of development rights, and public purchase and leasing of farmland. ■

Part 5. Conclusion

A deliberate transition of agricultural lands to the next generation of farmers produces desirable outcomes at many levels and for many stakeholders. For individuals, successful business transition and succession planning supports the retirement needs of the current generation of farmers and ranchers. It can also pass on a viable farm business to the next generation of farmers and ranchers and enable them to gain experience and skills by managing the business under a senior farmer's supervision.

For the agricultural sector as a whole, successful transition of land to the next generation will preserve the important role of agriculture in Oregon's economy. With adequate public and private investments, successful transition will support growth of the

Successful transition of land to the next generation will preserve the important role of agriculture in Oregon's economy and way of life.



agricultural and food economy to enhance economic resiliency in local economies and for the state as a whole.

For Oregon communities, attention to land use and tenure will advance the state's growing sustainable and resilient local and regional food systems—systems that enhance food security and have broad economic impacts for rural economies. A related goal is to understand, maintain, and expand the environmental benefits generated from Oregon agriculture, including keeping land in agricultural use rather than development and expanding use of environmentally sustainable farming practices.

This report examined land ownership, land access for BFRs, and how trends in land ownership affect the use and future of farmland.

The report illuminated some of the following issues:

- Oregon farmers are older on average than at any other time in history. They've farmed longer, have larger farms, and hold on to farms longer.

- More than half of Oregon’s farmland may be transferred over the next 20 years as the baby-boomer generation of farmers retires.
- Fewer young people are entering the farming profession in Oregon.
- BFRs face many barriers in accessing and securing land.
- Beginning farmers and ranchers have fewer opportunities to gain farming experience.
- Farmland leasing arrangements provide land access but also present obstacles to beginning farmers’ success.
- More tools and expanded outreach are needed for supporting succession of farms to a new generation of farmers.

The needs of retiring and aspiring farmers and ranchers, and the goal of retaining Oregon’s agricultural land may be discussed as separate issues, but they are intimately intertwined. Our research

methods provided a new and comprehensive look at these complex issues individually and as a synergistic whole.

At the same time, our exploration revealed a need for further study and provided clear insights into possible next steps for research that could close critical gaps in the data in order to better inform decision making by individuals, private institutions, and public policy makers.

The future of agriculture in Oregon depends on successful transfer of farm operations and assets to the next generation of farmers, whose work will continue to contribute to Oregon’s economy, provide environmental benefits, and strengthen Oregon’s resilience to economic and climactic shifts. Preserving the agricultural land base and ensuring access and tenure is critical. ■

Appendix A: Methodology and Sources

Methodology

This report draws from original research as well as a comprehensive review of the best current knowledge about farmland succession, land access, and agricultural land use.

Secondary data sources

We used secondary data from a variety of sources to examine national, state, and in some cases regional and county trends. (Data sources are discussed in more detail in the next section.)

Our main source of secondary data was the Census of Agriculture, which is conducted every five years by the USDA. We also used data from the Tenure, Ownership and Transition of Agricultural Land (TOTAL) survey, conducted by the USDA in 2014. TOTAL is a study of all agricultural landlords in the 48 contiguous states, including land owned by non-operator landlords. Census of Agriculture, Tenure Ownership and Transition of Agricultural Land (TOTAL) data. We also used the Agricultural Foreign Investment Disclosure Act (AFIDA) data, also from the USDA. And we drew from reports and data from the State of Oregon, as well as from a variety of organizations and sources, as cited throughout the report.

Interviews, panel discussions, and focus groups

To complement secondary data, we interviewed 20 stakeholders statewide, including realtors, lenders, beginning and experienced farmers and ranchers, landowners, government officials, and representatives of organizations with relevant expertise or interests.

We interviewed individuals by phone for 30–60 minutes, and asked about their perspective on farmland succession, land access, and agricultural land use in their part of the state. Interviews provided us with stories that illuminate trends and data.

