Financial Structure

Farms with sales of $20,000 to $99,999 required about $390,000 worth of physical and financial assets in 1978. Capital requirements were more than $1 million per farm for farms with sales of more than $100,000. Increasing farmland value and farm machinery costs will make capital requirements for farming even higher in the future. If the trend of asset-sales ratio continues, farms with sales of $20,000 to $99,999 will have assets valued at nearly $1 million per farm by the year 2000 (table 9). This is nearly triple what was required in 1978. More important, economically viable farms probably will require assets valued at almost $2 million per farm--nearly double what was required in 1978.

Much of the increase in asset values will likely result from appreciation, especially in land values. Some additional expansion of equity would arise from reinvestment of savings from income flows. These increases in equity could provide a base for additional debt. The increased debt and equity could be used to purchase more land and other capital items. Such soaring capital requirements in farming create barriers to entry, especially for low-equity, young, potential farmers.

The change in farm structure in the future will have a far-reaching effect on the distribution of wealth among farms and households that have an interest in farming.

Capital assets were dispersed about evenly among various sizes of farms in 1978--one-third each for farms with sales of: (1) less than $20,000, (2) $20,000 to $99,999, and (3) more than $100,000. The average farm required assets valued at about $267,000. By 2000, about two-thirds of the farm assets will go to farms with sales of more than $100,000, with the remaining one-third spread evenly among farms of less than $20,000 in sales and those with $20,000 to $99,999 in sales. Farm assets for all farms will average about $930,200--more than triple the 1978 figure. By 2000, two-thirds of the wealth in the farm sector will be in the hands of these farms with more than $100,000 in sales.

Age of Farm Operators and Replacement Rates

The average age of farm operators is projected to drop from 51.9 in 1974 to 50.2 by 2004 (table 10). Although this is counter to the trend up to 1974, the shift in average age reflects the higher actual entry rate of young people in the 1964-74 period. By 2004, these operators will be the middle age group, resulting in an increase in the number of farm operators in the 35 to 54 age range--from 43 percent in 1974 to nearly half in 2004. By contrast, a slight decline in the proportion of operators 55 years of age and over is projected. The projected decline in the average age of farm operators is counter to the trend observed through 1974, although the increase in average age from 1969 to 1974 was barely noticeable--from 51.2 in 1969 to 51.7 in 1974. Similarly, the percentage of farmers 55 years and over (and probably approaching retirement) increased, with the increases being especially significant in the large sales classes.

As farms become fewer and larger, fewer new farmers are needed to replace existing farm operators on adequate size farms. Therefore, the total number of net entries by persons under 35 years of age is projected to shrink from 475,000