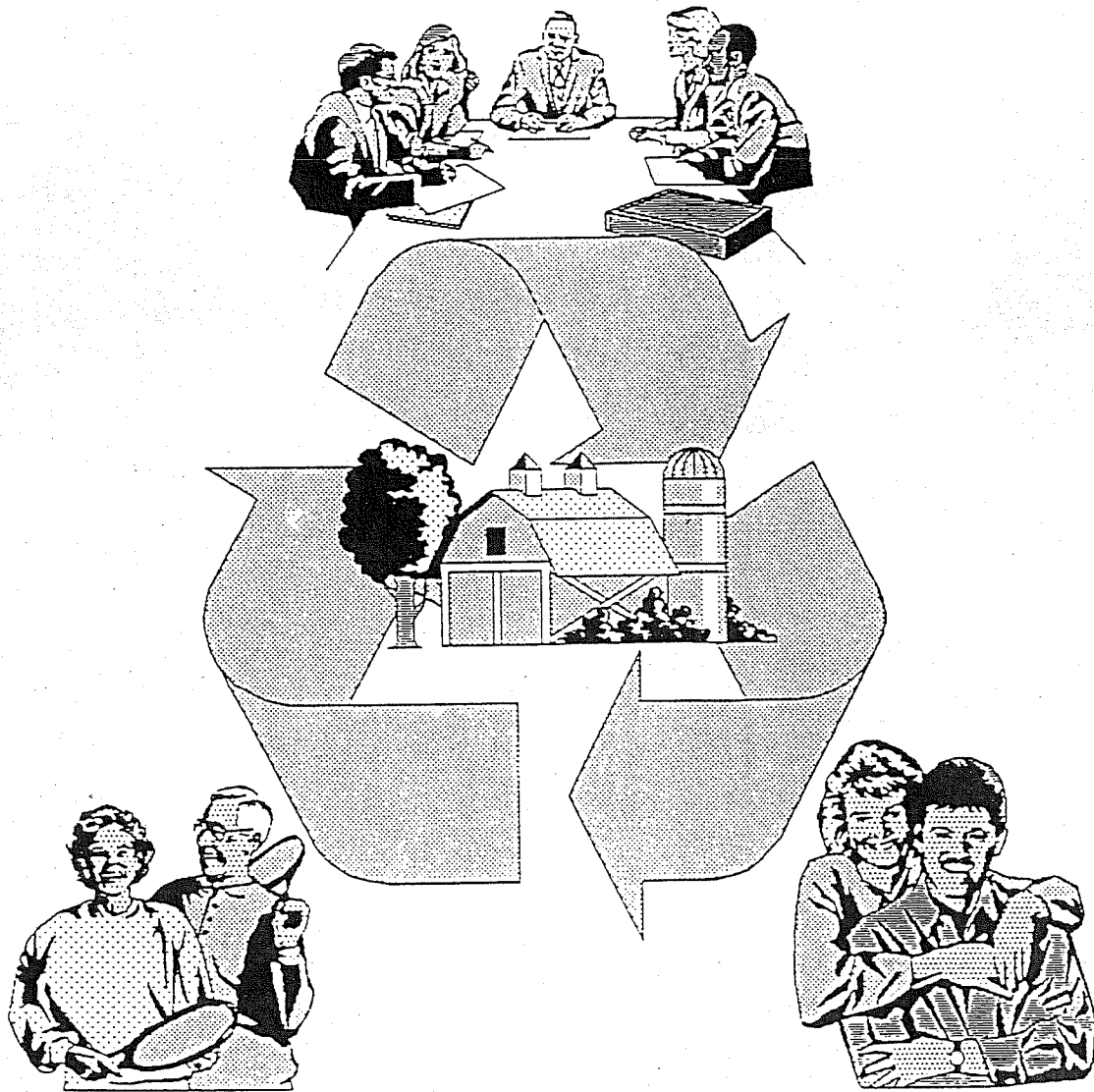


PASSING ON THE FARM CENTER



**NORTHWEST AREA FOUNDATION REPORT
Interim Report - April 1, 1998**

PASSING ON THE FARM CENTER REPORT

APRIL 1, 1998

This report contains the major activities of the Center from September 1997 through March 31, 1998 and the focus of future planning for the Center.