We convened a panel discussion to seek more insight and to get feedback on our findings. A March 2016 panel discussion about our preliminary findings included a county commissioner, county planner, a Farm Service Agency loan manager, and two BFRs, including one BFR who is also a realtor (See <http://www.pdx.edu/cus/farmland-tenure-access-issues-facing-retiring-aspiring-farmers> for materials from the panel discussion).

We also conducted two focus groups to gather feedback on draft versions of this report. A May 2016 focus group in Corvallis included members of the statewide Access to Land team, part of the Oregon Community Food Systems Network. A June 2016 focus group targeted Portland region farmers.

Pilot study on land transfers in four Oregon counties

In addition to in-person discussions with stakeholders, we conducted a pilot study to examine farmland transfers in four Willamette Valley counties: Benton, Clackamas, Polk, and Washington. Based on input from local stakeholders, we selected these counties because each has agriculture as a significant land use (ranging from 18 to 36 percent of the land base), and each is experiencing development pressure and interesting trends in farmland ownership.

To understand who is buying farmland in these counties, we analyzed farmland transfer records for 2010–2015, gauged how many parcels are transferring and their average size and cost. We categorized each sale by buyer type, type of business when relevant, and buyer residence.

Information Sources

Below we discuss our information sources in greater detail, including the availability, application to questions about farmland ownership and land use, and the limitations.

1. Census of Agriculture

Application: The Census provides a detailed picture of United States farms and ranches and the people who operate them. It is the only source of publicly available, uniform, and relatively comprehensive agricultural data for every state and county in the United States.

Limitations: The Census of Agriculture is only conducted every five years. The smallest geographic scale is county-level, and data is not spatially explicit. The Census only has data from those who respond to the survey, and does not reflect those who do not complete the survey. It is suspected that small-scale farmers and farmers of color, among others, are less likely to complete the survey. The definition of farmland has changed several times, so comparisons to pre-1990s have limits. Finally, the Census of Agriculture is not a good source of information on agricultural land ownership; it covers land owners only when they are also “farm operators” (farmers). Other landlords and non-operator owners are excluded.

Availability & Source: Conducted every five years by the U.S. Department of Agriculture. Publicly available at <https://www.agcensus.usda.gov/>

2. Tenure, Ownership, and Transition of Agricultural Land (TOTAL)

Application: USDA's TOTAL survey, in 2014, collected information about the owners of farm and rangeland. The survey collected income, expense, debt, and asset information related to land ownership, transition plans, and demographic and other landlord characteristics.

Limitations: Oregon has 197 survey responses. Since it is a small sample size, there are caveats and limitations to the conclusions that can be drawn. The sample may not be representative of all Oregon farmland owners. Most TOTAL data are not directly comparable to earlier survey data on this topic (e.g. AELOS survey in 1999).

Availability & Source: Conducted by the United States Department of Agriculture. No clear plan exists for ongoing surveys. Some of the information is publically available at <http://www.agcensus.usda.gov/Publications/TOTAL/> For Oregon-specific data, access is dependent on obtaining permission from the USDA. We submitted a records request for Oregon in spring 2016 and are awaiting response.

3. Agricultural Foreign Investment Disclosure Act Data

Application: The Agricultural Foreign Investment Disclosure Act (AFIDA), passed in 1978, requires foreign investors who acquire, transfer or hold an interest in United States agricultural land to report such holdings and transactions to the Secretary of Agriculture on an AFIDA Report Form FSA-153.

Limitations: The information only provides a general list. It is not spatially explicit below the county level, and does not address markets, practices, or other details beyond large categories.

Availability & Source: This information is collected and shared by the U.S. Department of Agriculture, at <https://www.fsa.usda.gov/programs-and-services/economic-and-policy-analysis/afida/index>. Spreadsheets of data are available via a public records request.

4. County-level farmland sales records

Application: Sales records provide information on the number of transactions, the sales price, size, and address of all sold properties, and some basic information on the seller and buyer. More information on how we used this data is available in appendix C.

