

“PASSING ON THE FARM CENTER”
February 1, 1997

General Activity

The Passing On The Farm Center is continually working to fully establish a program for assisting farm families through asset transfer to the next generation or to other beginning farmers. We are working to accomplish this through networking with other farm agencies/organizations and we have begun marketing our programs. This is being done through media, brochures, personal contacts, and presentations to various groups.

In January 1996 the Minnesota Agriculture Project, a network of Minnesota AG-related organizations, formed a task force to address the concern of Farm Business Transfers and the loss in farm population. The consensus was to support the *Passing On The Farm Center* to become the vehicle to specifically target this area of concern and direct our efforts towards the farming population. This will be a useful partnership as we expand the program statewide.

The staff for the *Passing On The Farm Center* consist of a Program Manager (Ivan Anderson), a Program Assistant (Vicky McNeil) who primarily works with the *MN Farm Connection*, and an Administrative Staff Assistant (Jan Holien). At this time the Program Assistant and Administrative Assistant are part-time employees. As of July 1, 1996 the Program Manager is a full-time employment position.

The *Center* holds monthly *POFC* Board meetings to continue our planning goals with the *MN Farm Connection* (linking program), *Farm Business/Estate Planning Groups* (study circles), seeking additional funding sources, and other educational workshops/conferences. The *Center* is presently working on the structure for a statewide Advisory Board of people who are involved with the agricultural community such as Farm Credit Services, MN Extension Service, University of MN AG Department, MN Legal Services, Farm Business Management, other professionals who serve the farmer, and farmers themselves.

Outreach and marketing of the program is continuous. The staff attends various meetings and conferences to promote *POFC*. The *Center* participates in the Minnesota Agriculture Project and National Family Farmers/Ranchers Network meetings and have also attended a number of farm shows including both the summer and winter North American Farm and Power Show, Farmfest, Corn/Soy Expo, and MN Cattlemen's Annual meeting to market the *Center*, the *MN Connection* and our other program activities. The *Center* is constantly working to build our library of information related to program activities and to disseminate that information to those who need it (i.e. RFA program).

POFC's goal is to enable every farmer to successfully transfer their operation to another generation of farmers. Every successful farm family equates a economical asset to the community. Statistics from the Southwestern, Central, and West Central Farm Business Management reports show that there is \$250,000 generated through a community for each successful farming operation. The average farm family needs \$40,000 for their family living. With the loss of 10,000 farmers that equates to a \$400 million distribution dollars that would possibly be spent in rural communities. By keeping farms active, the community benefits by increased dollars for businesses, numbers for schools and churches, and community activities. The dramatic increase in farm assets during the last decade require continuing education for succession planning. This increase affects both the federal and state estate taxes. Some of the successful farms in the future will be passing on debt to the next generation, necessitating an understanding of all the facets of estate/succession planning. The *Center* proposes to establish satellite centers for working with program activities and to help network with more localized organizations to carry out these educational objectives.

The success of the *Center* depends on networking/outreach with private and public agencies to keep individual ownership of farms stable.

Farm Business/Estate Planning Groups

The experience the *Passing On The Farm Center* has had in the recent year 1996.

(This report is submitted by Cynthia Wittwer, RN, CS, Consultant to the *Passing On The Farm Center* on the Farm Project Estate Planning Groups)

When the *Passing On The Farm Center* project was conceptualized, we envisioned that farmers would learn best from each other when deciding to make that transition from one generation to the next. Thus, the study circle process was sought out as the best way to make this happen. A study circle process is quite simply a group of people who gather to share ideas, experiences, and knowledge on a particular topic expanding horizons as a variety of views are presented and consequently, considered by participants. The biggest hurdle we face is helping farmers understand the value of estate and transfer planning before the midnight hour. Also, farmers are not historically a group of people who are especially open with each other. However, despite these obstacles we are finding that the study circle method is indeed a powerful tool for the farm population to use their most bountiful resource, themselves, in providing ideas on how to continue the farm into the next generation.

The *POFC* would like to emphasize that the *Center's* objectives are not to replace professional such as attorneys, accountants, or financial planners. Rather we see our role as that of providing a cost effective (hiring a financial planner for an individual farm is not economically feasible for some) method of helping people define what their goals and objectives are so that this information can then be taken to the professional and a formal plan drawn up.

In the past there appeared to be some resistance to committing a two to three month period to attending group meetings. Wayne Hansen, Redwood County Extension Service, suggested we try a weekend retreat and provide the bulk of what people need to consider in a more concentrated time frame. By meeting for this longer period of concentrated time, the hypothesis was that people would be more willing to address farm transfer issues and would have a very good start on the transfer plan after one weekend.

Consequently, the *Passing On The Farm Center* is developing two models. Model 1.) Meet for eight sessions over a two to three month period for two to three hours at a time. Model 2.) Meet for a weekend (Fri.- Sun.), provide the bulk of material and meet for one to two sessions after that. We have engaged the services of a consultant who will be evaluating the two methods and providing feedback to us on the pros and cons of each method.

On September 6, 7, & 8, 1996 three family units (16 individuals) met for a weekend retreat to test the hypothesis that providing a concentrated amount of material in a short time frame would be a viable transfer planning option. These families will meet

again at least one time and possibly two to complete the process. We await the results of the consultant as to the viability of this method.

