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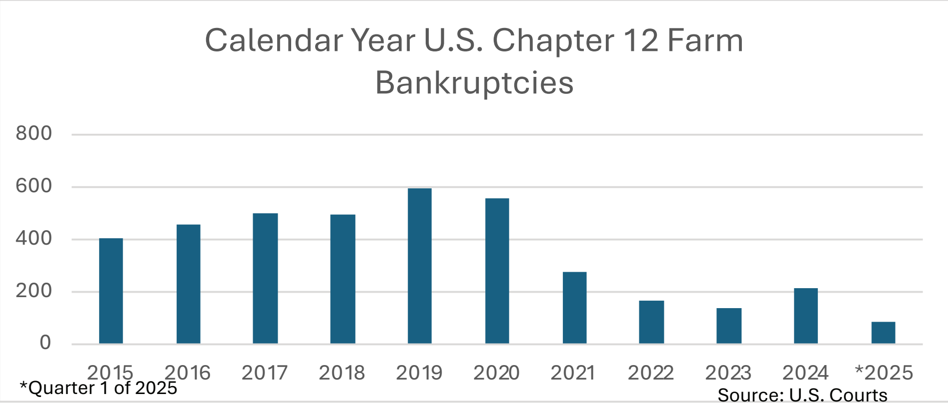
FARM BUREAU ARKANSAS

September 2025

Farm Bankruptcies on the Rise: What It Means for Young Farmers and the Future of Southern Agriculture

Farm bankruptcies are climbing again in the United States, and this resurgence could have generational consequences for the nation's food and fiber supply, and rural communities. Chapter 12 bankruptcy, a debt-restructuring program designed specifically for family farmers, has long served as an indicator of financial stress in rural America. With filings accelerating in 2025, the warning signs are clear: if current pressures are not addressed, the next generation of farmers may struggle to gain a foothold in production agriculture, posing a significant threat to the future of U.S. food security and many rural economies.

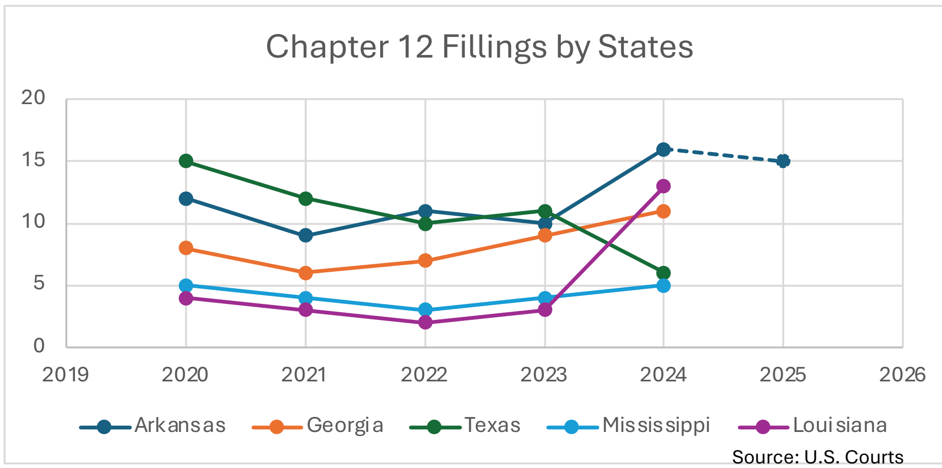


According to U.S. Courts data, Chapter 12 filings totaled 216 cases in 2024. Yet early 2025 figures show 259 filings occurred between April 2024 and March 2025. The data shows that 88 Chapter 12 filings happened in the first quarter of 2025. That is nearly twice as many filings as the same period the year before. The trend means that 2025 is on pace to go down as one of the most difficult years for farm bankruptcies in more than a decade. The sheer speed of this escalation underscores the fragile economic environment confronting today's producers.