Major Activities

Educational Opportunities Provided

Educational programs relating to farm transfers have continued to be a high priority for the *Passing On The Farm Center*. Three *Farm Planning Process Workshops* were held in November and December, one each in Alexandria, St. Cloud, and Blue Earth. Approximately sixty people participated in these workshops which included presentations from lawyers from the area and John Baker, director of Iowa's Farm On Beginning Farmer Center.

The Center also helped coordinate *Farm Planning Workshops* for beginning and retiring farmers during the North American Farm/Power Show and the MN Cattlemen's Association meeting held in the metro area during December 1997. Attendance was estimated to be from 75-100 participants.

The Center gave a presentation to the *Farm Business Management Instructors Annual Meeting* on the resources available through the Center. There were 50 instructors that attended the presentation. Participating in the various *farm product shows* held throughout Minnesota, the Center has resulted in contacts with approximately 1500-2000 people. The Center went to the North American Farm/Power Show in both July and December, one in Rose Creek and the other in Minneapolis, to Farm Fest in Redwood Falls, to the Corn/Soy Expo, and to the MN Cattlemen's Association Show. The Center also presented mini-workshops at some of the shows such as the Tri-County Farm Show, the North American Farm/Power Show, and the Mankato Farm Show.

An annual *Farm Business/Estate Planning Conference* titled **Working Through the Planning Process** was held on January 30-31, 1998 in Rochester. It was well attended by over one hundred farmers and related agricultural entities from throughout the area. The featured presenter was Dr. Ron Hanson of the University of Nebraska.

The Center presented sixteen *Farm Planning Process Workshops* statewide. These were held in Roseau, Thief River Falls, Crookston, Ada, Glyndon, Detroit Lakes, Staples, Fergus Falls, Morris, Willmar, Marshall, Pipestone, Windom, and Fairmont. John Baker was the featured presenter with the *Farm Planning Process* series. Also the

Transferring the Farm and *Estate Planning Series* will be presented by Erlin Weness was held in St. Cloud and Alexandria this upcoming April.

Education continues to be the top priority for the Passing On The Farm Center.

Regional Center Established

The Mid-Minnesota Resource Center of Wadena Minnesota has agreed to serve as a *Satellite Center* of the Passing On The Farm Center's program this coming year. Dean Hetland, Coordinator of the Wadena Center, will take the lead in providing educational services in this area. The expansion will greatly enhance the Farm Connection component of the program. An Inter-agency Agreement is in place allocating some funding to Mid-Minnesota Resource Center to carry out their activities. Another partnership is being planned for the southeastern part of the state in the near future.

"The great successful people of the world think ahead and create their mental picture and then go to work materializing that picture and all its details filling in here, adding a little there, altering this event and that event, but steadily building, steadily building." Robert Collier

The Minnesota Farm Connection

The *Minnesota Farm Connection Program* still plays an intricate role as part of the Center. Connecting Beginning farmers with Retiring/Existing farmers is a very challenging venture. Research completed by the University of MN and shared with us by our MN Extension board representative indicates that on the average, it takes a farmer three years to move in a different direction or to make a critical decision about his/her farming operation. Since the Center program activities have been on a statewide basis for only eighteen months, our enrollees will likely need more time to work with the Center in gathering information and following up on resource referrals before they make any major decision.

Current data base of enrollees (as of 1/10/98):

167 Beginning Farmers (33 interested in Dairy)

36 Retiring/Owners (18 with Dairy Operations)

Out of the 167 enrollees, 71 are actively pursuing a career as a Farm Business Owner. The two to one ratio of beginning farmers interested in dairy and retiring farmers with dairy operations does not give the beginning farmer many options for finding a retiring farmer that will mentor him/her in preparation for taking over the dairy farm operation. Dairy farmers have also struggled economically this past year which has impacted cash flow projections. This has slowed the process of connections for dairy operations.