Limitations: Information on sellers and buyers is limited to the names of individuals or of the company, and does not include information on, for example, age, gender,

relationship to seller, or anticipated land use. Addresses collected only include current addresses, and may not provide a good indication of how many buyers are from other states and countries.

Availability: We obtained the records for farmland sales from 2010 to 2015 for four pilot counties (Benton, Clackamas, Polk, and Washington) via a data request from each county assessor’s office, for a fee. Similar records are likely available for other counties.

5. Input from key stakeholders

We sought input from key stakeholders, including beginning farmers and ranchers, landowners, realtors, lenders, and representatives of organizations involved on issues related to farmland access and tenure. Specifically, we conducted 20 individual interviews in winter 2016; most of the interviewees were from the Willamette Valley, and one each was from Central Oregon, Eastern Oregon, and the North Coast. We used these conversations to better understand the story behind the numbers, and to validate and triangulate our findings. We included quotes from these interviews throughout this report.

We also held a series of panels and workshops. In March 2016, we held a panel, “Key Issues Facing Retiring and Aspiring Farmers” at Portland State University. At this event, we shared some preliminary findings and heard from a county commissioner, a county planner, two beginning farmers, and a lender with Farm Service Agency. In May 2015, we held a workshop with the Oregon Community Food Systems Network Access to Land team. In June 2016, we held a workshop focused on farmers in the Portland Metro region. At the workshops, we asked for input on a draft of the Report, and we discussed possible responses, strategies and tools.

6. Existing reports

We utilized data and information from various reports from actors like the Department of Land Conservation and Development and Oregon Department of Forestry. These reports are identified in the text and their full citations are included in the reference list. For specific methods and limitations in that data, readers should view the original reports.

Appendix B: Regional Highlights

Because Oregon has such varied agriculture by region, this appendix describes some of the regional differences in the trends important to the future of Oregon farmland. Figure B-1 shows the regional definitions we used to compile regional summaries of our data about farm and farmer characteristics. Below, we summarize some of the key demographic variables and their variation among these regions.

