

VIRGINIA FARM SUCCESSION SURVEY: 2002
VIRGINIA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES (VDACS)
OFFICE OF FARMLAND PRESERVATION

PREFACE

During the period January through March 2002, the Virginia Department of Agriculture and Consumer Services (VDACS) Office of Farmland Preservation (OFP) sponsored a survey of Virginia farmers, with the intent of determining how many Virginia farmers had plans for the transition of their farm businesses to the next generation of farmers. This survey was part of a larger strategy adopted by the National Farm Transition Network (NFTN) to develop conclusions about the state of farm retirement planning in the United States, Europe and Japan. The survey mechanism used for this study mirrored those used across the United States and in other countries as part of the larger NFTN initiative. The goal of these efforts was to create an international database on farm succession planning from which policy recommendations could be developed to increase opportunities for successful farm business transition.

INTRODUCTION

The Virginia survey instrument contained a few minor modifications, all of which were originally approved by the NFTN survey's author, Dr. Andrew Errington, University of Plymouth, England. The survey was conducted by the Virginia Field Office of the United States Department of Agriculture's (USDA) National Agricultural Statistics Service (NASS). This survey was mailed to a random sample of 1,500 farmers with the objective of determining a statistically representative picture of the Virginia farm population.

Of the 1,500 surveys mailed, 512 responses were reviewed, yielding a response rate of 34 percent.

CHARACTERISTICS OF FARM OPERATORS RESPONDING TO THE SURVEY

Almost two-thirds of respondents classified themselves as part-time farmers. Most of these operators began farming operations in the mid-1970s. The respondents were predominantly male, with a mean age of 59.8 years. Most (86 percent) of the farm operators that responded had children, the mean ages for which were between 31.8 years and 34 years of age. More than 50 percent of respondents had either technical training or some college, were college graduates or had been to graduate school.

CHARACTERISTICS OF FARMING OPERATIONS

Approximately 52 percent of the respondents to the survey said that "beef cattle" best describes the nature of their farming operation. The remaining respondents indicated a diverse range of farming operations, including tobacco, equine, hay, grain and oilseeds, dairy, and others. On average, responding farmers owned approximately 138 acres of crop/pastureland and rented an additional 219 acres of crop/pastureland. Approximately 41 percent of the respondents said they had one full-time paid employee working on the farm, with a similar percentage reporting that they had at least one part-time paid worker on the farm. Most (83 percent) of the farm businesses were organized as sole proprietorships, with 13 percent organized as partnerships and approximately 3 percent organized as a corporation.

RESULTS OF THE SURVEY

Almost 43 percent of farmers responding to this survey indicated that they never plan to retire. Almost 33 percent planned to semi-retire, which is defined as someone who still operates a farm but will receive other retirement benefits like social security or pensions. These operators will, in many cases, scale back their operations once they decide to semi-retire. They may also turn some of the farm management responsibilities over to others. After accounting for those who do not plan to retire and those who will semi-retire, the survey shows that only 24 percent of Virginia farmers have intentions to retire. Those farmers planning to retire have an expected retirement age of 68 years.

In terms of paying for this retirement, retiring farmers expect to generate most of their income from social security or from private or public pension plans, with only 15 percent projecting continued income from the farm.

Of those intending to retire, nearly 66 percent said they had discussed their plans with family members. (The remaining 34 percent had not discussed their plans with family members.) Beyond the bounds of family, respondents intending to retire reported discussing their plans with the following: financial planner (15 percent), accountant (11 percent), lawyer (10 percent), farm consultant (2 percent), another advisory (2 percent), and lender (1 percent). Over 29 percent of respondents intending to retire reported that they had not discussed retirement plans with anyone.

Of those farmers planning to retire, almost 82 percent expected to remain on the farm where they live. Of the 18 percent who plan to move, almost half planned to move into another house on the farm or to some acreage cut off of the farm. When asked where they would move, most either did not know or planned to secure living facilities within 10 miles of their current home.

Of all of the farmers surveyed, 70 percent had not yet identified a potential successor. Of the 30 percent who had identified a successor, most frequently, this successor was a son (70 percent) or daughter (14 percent). The successor's average age was 35.6 years, and 47 percent of projected successors currently worked off the farm.

When asked about the successor's involvement in current farming operations, most respondents indicated that they themselves planned the day-to-day work, made the annual crop and livestock plans and decided the frequency and type of enterprises, decided when to sell crop and product, determined the timing of operations, etc. In fact, when asked the question "does successor have total responsibility for any enterprise", 64 percent responded no. The successors, however, appear to be more educated than current farm operators, with almost 57 percent having received training in either technical school, college or graduate school beyond the high school level.

When all respondents were asked if they contributed to a pension plan, 52 percent indicated yes. Fifty-nine percent indicated they have a will, 15 percent indicated that they have a trust, and 12 percent indicated they have some other estate plan. Thirty-five percent of all respondents indicated they do not have a will, trust or other estate plan.

When asked what they will miss most about farming when they retire or semi-retire, most farmers provided no comment; however, those who did comment said they would most miss

working on the farm. When asked what they would be most pleased to give up once they retired or semi-retired, again, most had no comment. Of those commenting, 27 percent said they would be most pleased to give up the daily labor, the early morning livestock work, worry about the weather and the lack of free time.

In concluding the survey, respondents were asked their opinion as to the best plan for their farm and how to pass it on to more than one potential heir. Thirty-nine percent of the respondents had no comment, but a majority said to either divide the farm equally among the heirs or give it as a whole unit to one heir. Respondents who expressed a concern about the transfer of farm to their successor identified the desire to keep the farm in agriculture and keep the farm in good condition as their biggest concern about the transfer to a successor.

CONCLUSION

This survey shows that most Virginia farmers either do not plan to retire at all or only plan semi-retirement. Of those farmers who plan to retire and transition their farm, only 30 percent have as yet identified a successor. Finally, 36 percent of Virginia farmers have said they do not have a will, trust or other estate plan to transition this farm to their heirs or to a young farmer outside their family.

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