It has become quite clear as we work with enrollees in this project that young persons not wanting to go into farming is a **myth!** The Center continues to send out and receive questionnaires on a regular basis. A *planning guide* for enrollees was developed by the Center to assist them in going through the process of making a connection. Very often, the Center will encourage enrollees to explore opportunities with others who are not listed in the data base. The Center has received special thanks from enrollees who have removed their name from the Connection program because of the special help they received from the Center. Some examples are:

- a) One farm operation of beef cattle which had been on the data base for period of three years found that their daughter and son in-law had become very interested in the operation, and decided to enter into the business.
- b) The husband of the operation passed away and his spouse was then forced to sell the dairy herd which dissolved the dairy operation.
- c) Another operation consisting of cash grain & pasture land which was enrolled for less than a year worked out an agreement with a neighbor when there wasn't a quick match to be found.
- d) A small farm with dairy facilities in central Minnesota which was enrolled

for a period of two years found a younger couple from Moorhead, MN to buy into the farming operation which was their goal when they started their search.

- e) A farrow to finish hog facility near Twin Valley, MN started their search in August and their son in-law requested an opportunity to farm. That opportunity was then granted to their children.

Other findings:

Continuing assistance and education is needed to create an opportunity for individuals pursuing a career in a farming operation. Challenges occur when the farm business owner wants to cash out quickly. Individuals wanting to become farmers lack capital/ equity and work experience on a farming operation. These younger persons may lack capital but they are encouraged by their desire to become a farmer and have an abundance of labor capability.

Possible Solutions:

The Minnesota Farm Connection Program has been received and used beyond the expectation of the Center thus far. There are indeed weaknesses and gaps that need to be filled in to make successful connections. After much networking and discussion with agencies, the Center is planning a new initiative for start-up in the Spring of 1999. The goal is to establish an *Apprenticeship Program for Beginning Farmers*. This apprenticeship program will give a unique hands-on opportunity to individuals interested in becoming a future entrepreneur in a farming operation.

The Apprenticeship program would use selected farmer mentors and an approved credit-based curriculum. Partnerships with farm organizations, state agencies, and educational institutions will further enhance this program. An Apprentice program will create opportunity for the beginning farmer and just as important, an option for future exiting farmers.

Survey of Participants:

Recently, a survey was mailed to the beginning farmers and land owners on our *Minnesota Farm Connection* data base. The purpose of the survey was to keep our Center informed regarding each individual situation, and give them the opportunity to express any opinions or concerns they may have with the program. In evaluating the results, we were able to learn more about obstacles and barriers they met, and also achievements that were accomplished. The attached copy of the "Follow Up Sheet" (Supplement a) that was sent, and some examples of questions and comments compiled from the results follows.

*PASSING ON THE FARM CENTER
"FOLLOW UP SHEET"*

- ▶ Are you still interested in the Minnesota Farm Connection Program, and do you want to continue receiving information on possible connections?

- ▶ Have there been any changes in the original information you sent us?

- ▶ What experiences, positive or negative, have you had in your communications with contacts that you could share with us?

- ▶ Do you feel you're receiving adequate information and suggestions from our Center? If not, what information would you like?

- ▶ What suggestions do you have that could assist our program in being more effective?

- ▶ ANY ADDITIONAL COMMENTS:

BEGINNING FARMER COMMENTS:

- ▶ “I have found some land sales going for an amount I could cash flow, however, with no return. Long term it would work, yet lenders require about one-third down payment, which we don’t have.”
- ▶ “None of them were really close to what we are looking for, they have been mostly leases without homes.”
- ▶ “We just want a farm, anyway we can.”
- ▶ “We appreciate your service very much, and hope we can find a connection soon.”
- ▶ “We suggest public announcements on the radio and newspaper making people more aware of your program. Hope we can find something soon!!!!”
- ▶ “I think everyone we have talked to has been very helpful.”
- ▶ “Thank you for the information you sent me, it just didn’t fit my plan.”
- ▶ “Positive - I have received quite a few responses, Negative - The majority of responses have been looking for more of a hired man, or they are looking for someone to bail them out.”
- ▶ “My experience with this farm link program has so far been very positive.”
- ▶ “I feel you could have better advertising, especially out-of-state advertising.”
- ▶ “Thank you! This is a wonderful program, and I wish South Carolina had it.”
- ▶ “I felt one connection was just looking for a manager, and another felt good, but location was not where we would consider moving.”
- ▶ “Great job! Publish some of the successful connections that you’ve been a part of to give hope to others.”
- ▶ “We’ve had all positive experiences and information. The people we have received calls from are easy to talk to and are willing to share information on their business.”
- ▶ “When accepting applications from land owners who have existing operations, ask

questions pertaining to selling of property. Are they looking for a new business partner to slowly buy into the business, or are they looking for someone to work with them on a trial basis?"

