

News Release

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MAIN STREET ECONOMIST EXAMINES THE NEXT GENERATION OF FARM OPERATORS

Young and beginning farmers represent the next generation of farm operators, but entering the profession can be challenging. In the latest issue of the *Main Street Economist*, Nathan Kauffman, economist, explores the obstacles young and beginning farmers face in securing financing for capital-intensive operations. In addition to lower levels of equity and higher debt ratios, surging farmland prices compound the difficulties young and beginning farmers must overcome.

Recent trends point to a decline in the share of young farmers who are full owners of the land they operate. Record farmland prices, rising production costs, and agricultural consolidation have contributed to the decrease in farm ownership. Moreover, young and beginning farmers present greater risk, causing banks to require additional collateral for farmland purchases. As a result, a growing number of young and beginning farmers are choosing to rent land before taking on the fixed costs associated with land purchases.

Current federal and state policies support the owner-operator model of U.S. farm enterprises. However, the future of farming could transition more toward a renter-operator model – especially if market forces continue to drive up the fixed costs of production.

The article is available at www.kansascityfed.org/publications/research/mse.

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