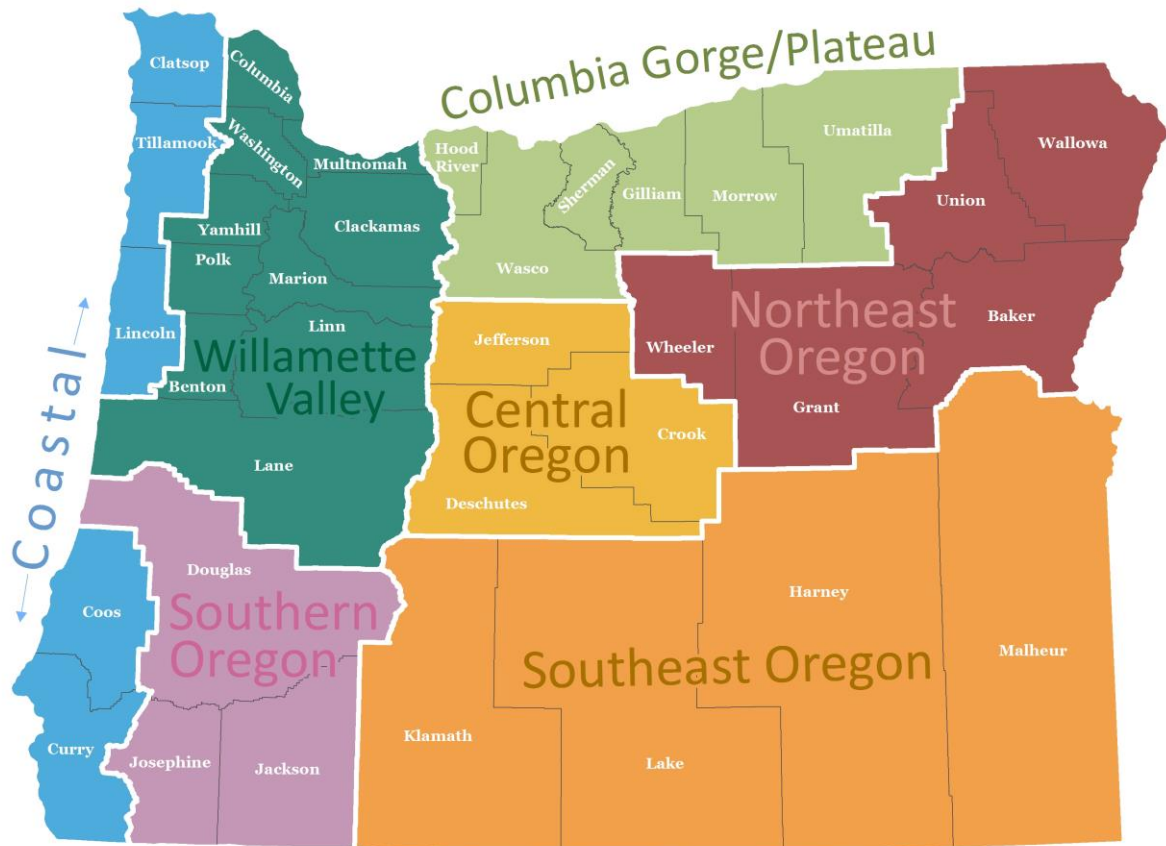


Figure B-1. Oregon agricultural regions

Age of principal operator

Overall, Southern Oregon has the highest percentage of older farmers; 75 percent of its principal operators were 55 or older in 2012 (the region also had the smallest percentage of young farmers). Southeast Oregon has the lowest percentage of farmers 55 and up (63.21 percent), and also the highest percentage of young farmers.

As for oldest farmers (65 and older), Southern Oregon has the highest percentage (43 percent) and the Willamette Valley has the lowest (34 percent). The share of farmers 65 and older increased between nine and 18 percentage points in all regions from 2002 to 2012. About 32 percent of farmers were between 55 and 64 years old among all the regions in 2012.

Between 22 and 30 percent of farmers were in the middle age range (35–54 years old) in all regions. Southeast Oregon has the highest share of this range, at 30 percent, while Southern Oregon had 23 percent. The share of farmers in this age range declined in all Oregon regions between 2002 and 2012.

The percentage of very young farmers (under 34) is very small across all regions. Southeast Oregon has the highest percentage of young farmers as principal operators with 7 percent in 2012, while Southern Oregon has the lowest at three percent. All other regions have between 4 and 5 percent. The number of young farmers declined in all regions between 2002 and 2012.

2. Number of operators

The Columbia Gorge/Plateau region had the highest percentage of farms with only one operator in 2012 (49 percent) and Central Oregon had the lowest share (41 percent). This share declined in all regions between 2002 and 2012, with the steepest decline in Central Oregon, which fell by 6 percentage points.

3. Farms listing “family or individual” legal status for tax purposes

Central and Southern Oregon regions have the highest percentages (around 88 percent) of farms listing “family or individual” legal status (also known as “sole proprietorship”) for tax purposes in 2012. Columbia Gorge had the lowest (76 percent). This share declined in all regions, most dramatically in the Northeast (a decline of -5 percentage points) and least in the Southeast (a decline of 2.3 percentage points).

4. Land tenure

4.1 Full owners

Principal operators who own all of the land they farm, “full owners,” are still more than 70 percent of the farmer population in all regions. Southern Oregon has the highest percentage of full owners (84 percent), followed by Central (82 percent). Southeast, Northeast, and Columbia have the lowest values, around 70 percent. The Columbia Gorge had the highest increase in the percentage of full owners between 2002 and 2012 (4 percentage points), while the Coast decreased by 3 percentage points and there was no change for Southern Oregon.

4.2 Part owners

Southeast Oregon had the highest percentage of farmers who owned part of the land they farmed and leased the remainder, (“part owners”) at (22 percent), while Southern Oregon had only 12 percent part owners in 2012. The percentages decreased in all regions between 2002 and 2012.