- ▶ "Most of the connections were very positive, but one family seemed interested in having only a hired hand, and wouldn't talk about future possibilities."
- ▶ "We received a lot of information and positive suggestions."
- ▶ "A yearly seminar for participants, maybe some listings of available workshops through local county offices."

LAND OWNER COMMENTS:

- ▶ "I have had one or two calls, but they were not serious in buying. I called three names, the first one was undecided, the second not able to buy, and the third needed more time."
- ▶ "I would like names of people who are ready and able to buy land, and who are serious about the program."
- ▶ "People are concerned about the difficulty of starting, and the poor outlet for decent profits."
- ▶ "The ones interested enough in my farm to call me first are the best prospects."
- ▶ "I think more people need to know about the program."
- ▶ "We have been very satisfied with the program, we feel we have received good information, and everyone has been very pleasant and helpful."
- ▶ "They all want to start where we are today: a new house, 640 acres, drying set-up, and lots of land to farm."
- ▶ "I am looking for a couple who would like to farm with me, livestock and land, and would work in with me."
- ▶ "I have received good information, and the people I have called have been friendly, but it seems our situation is probably not large enough for most to start in for today's needs."

- ▶ “So far the young people we have talked with don’t have a dime to get started with, and we don’t feel they realize the cost of farming. They need enough long term credit and a place big enough to make a living on.”
- ▶ “I’ve found that some aren’t very realistic about this business.”
- ▶ “Thanks for your help!!!! I think the concept is good.”

Upcoming Event:

The *Minnesota Farm Connection* will be sponsoring a Beginning Farmer Workshop again this year. It will be held in Wadena, MN on April 18, 1998, and will be designed specifically for the education of beginning farmers in various aspects of starting a career in farming. We have attached a copy of the agenda for the workshop to this report for your information. (Supplement b)

PASSING ON THE FARM CENTER PRESENTS:

'WORKSHOP FOR BEGINNING FARMERS'

Date: Saturday, April 18, 1998
Time: 8:30 A.M. to 4:00 P.M.
Location: Northwest Technical College of Wadena
Wadena, MN

AGENDA

8:30 A.M. - 9:15 A.M.	Registration - Refreshments - Food
9:15 A.M. - 9:30 A.M.	Welcome & Introductions
9:30 A.M. - 11:00 A.M.	The "Buy In" Process Economic Overview "Year 2000 & Beyond" Jim Ulring - Financial Planner
11:00 A.M.	Break
11:15 A.M. - 12:15 P.M.	Setting Goals & Planning "A Vision for Farming" Tom Hovde - MN Extension Services
12:15 P.M. - 1:30 P.M.	Lunch and Social Hour
1:30 P.M. - 2:30 P.M.	The Importance of Record Keeping "The Financial side of your Business" Del Lecy - Program Regional Manager Farm Business Management
2:30 P.M.	Break
2:45 P.M. - 4:00 P.M.	Communication Skills - "Setting Guide Posts" Cindy Wittwer - Family Resource Manager

FOR FURTHER INFORMATION:

Please call Vicky McNeil or Jan Holien at MN West Technical College at Granite Falls at 1-800-657-3247, Ext. 155 or 111

Supplement b

Farm Business / Estate Planning Groups

The Passing On The Farm Project was founded on the premise that the connection between people would ultimately serve the greater purpose of helping people with the very technical task of transferring farm land from one generation to the next whether they be intra family or non-related parties. The POFC staff, along with the participants share information to be considered by the group. Along with technical information, particular attention is paid to the family dynamic/human behavior aspects. This results in a group of people who are more connected emotionally to each other both within and outside of the family.

The heart of the study circle is providing a confidential, trustworthy environment within which participants can begin looking at very difficult situations. They then can explore their position within the group. There usually is not a right or wrong answer, and basically all have to figure out for themselves how they are going to approach these topics. This is where the group becomes invaluable as the facilitator can bring up topics a family member can not. A sharp attorney can put together an estate plan that will dispose of the machinery and land. But the same attorney may lay to rest the undercurrent of human emotion that can and will persist into the next generation and beyond.

The Center's role is to provide an effective method of helping people define what their goals and objectives are while paying attention to the human factors which can trip up the most elaborate estate/transfer planning.

