

Getting started in farming

This is the second of a series of six articles on how to get into farming. Subsequent releases will discuss selecting a farm, financing farm enterprises, managing finances, and budgeting for financial changes.

LANCASTER — So you've decided to farm. To be successful, you need three things — financial backing, control of business decision-making, and a sound knowledge of farming. Eventually, you'll also want a farm of your own. How do you go about getting it?

There are several ways to get into the farming business, says University of Delaware extension farm management specialist Dr. Don Tilmon. Inheritance, marriage, purchase, lease or lease with purchase option can all lead to ownership. It's also possible to manage someone else's farm, if you aren't able to own your own.

Chances are that most people don't "get started" in farming. They remain there after growing up in a farm family. Even if they don't take over the actual farm, they inherit know-how, philosophy, and sometimes financial backing.

If you're in a position to inherit a farm or an interest in one, ask yourself these questions. Does the land constitute a viable economic unit? Do I have a good working relationship with other family members? Is there presently enough income for more than one household? If not, are there alternative sources of income?

Will I have a decision-making role before I inherit the farm? Will the place be mine alone, or will other heirs be in the picture, too?

Will I have to buy them out? If that's the case, will I be able to do so? Has the estate been well-planned so that when I inherit the tax burden will be minimal, permitting efficient transfer of the farm assets to me?

Some farm operators have the opportunity to join compatible farms through marriage. If you find yourself in this position, ask yourself these questions.

Which family members will be in control? Will this matter to us? Will I have a compatible working relationship with my in-laws? Will I have as much say as I want in managing the farm? To what extent and in what form will I and my spouse be able to achieve ownership of assets? If there are young children, what will their eventual role be in management or ownership of the farm?

Outright purchase on the open land market is the most clean-cut way to enter farm ownership says Tilmon. The buyer of a commercial farm today must usually compete with other potential buyers. Some of them may want the land for residential or commercial development or other nonfarm uses.

Per-acre costs of up to \$4,000 for commercial land aren't unusual. This price is probably more than a farming income can meet. This is why there's a big financial advantage to acquiring a farm through marriage or inheritance. Cost of land is a very serious restriction when you're trying to get started in farming.

"Purchases within the family may have an advantage over

inheritance," says the management specialist, "providing appropriate terms can be worked out." This can limit the size of the estate by limiting the size of the mortgage. It also brings immediate control to the younger purchaser. At the same time, the seller (usually a parent or in-law) is protected through provisions of the mortgage.

Here are some questions to ask, if you're considering buying a farm. First, why is the place for sale? Why hasn't it already been bought by someone else — possibly a neighbor? Is it a problem farm — poor soils or other hidden conditions? Is it priced too high? Is there enough land for the type of farming I want to do? Can I lease with an option to buy, so that I can try the place out?

It might pay to discuss your interest in the farm with your county agent, extension farm management specialist, a representative of the Soil Conservation Service and personnel of other agricultural agencies before you commit yourself.

Money requirements for direct purchase of land, equipment and livestock often make leasing a farm a more likely way to get into farming than outright purchase.

If this idea appeals to you, take a look at probable leasing cost. Land — particularly cropland — is often leased by the acre. The rate will vary, of course. Low rent often implies a poor farm, while high rent suggests better land. Rent in a particular region will vary widely. You can expect to pay anywhere from \$20 to as much as \$100 or

more per acre of cropland, depending on its location and local competition. Right now in Delaware the average rental price is \$60 an acre.

Throughout most of the Mid-Atlantic and Northeast, renting farmland is cheaper than buying it. Renting could leave you with more working capital to improve your herd or some other aspect of your farm operation. Just remember that facilities often become outdated on farms which have been leased for several years. For example, a landlord renting a dairy farm may be reluctant to "keep up" the milking facility.

Annual verbal leases are common for straight cropland rentals. Written leases are more common when buildings or a dwelling are involved. Tilmon recommends all leases be written, to protect the interests of both parties involved.

An option-to-purchase clause is a lease provides an alternative to immediate purchase of a farm. This option provides an entry procedure which will permit you to test your ability to operate the farm and eventually earn a down payment. The option also benefits the landowner in that it provides an incentive for the lessee to take care of the place. After all, you may own it someday. An option to buy may or may not specify the purchase price. This can be an important consideration when land values are increasing.

Don't give up the idea of farming just because you can't afford to buy or rent your own land. There are also non-ownership ways to get

into farming. The modern commercial farm is a highly specialized operation. Not only the type of farming done, but also the tasks performed call for special skills. Consequently, the farm with more than one worker often favors specialization.

You may find that being a highly skilled employee on a large farm is the most satisfactory way for you to become involved in farming. For a reliable, productive employee, work on a farm — including fringe benefits — could bring a return comparable to similar non-farm work. The fringe benefits may include housing and use of farm products. It's certainly an option worth considering, if you want to be involved in farming, says the specialist. It's also a good way to gain practical experience you may put to use on your own farm later on.

With the right skills and knowledge, managing a farm for someone else can be a satisfactory alternative to ownership, both in terms of income and professional challenge. A manager needs to be knowledgeable of most farming tasks and should also be able to perform bookkeeping and general management duties.

Tilmon has one final word of advice on this aspect of getting into farming. "Farm leases, partnership agreements, and employment contracts are all legal arrangements," he says. "You should always consult an attorney when entering any such farm agreements. Partnerships may provide a source of backing, but each party must fully understand the legal implications involved."



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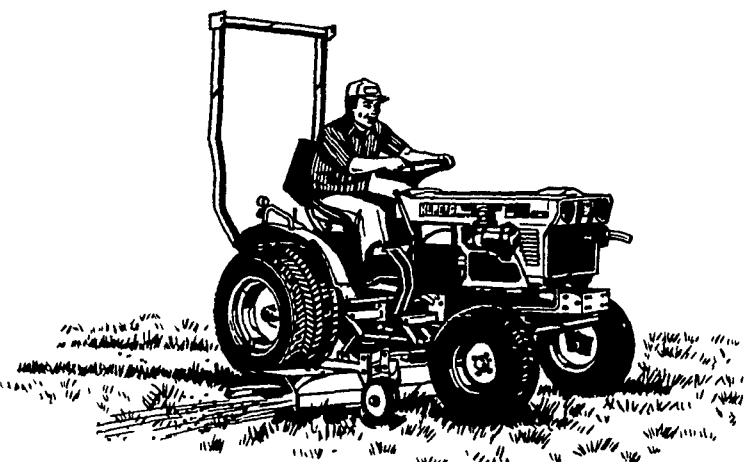
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