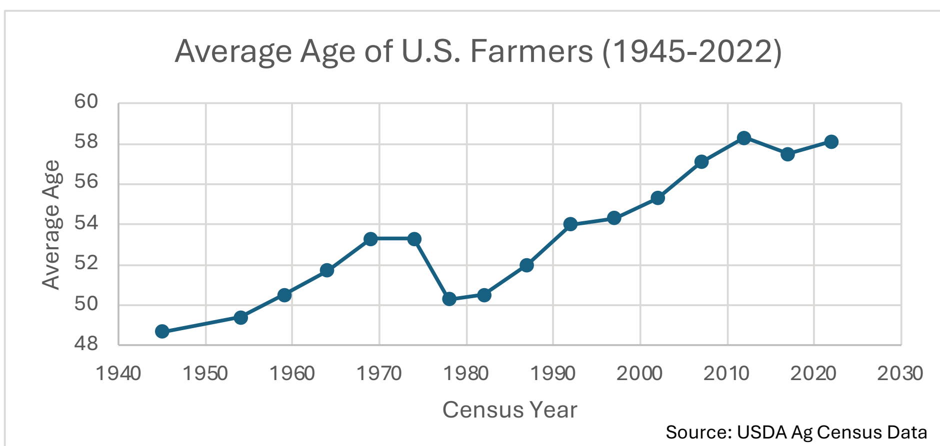
While bankruptcies affect farmers of all ages, younger operators stand out as particularly vulnerable. Research from USDA's Economic Research Service shows that around 3% of producers under 40 are experiencing "extreme financial stress," compared with just 1% of all farmers. These beginning farmers often enter the industry with higher debt loads, limited equity and fewer safety nets. A highly leveraged operation (common among new farmers buying land or equipment) can usually only handle 1-2 years of losses without restructuring. Those with lighter debt loads, supportive landlords or off-farm income might last 3-5 years, but that's the upper bound. Rising interest rates, elevated input costs and volatile commodity prices leave them especially exposed in recent years. In many cases, credit is their lifeline. But, with bankruptcy rates climbing, lenders may grow increasingly cautious about extending financing, further shrinking access to capital for the very group that needs it most.

Arkansas, a state deeply rooted in agriculture, offers a telling example of an aging farm population. According to the 2022 USDA Census of Agriculture, Arkansas counted 67,425 producers, yet fewer than one in ten were under the age of 35. Just 8% fell between ages 25 and 34, and fewer than 2% were younger than 25. Against this backdrop of an aging farm population, the state has emerged as a bankruptcy hotspot. According to data from the American Bankruptcy Institute, Arkansas has experienced a notable increase in Chapter 12 bankruptcy filings in recent years. In 2024, the state accounted for over 30% of the chapter 12 filings in the 8th U.S. District Court, a significant rise from approximately 5% in 2021. As of mid-2025, Arkansas had filed 27% of the district's Chapter 12 cases, with three quarters of the year remaining.

The pattern extends across the South. Arkansas recorded 16 Chapter 12 cases in all of 2024, more than the other Southern states, and added 15 more in the first quarter of 2025 alone. In 2024, Louisiana saw 13 Chapter 12 filings, while Texas recorded six, though historically Texas has often reported far higher numbers. Other states, including Mississippi and Alabama, reported only a handful each. On the surface, these figures may appear modest, but when viewed alongside demographic trends they tell a more troubling story. The South skews older than the national average in its farm population, and many operations depend on generational transfer for continuity. When bankruptcies erode farm equity, succession becomes even more difficult. Older farmers nearing retirement may have no heirs willing or financially able to assume the risks of production agriculture, leading to land being sold outside the family and sometimes outside of agriculture altogether.



This generational bottleneck has serious ripple effects. Nationally, just 9% of farmers are under age 35, while the average producer is nearly age 58. Without younger farmers stepping in, rural areas face mounting challenges. When family farms shutter, communities lose not only production, but also tax bases that fund schools and infrastructure. Consolidated schools, closed local businesses and weakened support industries, from equipment dealers to feed suppliers, follow in quick succession. The alarming result is that entire rural ecosystems, built around family agriculture, become increasingly fragile.



Beyond the local impact, these trends raise pressing questions about food and fiber security. A strong pipeline of new farmers is essential to maintaining resilience in domestic food and fiber production. If the generational link continues to weaken, the U.S. may become more vulnerable to global market disruptions and supply chain shocks. In other words, the decline of family farms is not merely a rural issue, it is a national one.

Addressing these challenges will require deliberate policy action. Experts point to a range of possible interventions. Expanded beginning farmer and rancher loan programs could provide the capital young producers need to establish themselves, while targeted tax incentives might ease the transition of farmland between generations. Farm debt relief measures could stabilize operations on the brink of collapse, preserving livelihoods and the land base needed for future production. At the same time, non-financial support should also be something we examine. Mental health and stress-management resources are critical, as burnout and emotional strain remain major factors pushing younger farmers out of the industry, often even before finances reach a breaking point.

The stakes are clear. If trends continue unchecked, 2025 may be remembered, not only as a year of rising bankruptcies but a year in which America loses a generation of farmers. Even if commodity prices rebound, the ripple effects of these bankruptcies will be felt for years. The nation's ability to sustain its rural way of life, and the food security that depends on it, will hinge on how policymakers, lenders and communities respond. The choices made today will determine whether the next generation of farmers has the tools and opportunities needed to carry forward one of the country's most vital traditions.

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