Most Recent Farm Estate/Business Planning Groups:

Submitted by Cynthia Wittwer, Family Resource Counselor & Consultant to the Passing On The Farm Center

The most recent Farm Estate/Business Planning Group involved three family systems. They met seven times for a total of about 20 hours. A financial planner and a lawyer were involved in providing the technical information. The group facilitator, Cynthia Wittwer, provided personal and family information as well as facilitating the group process. Information regarding the farm transfer process was taken from the work of Dr. Sharon Danes, University of Minnesota, and John Baker, Iowa State University Extension Service.

Family A included husband and wife from the second generation, her parents who were already retired and his parents who are actively farming and involved with the younger generation. Family B included the parents and one farming son who also had a full-time job off the farm. He will be married in the near future. His future wife was a professional and lived too far away to be included in the planning process. Another farming son was minimally involved in the process. This younger son was undecided what he wanted to do. Options for him included staying on the farm or going to school.

This son was not married. Family C included mainly the parents. One son was minimally involved in the process and I also met with the parents and their two sons outside of the group sessions.

This group liked the aspect of meeting periodically because it brought them back to task. Even though the formal part of the group meetings were over they did not want to discontinue the meetings and will meet again in September to see how each other is doing and also to keep them on task to completing the planning process. None of the groups actually completed a transfer plan. However, two of the families are actively pursuing working with a lawyer or financial planner. The other family still needs to do work in the area of personal goals before they can move on.

One family ran into some difficulty with off-farm heirs which needed to be addressed before the older generation was comfortable proceeding forward. This is clearly an example of how far-reaching the issues actually are. The older generation are aware that the farm has emotional energy for all of their children. Consequently, the off-farm children will sometimes have very acute feelings about what is transpiring and the parents will find themselves having to explain their actions. This may or may not be "fair." However, that is the reality when farm passes on to the next generation.

My focus in working with these groups is to get participants familiar with the process of what needs to be done, in transferring a farm and also get them familiar with the technical language so that they can communicate effectively with their lawyer and/or financial planner. We sometimes concentrate too much on the end product and forget that the process takes time.

In conclusion, I feel that the group process is an effective way to help farmers and their families understand the issues involved in transferring farm assets. The closeness that results from the group process is heartwarming to watch and to be involved. Families appreciate not being alone as they grapple with one of the most difficult transitions of their stay here on earth.

Minnesota's Passing On The Farm Program presented at NFTN Annual Meeting:

Minnesota's **Study Circle** concept of *Farm Business/Estate Planning Groups* was presented at the National Farm Transition Network's Annual Meeting. Study circles are used to bring generations of farm families together to discuss the critical issues in intra-family farm succession through the Passing On The Farm program in Minnesota. *Cynthia Wittwer*, a clinical specialist in adult psychiatric and mental health nursing, presented information on the materials she uses in conducting study circle groups. Ms. Wittwer stressed the importance of sharing information and gaining trust between participants.

Study Circle Groups in the Center's program follow a systematic curriculum of farm planning. Technical information is preempted by sharing of personal information. Ms. Wittwer demonstrated an initial session study circle participants undergo by having

the group form a circle and share background information about one another. Family dynamics are normally reviewed next in a means of moving the participants up to the stage of being ready to deal with technical information.

Network participants discussed the issues of confidentiality, divorce, grief as they relate to the process, and transfer planning versus succession planning and how these issues are dealt with in the study circles. While the study groups normally meet for four to eight sessions, the Network was able to get a clear understanding of how the actual sessions progress.

A complete evaluation done by Christa Treichel, Ph.D., Cooperative Ventures is included with this report. (Supplement C)

Achievements & Challenges of Center

The Passing On The Farm Center was established to be the vehicle to bring together those individuals and entities which have a vested interest in the farm structure of the future. The Center's work strives to sustain and enhance a stronger rural AG economy. The Center admitted at the beginning this would be a challenge of near impossibilities. The AG economy is like a giant magnet pulling the trends in a direction of the farmer demographics as we know it to extinction. The Center's approach is designed to recognize all farm related inter-generational farm asset transfer issues. Changes which seem to be negative and destined to ruin our farm economy have to be treated in a very proactive manner. The question should always be "how can we most benefit ourselves and our community with future change? Agriculture-Rural-Community are all intertwined which brings the real meaning to sustainability or should we call it survival?"