4.2 Tenants

The Columbia Gorge had the highest percentage of principal operators who leased all of the land they operated (“tenants”) in 2012 (8 percent) while the Southern region had only 4 percent. These percentages changed very little from 2002.

5. Years on Present Farm

In 2012, Central Oregon was the region with the highest percentage of principal operators with less than 5 years on their present farm (10 percent), and the region with the lowest percentage was Willamette Valley (7 percent). All other regions had between 7 and 8 percent. This percentage declined in all regions. Southeast Oregon had the steepest decline (a decline of 7 percentage points).

Among principal operators with less than 10 years on their present farm in 2012, Central Oregon again had the biggest percentage: 30 percent—considerably higher than all of the other regions. The Willamette Valley and the Coast have the lowest values (20 and 21 percent, respectively). This share declined in all seven regions from 2002 to 2012, with the steepest decline in Southeast Oregon (a decline of 12 percentage points).

Appendix C: Analysis of Recent Farmland Sales in Four Pilot Counties

Findings

The findings below are presented here to add detail to the discussion in the report. We intend to expand this pilot reach to a statewide study, with a public report in 2017.

The table below illustrates the following findings from our four-county pilot study:

- The number of farmland parcels that were sold annually between 2010 and 2016 ranged from 43 in Polk County (with the largest average size of 187 acres) to 192 in Clackamas County (with the smallest average size of 20 acres).
- The average sales price per acre of farmland sold in the four pilot counties between 2010 and 2016 is much higher than Census of Agriculture records indicate.
- The average cost per acre ranges from \$5,341 in Polk County to close to \$30,000 in Clackamas County. Since this is an average, the price per acre is higher for some parcels, likely those with water, and good transportation access and infrastructure.
- The percentage of buyers identified as being from out-of-state (from states like Arizona, California, Idaho, and Texas) ranged from 5 to 10 percent of all buyers, though this is likely an underestimate.
- Business entities (companies, corporations, LLC's, LP's, LTD's, and partnerships) accounted for between 15 and 35 percent of all sales, though a higher percentage of land in Clackamas and Washington Counties. Notably, many of the businesses did not appear to be agriculture-related. Instead, the businesses have interests in investing, finance, property management, and real estate.

Method

We obtained these farmland sales records from Oregon county offices. The records contain information about the date of sale, address, size of property, land use class, seller name and address, buyer name and address, and taxpayer name and address. We then analyzed the records to determine annual trends in terms of number of sales, average and median size and price, and details about the buyer. When only a name was listed as the buyer, we assumed the buyer was an individual. We categorized other types of buyers that were identified (e.g., Trust, LLC), as such in the analysis. We then conducted general internet research about all of the business entities, to classify the business entity as engaging in agriculture-related business, or other businesses (e.g., finance, property management, property development and construction, investment, real estate, other, and unknown).

Table: Analysis of Farmland Sales Records in Four Oregon Counties, 2010–2015

	Benton County	Clackamas County	Polk County	Washington County
Total transfers/sales 2010–2015*	317	1150	260	537
Annual number of transfers*	52.8	191.7	43.3	89.5
Average size*	50.2	20.2	187.0	28.4
Median size*	11.2	10.0	110.9	11.3
Average cost**	\$873,290	\$602,903	\$998,760	\$576,837
Median cost**	\$395,913	\$387,000	\$490,630	\$438,000
Average cost per acre**	\$17,389	\$29,817	\$5,341	\$20,311
Percentage out-of-state buyers***	10%	5%	10%	5.80%
Percentage of business entities as buyers (company, corporation, Inc., LLC, LP, Ltd, partnership)****	26%	15%	35%	12%
Percentage of Acres Purchased by Business Entities (Company, Corporation, Inc., LLC, LP, LTD, Partnership)	26%	25%	27%	20%
Types of Businesses*****				
Agriculture-related	66	43	55	15
Investment	21	11	17	6
Finance	4	8	8	
Property management		14		
Property development & construction		12		
Real estate		10		
Other	46		24	
Unknown	17			43 (unknown and other)

