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Are There Opportunities to Enter Production Agriculture Today?

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Cornhusker Economics

August 16, 2000

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Are There Opportunities to Enter Production Agriculture Today?

Market Report	Yr Ago	4 Wks Ago	8/11/00
<u>Livestock and Products,</u> <u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.			
	\$65.04	\$67.23	\$64.06
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	*	*	96.00
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	90.20	107.14	99.11
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	101.26	107.00	99.89
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	34.75	*	44.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	21.56	41.00	39.28
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	122.80	131.70	124.30
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	88.07	82.50	82.75
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	183.50	190.00	173.00
<u>Crops,</u> <u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.			
	2.80	2.90	2.75
Corn, No. 2, Yellow Omaha, bu.	1.71	1.49	1.41
Soybeans, No. 1, Yellow Omaha, bu.	4.22	4.48	4.32
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.23	2.58	2.70
Oats, No. 2, Heavy Sioux City, IA, bu.	1.12	1.20	1.18
<u>Hay,</u> <u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.			
	57.50	107.50	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	*	52.50	67.50
Prairie, Sm. Square, Good Northeast Nebraska, ton.	57.50	70.00	75.00

* No market.

Most persons would not be surprised that the average age of Nebraska farmers is increasing. In 1982 there were approximately 1.5 farmers under age 35 for every farmer over age 65. In 1997 the relationship of younger farmers to older farmers had reversed. The latest Nebraska census of agriculture indicates there are about 2.5 farmers over age 65 for every farmer under 35. Approximately 41% of the land and farm machinery in Nebraska (\$14 billion) is owned by those 55 years of age or older. That age group owns approximately 46% of Nebraska's cow herds as well as about 27% of the breeding hogs. The vacuum created by the retirement of these Nebraska producers is going to be filled by someone. Will it be by existing producers who will continue to get bigger? Or, is there potential to bring new farmers/ranchers into agriculture?

Are there any viable opportunities available for an enterprising person to get involved in Nebraska production agriculture today? Some might say "not many" and it would be hard to argue against the facts that profit margins have been narrow and have been trending narrower for several years, that capital costs of owning land and equipment are at or near all time highs and that family living costs seem to go up every year. Carving out a start in farming or ranching is definitely not for the faint of heart. But there are those that are finding a way, and those that are making it work. Many are using one or more of the various state and federal programs to get that needed edge for the start.

So what is being done to assist those that would like to enter agriculture? There are several programs that can offer assistance to qualified producers.

- Farm Service Agency (FSA) offers several loan programs targeted for beginning farmers and ranchers. Loans are available for annual operating expenses, as well as the purchase of machinery, breeding livestock



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and land. Longer repayment periods plus lower interest rates make these programs quite attractive for those beginning operators who can qualify. For more information contact your local FSA office.

- Nebraska Investment Finance Authority (NIFA) also offers a program that creates a tax exempt status for interest earned by lenders who work with beginning farmers. This allows the lender to pass on the savings in the form of a lower interest rate charged for a beginning farmer loan. For information call 1 (800) 204-6432.
- Land Link is a program that is administered through the office of the Center for Rural Affairs. Land Link offers a data base clearinghouse for farmers and ranchers. It attempts to match up retiring farmers with those wishing to enter farming. For information contact Joy Johnson at (402) 846-5428.
- On January 1, 2001 the Beginning Farmer State Tax Credit will go into effect. This program is intended to give qualifying beginning farmers who wish to rent agricultural assets an edge. The program is designed to give qualifying owners of agricultural assets a 5% state income tax credit if they will enter into a three year rental agreement for land, machinery, livestock or facilities with a qualifying beginning farmer/ rancher. This doesn't have a direct impact on the profitability of the beginning farmer, but it does help encourage landlords to take a risk and give the beginning farmer a chance to get started. For information call (402) 471-6890 or (800) 446-4071.
- The University of Nebraska offers a program that

works with both beginning farmers and retiring farmers. Confidential one on one assistance is available to help producers and would be producers fill out a loan application, develop a feasible cash flow, budget family living expenses, establish goals, create a business plan or to assist in a generational transfer of property. For information contact (402) 472-0661.

Should a young person enter agriculture today? Many will find that they may need to support the farm with some off-farm job for a period of years. Some may produce for niche or organic markets. They may need the assistance of a family member or neighbor to get started. It may be necessary to begin on a smaller scale and grow slowly, and will most likely be difficult. Many will succeed. Some will fail. One thing for certain, the answer to the question "Are there viable opportunities to get into production agriculture today?" will impact families, neighborhoods, communities, schools, churches and all of Nebraska.

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