The True Cost Of Farming

The Business Of Farming Demands Unique Financial Risks For Anyone Getting Into The Profession

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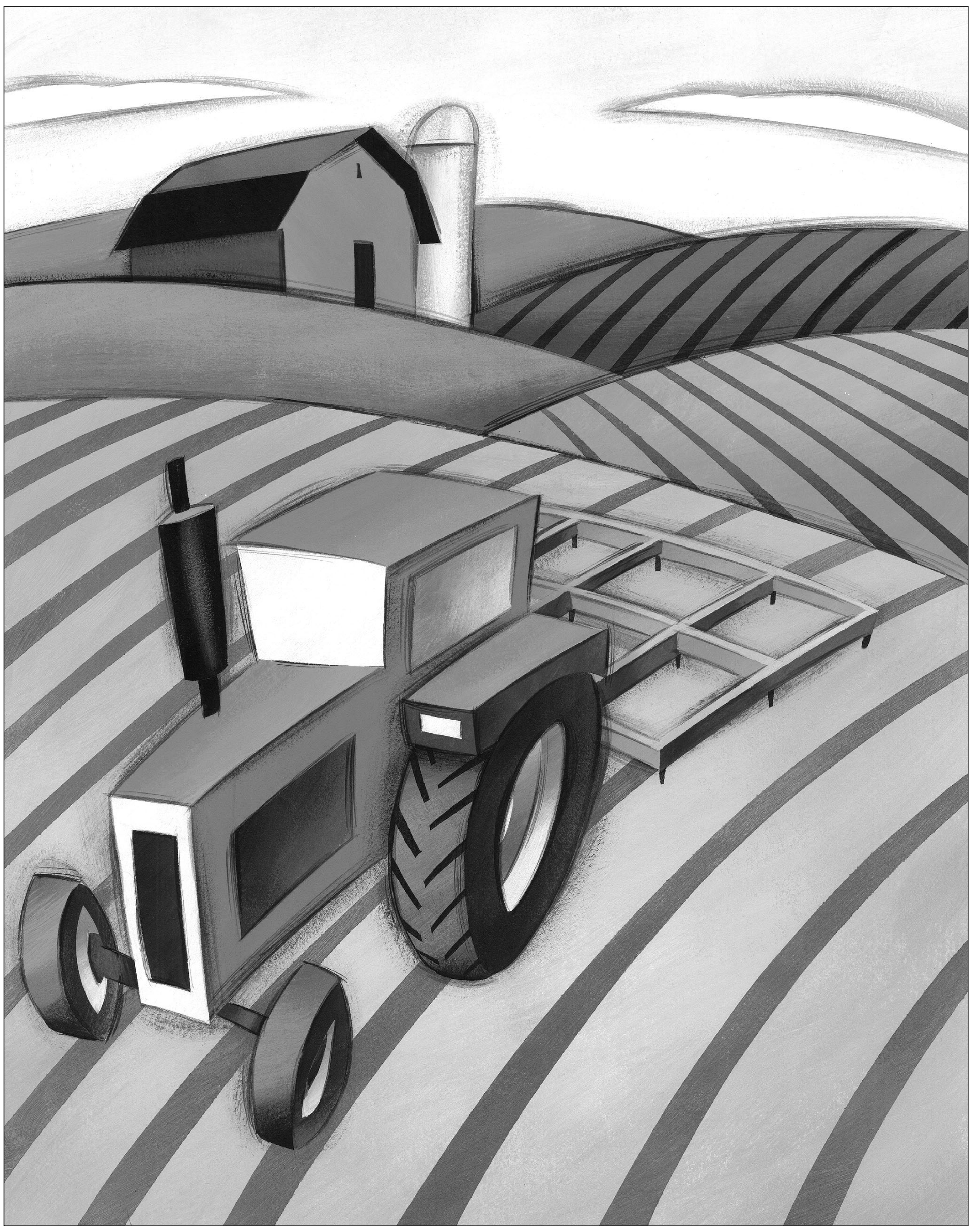

Dentists, large animal veterinarians, nurses, teachers — each of these careers have reported shortages in workers in recent years, but none of them rival what has been happening in production agriculture since the latter half of the 20th century.

Only 2 percent of the U.S. population report involvement in production agriculture, according to the U.S. Census. The average age of U.S. farmers is now 57 years old, meaning that half of all current farmers are likely to retire in the next decade, according to the Center for Rural Affairs in Lyons, Neb. Yet, beginning farmers have fallen by 30 percent since 1987 and, today, make up only 10 percent of all producers.

Unlike other professions where entry-level workers are hired by a company and work their way up the corporate ladder into a comfortable position, collecting earnings and benefits without sharing the business risk, farmers and ranchers are largely entrepreneurs. This means that producers have to balance all of the risk — initial investment, the weather, the high-cost inputs — with a variable income changing at the whim of a volatile market, no benefits, and fierce competition for land. And like all entrepreneurs, the hours can be very long and the learning curve can be steep. While many farmers earn their college degrees, their training is mostly on-the-job. Like other business owners, the most experienced tend to be the most successful and there is relatively little support for beginning producers.

Together, this makes farming seem unrealistic as a full-time career for many people.

"The conventional wisdom is that anyone who was willing to work hard enough could make it on the farm," said John Ikerd, an agricultural economist from Fairfield, Iowa, and retired University of Missouri professor. "During the financial crisis of the 1980s, many farmers virtually worked themselves to death trying to save their farm. If they could just work hard enough, they could make it, but they couldn't. They went broke."

Today, most full-time producers rely on the steady income and benefits, including health insurance, from their spouses. Another alternative is working a full-time job off the farm and farming part-time, essentially reducing the business aspect of farming and emphasizing the lifestyle part.

According to the U.S. Census, lifestyle farms — also called hobby or residential farms — make up 54 percent of all U.S. farms. Small family farms with sales of less than $100,000 a year make up 28 percent of U.S. farms. Family farms with sales of $100,000 to $250,000 a year make up 8 percent. Family farms with sales of $250,000 to $500,000 make up 5 percent. Family farms with sales of more than $500,000 make up 3 percent. Non-family, corporate farms make up 2 percent of all U.S. farms.

Ikerd said that while lifestyle farms and small family farms account for 82 percent of all U.S. farms, they only produce 25 percent of all commodities.

The growth in lifestyle farms has helped fuel the sustainable agriculture movement and local foods movement, but can't replace the lost productivity from the declining percentage of large-scale commodity farms. To recoup that productivity, technology and genetics have advanced in such a way that what remains of corn and soybean acres, as well as livestock producers, in the U.S. is able to yield to meet global demand. But the flip side of this scenario is that commodity farming is now exceptionally difficult to break into because of the sheer amount of money it takes for the initial cost, as well as to cover rising input costs each year and to weather unpredictable market prices each season — and the ever-tightening requirements to obtain bank loans.

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To start out fresh, a beginning commodity farmer needs land. To buy 300 acres — a small farm — it would cost nearly $2 million. Rental land is scarce, but 300 acres would cost $90,000 in some areas. Then, he needs a tractor, which costs $175,000. And then comes the expenses of buying additional implements, seed, fertilizer, chemical, crop insurance, fuel, and other initial and annual inputs for crop farming or livestock, feed, vaccinations, and more for livestock farming. Operating loans are designed to provide cash flow through the year and then be paid off when the crop or livestock are sold, but these loans are offered based on a person's collateral, credit, and capital — which is in short supply with the younger generation, simply because of lack of experience in borrowing money. In addition, commodity farmers catch flak for taking government payments, which are designed to stabilize food supply and prices

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