* Consolidated multiple properties with same deed number

** Excluded outliers of sales of \$100 or less

*** Based on reported address. Likely under-reporting of actual ot-of-state buyers.

**** Includes family LLCs, as there is no way to distinguish those from non-family businesses

***** Based on our analysis using internet records

Appendix D: Training and Experience Opportunities for BFRs

A number of programs exist in Oregon to inspire and train BFRs at many ages and levels of experience. Youth programs like 4H and Future Farmers of America are well established and respected for the diverse programming they offer to youth on agricultural skills, careers related to agriculture, and leadership development, often involving hands-on projects with shows and awards.

Several Oregon community colleges and universities offer associate and bachelor's degrees for BFRs. Those institutions include the following:

- Oregon State University (OSU) College of Agricultural Sciences' (17 departments and programs with 13 majors)
- OSU's Agriculture and Natural Resource Program at Eastern Oregon University in La Grande
- Chemeketa Community College's non-credit AgriBusiness Management program
- Linn Benton Community College's one-year certificate in Profitable Small Farms
- Clackamas Community College's one-year certificate in Urban Agriculture.
- OSU and Eastern Oregon University's on-farm internships (with internship placements across the state)

A variety of internship programs are also available. Rogue Farm Corps (RFC) offers beginning-level internships and advanced beginner apprenticeships in four communities around the state. Beginning in Southern Oregon, RFC now also serves the south Willamette Valley, Portland area, and Central Oregon, training 40 interns and apprentices on 20 farms in 2016. RFC's programs include hands-on training, course work, mentoring, and workshops. Interns and apprentices are eligible to receive college credit for their participation in the program.

Prior to the establishment of RFC's on-farm internship model, farmers who wanted to host interns or apprentices risked violating numerous labor laws. In response to this challenge, RFC crafted and is implementing experiential learning and educational curriculum that works within the legal parameters established by the U.S. Department of Labor and Oregon Bureau of Labor & Industry for unpaid internships.

Other programs include the Beginning Urban Farmer Apprenticeship (BUFA) operated by OSU Extension Service, and Friends of Zenger Farm's full- and short-season farm internships—both are based in Portland.

Numerous conferences and workshops offer training for BFRs, including the following:

- OSU Extension workshops, including *Growing Farms: Successful Whole Farm Management* and *Growing Agripreneurs*, a basic hands-on, season-long training program
- OSU Small Farms Conference and Small Farms School
- Friends of Family Farmers' Farmers Rising, educational and networking event

Lastly, several programs and clubs exist to provide social networking and informal training opportunities for BFRs, including Friends of Family Farmers' FarmON! program, the Oregon Farm Bureau's Young Farmers & Ranchers program, and many associations at colleges and universities, such as OSU's thirty agricultural clubs.

Glossary

Amenity use: Use of agricultural land for purposes that are recreational, scenic, or otherwise not focused on agriculture production or forestry.

Ag-light use: Use of agricultural land in a manner that meets—but minimally exceeds—the amount of agricultural production or forestry use that is required to qualify for Oregon’s special farm-use or forest-use tax assessment.

Beginning Farmer or Rancher (BFR): As defined by the U.S. Department of Agriculture (USDA), a farmer or rancher 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.

Exclusive Farm Use (EFU): Within Oregon’s land use planning system, EFU zoning limits development that could conflict with farming practices and prevents the division of farmland into parcels too small for commercial agriculture. EFU lands are eligible for lower property taxes (DLCD Farmland Protection Program, n.d.).

Farm: As defined by the Census of Agriculture, any place that produced and sold, or normally would have sold, \$1,000 worth of agricultural products in a Census year. As defined by the Census of Agriculture, “farm” includes ranches. (USDA-NASS, May 2014)

Farm, non-family: As defined by the USDA, a farm in which the operator and persons related to the operator do not own a majority of the business (USDA-NASS, Table 69 2012).