We have also been providing assistance to financial institutions who have farming clients. In December 1996 I presented a one and one half hour seminar to MN Valley Bank in Redwood Falls, MN intended to be an introduction to the Farm Transfer Planning Groups. The intention was to introduce the material and then establish a Farm Estate Planning Group to meet again for approximately eight sessions. Each of the sessions range from 2-3 hours in length and the sessions are highly interactive as we believe that again people learn best by being involved. The expectation by the *Center* is that at the completion of the sessions, participants will be ready to have a plan drawn up by their farm team or at least be able to identify what exactly they need to do to continue the process. At this date the group is being compiled. An alternative is again working with individual family units. However, this is not as cost effective and participants miss out on the input from other farming units which can be invaluable.

The *Passing On The Farm Center* is also striving to make the process reproducible so that other professionals can take the material and develop groups throughout the state of Minnesota.

Education

The *Passing On The Farm Center* is continually planning for future events. We are now in the process of partnering with Farm Credit Services, MN Farmers Union, Dunlap and Seeger, P.A., Linder Farm Network, Farm Bureau, and MN Extension Service to sponsor a statewide Conference in Rochester in February. We are also partnering with Successful Farming Magazine to assist in sponsoring a conference in 1998.

New technologies for education, distant learning, and marketing for the *Passing On The Farm Center* are also being explored. An example is our plan with other states to develop software programs to be utilized by farmers and AG Professionals for the use of inter-generational farm transfer/estate planning. Discussion and collaboration with other states began during the National Family Farmers/Ranchers Transition Network Conference in July.

Resource information is in great demand by all generations of farmers, landowners, and individuals wanting to start farming. We plan to establish a clearing house of information, networking with other organizations such as MN Extension Service, Colleges/Universities, Farm Service Agencies, Agricultural Lenders, Farm Business Management, Rural Finance Authority and other organizations related to agriculture. Presently we are also working with the MN Board of Water and Soil Resources, MN Department of Agriculture-Sustainable Agriculture Program on their CRP/RIM pilot program.

The Center has several on-going Farm Business/Estate Planning Groups. We are also presently holding a six week series of classes on Principals and Strategies of Estate and Succession Planning. Educational activities which pertain to farm structure and bringing beginning farmers into an established farming operation will be on-going for the *Passing On The Farm Center* to successfully meet our missions of individual(s) inter-generational farm business transfers.

MINNESOTA FARM CONNECTION

The Farm Connection has a total data base of 189 beginning farmers and 37 land owners\retiring farmers. Out of this total count, there are 33 inactive beginning farmers and 4 inactive landowners. A total of nine connections have been made, either between a beginning farmer and land owner on our data base, or through the direct result of the knowledge and experience obtained through our program.

Our goal is to pass on these farms successfully, no matter what the size of the operation; and promote ideas and opportunities by which more individuals may be encouraged to enter agriculture. Some of our beginning farmers have a need and desire for more educational programs to help them get more involved with the established land owner farming operation. Some things to consider are:

1. various types of farming operations
2. the financial end of the operation
3. communication skills
4. decision making
5. financing opportunities

The timeline involved in making a successful connection can be limitless. It is an ongoing process of dedication, research and flexibility. There is also the challenge of enlightening the established farmer about economic opportunities available when they bring a partner into the farming operation.

The Minnesota Farm Connection concentrates on much needed personal contact. The questionnaires completed by both the active farmer and beginning farmer play a major role in the reviewal and screening of each party to begin the linking process. Farm visits are planned with each land owner to evaluate the farming operation for a future match with a beginning farmer. We feel it is very important to establish a good relationship with the farmer and their family, therefore increasing the chances of a successful match, which will lead to a win-win situation for everyone.

MN FARM CONNECTION -- PLANNING GUIDE

PURPOSE -- An effort to link Beginning Farmers with Land Owners/Farmers.

BEGINNING FARMER -- Person with a desire to begin a farming operation, either by the purchase of a unit, or working with an established owner over a period of time.

LAND OWNER -- Person with an established farming unit with a desire to sell to, or work with a beginning farmer over a period of time. May be willing to mentor.

I. HOW DO WE GET STARTED ----- INITIAL CONTACT

- A. Research available literature through Passing on the Farm Center.
- B. Fill out the appropriate questionnaire.
- C. Pay the required \$10.00 fee.
- D. Talk to the contact person regarding any questions.

II. HOW DO WE LINK TOGETHER?

- A. Am I willing to re-locate -- Do I have priorities on location?
- B. Am I willing to mentor a new person -- Can we work together?
- C. Am I in a position to work with someone or do I want to sell the property?
- D. Will it work efficiently for both parties?

III. GENERAL CONCERNS ----- BASIC QUESTIONS

- A. Is there a need for financing?
- B. Is there financing available from the land owner?
- C. Are there any conflicting parties (siblings, etc.) that could have concerns?
- D. Do I have good communication skills?
- E. Can I work with other people -- will I be objective and sensitive to their needs?
- F. Is there a need for housing, and is there any available?
- G. Have both parties set realistic goals and timelines?

IV. WHAT RESOURCES CAN WE USE -- AVAILABLE MONEY

- A. Rural Finance Authority
- B. Farm Credit Services
- C. Gov't Loan Programs -- Beginning Farmer Loans through FSA
- D. Partnership agreements between Beginning Farmers and Land Owners
- E. Local/Area Banks and Lending Agencies

V. RESOURCE PERSONNAL

- A. Farm Business Management
- B. Minnesota Extension Service
- C. Attorneys and CPA's
- D. Private Consultants

VI. WHERE DO WE GO FROM HERE

- A. What are our priorities?
- B. Is the timing right for both parties?
- C. Can we come to a decision that will be acceptable to everyone?
- D. Can we achieve our goal?