Farm, family: In general concept (not expressly defined by the USDA), a farm in which a family of individuals related by blood, marriage, or adoption owns and controls the farm business (USDA-ERS, n.d.). The USDA identifies the following types of family farms:

- **Small:** A family farms with less than \$350,000 in gross cash farm income (GCFI).
- **Retirement farm:** A small family farm (with less than \$350,000 in gross cash farm income) whose operators report that they are retired, although they continue to farm on a small scale.
- **Midsize:** family farms with \$350,000 to \$999,000 in GCFI.
- **Large:** family farms with \$1,000,000 to \$4,999,999 in GCFI.
- **Very large:** family farms with \$5,000,000 or more in GCFI.

Foreign person: Any individual who is not a citizen, national, or permanent resident of the United States or a U.S. territory. Foreign “person” includes foreign governments, entities that are created in a foreign country or have their principal place of business in a foreign country, and U.S. entities in which there is a significant foreign interest (USDA FSA, 2012).

Gross cash farm income (GCFI): The revenue received by a farm business, including revenue from sale of crops and livestock, receipt of government payments, and other farm-related income. GCFI differs from “gross farm sales,” which excludes government payments and other farm-related income, and includes items that are not revenue to the farm; for example the value of production accruing to share landlords and production contractors, as well as government payments accruing to landlords (Hoppe and Korb, 2006)

Investment entity: An entity whose business purpose is to make investments for capital appreciation, investment income, or both (IRFS Foundation 2012).

Land tenure: The legal relationship among people, as individuals or groups, with respect to land ownership and control. Land tenure broadly refers to the laws, rules, and customs regarding the use, control, and transfer of land. For our purposes, this term includes succession of business assets, transition of management roles, and lease or ownership of real estate, including buildings and other fixtures.

Land access: The availability of real estate (including buildings and other fixtures) by lease, ownership, or other methods whereby an agricultural producer holds rights to produce agricultural products on the property. As a practical matter, land access depends upon whether the cost of accessing the property is reasonably affordable, given the average producer’s gross sales and additional expenses.

Land consolidation: The aggregation of two or more parcels of land (contiguous or not) under single ownership.

Land use planning: A government planning process for managing and regulating short- and long-term land uses. Land use planning includes planning for related resources, infrastructure, and services (e.g. water and sewer). Oregon's land use planning program, a partnership between state and local governments, is one of the more robust programs in the country.

Operator, farm: A person who runs the farm or ranch and makes the day-to-day management decisions. The operator could be an owner, hired manager, cash tenant,

share tenant, a business partner, or some combination of these. (USDA-ERS, n.d.). Types of farm operators include the following:

- **Principal:** A farm operator with primary management power on the farm or ranch. (The principal farm operator is required to fill out the USDA Census survey.)
- **Second or Third:** Operators who have power to make management decisions but who are under the management direction of a principal operator. (The 2012 USDA census was the first to allow principal operators to identify second or third operators of their farm and to provide demographic data for additional farm operators.)
- **Experienced:** Our term for a farm operator who has significant experience making high-level decisions for a farm or ranch operation.
- **Senior:** Our term for a farm operator who is aged 65 or older.

Parcelization: The division of larger tracts of contiguous agricultural land into smaller parcels of land, with potential for different owners and new development rights.

Successor: A person—related to or unrelated to the farmer—who takes over farm management and acquires farm assets upon a farmer’s retirement or death. Plans for the succession need not be formally established in writing.

Succession planning: A process for preparing for a successor to take over a farm upon the farmer’s retirement or death. Our definition of succession planning includes estate planning to determine how farm assets will pass to the next generation, and a process of identifying and developing the next generation of decision makers for the business.

Working lands conservation easement: A voluntary legal agreement between a landowner and a land trust or government agency that permanently limits certain uses and prevents development of a parcel of land in order to protect the land’s value as working land (in this case, as agricultural land). Landowners retain basic ownership of the land and many ownership rights, including the right to use the land for agriculture or forestry, to sell it, and to pass it on to heirs.

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