The Passing On The Farm Center has worked with both farm families and beginning farmers. The Center has not found a solution for every problem or difficulty associated with getting the farm from the older to the younger generation. But there has been a great effort in educating individuals and families so that they can construct a plan which will keep the next generation on the farm. The Center has always known that economics and farm finances do control financial success in farming operations. But, it is also known that not one farm has ever failed because of the brand of machinery purchased or seed planted. So as we speak about the "*Farm Planning Process*," communication along with a clear vision of what the farm families, along with their heirs decide upon for a successful business and relationship with each other is the model for everyone.

The Minnesota Farm Connection linking program for beginning farmers reflects the greatest challenge of all to match people unknown to each other to form a farming partnership together. The minute number of matches do not reflect the success of the program. The real success lies within the program activity of being available as a

resource to guide the participating younger and older generation to reach their goals. The younger generation primarily need a reality check to what it takes to become a farm business owner and the older generation needs to understand the need for them to be mentors, not employers of employees. In order for the younger generation to ever possibly have a chance in becoming a farmer/entrepreneur, the older generation needs to lend a helping hand or simply share their natural resources to help new individuals acquire their farming business. Educating people, both farm and non-farming individuals, will continue to take time for them to recognize the values in retaining individual farm business ownership. An apprenticeship program for beginning farmers will ultimately enhance the chances for this to happen.

The need for the Passing On The Farm Center is definitely been proven throughout the past years. Program initiation and development of new program material/curriculum will have to continue at a rapid pace as the average age of the farmer gains momentum into the 21st Century. This strong evidence still reflects the need to sustain our new generation of farmers. Viewing this evidence of wild economic swings in agriculture will dictate what direction or focus areas the Center will need to concentrate. As one farmer quoted "there is no quick fix to meet agriculture's needs." There is so very much truth to this statement which has a real effect on our rural communities. Follow-ups are a must and will be conducted with past program participants in the near future. An additional activity will be to contact a random number of farmers in Redwood and Olmsted Counties. The Center will be surveying these Farm Families to gather information to find out what stage if any, of the farm planning process these individuals have accomplished. These questions being asked to nonparticipants and participants of the past program activity will help construct programs for the future. The Passing On The Farm Center will continue to serve as the vehicle focusing on farm structure as long as there is sufficient funding.

Future Plans (The Work Left To Do)

Passing On The Farm Center staff and consultants have learned much about the process of educating and providing services to potential farmers and farmers approaching retirement. If funding can be **obtained**, several initiatives will be implemented that will further impact on the mission of this project.

- ▶ Develop and pilot a beginning farmer mentoring program, matching beginning farmers with established and retiring farmers, to gain farming skills and to build working relationships between the two groups.
- ▶ Establish two more regional satellite offices, one in the southeast part of Minnesota and one in the northwest part of the State. This activity will greatly enhance the Minnesota Farm Connection work already being done. The regional office brings the services of the Passing On The Farm Center right to the local area and provides the Center with more resources and networks.

*Activities
of the
Passing On The Farm Center
July 1, 1997 - March 31, 1998*

ACTIVITY CALENDAR 1997-1998

JULY 1997

Meet with Workforce Center - Apprenticeship Program, Montevideo, MN
Center for Rural Enterprise Board Meeting
Land Stewardship Dairy Initiatives Tour
MN Cattlemen's Association Show, Glenwood, MN
Farm Business Management Statewide Conference
North American Farm & Power Show, Rose Creek, MN

AUGUST 1997

Farm Fest, Redwood Falls, MN
Passing On The Farm Conference, Sioux City, IA
Customized Training Coordinator's Meeting
Minnesota State Fair Dairy Initiative Booth

SEPTEMBER 1997

Workforce Center Meeting, Montevideo, MN
Minnesota AG Project meeting, Minneapolis, MN
Cargill meeting, Minneapolis, MN
POFC Board Meeting

OCTOBER 1997

Customized Training Services Meeting, Marshall
Planning for upcoming workshops and conference

NOVEMBER 1997

Northwest Area Foundation Meeting
Advisory Meeting, SSU, Marshall, MN
Mid MN Resource Center, Wadena, MN
Mike Pierson, Beginning Farmer, Brainerd
Elvin Smith, Beginning Farmer, Clarissa
Customized Training Workshop, Granite Falls
Center For Enterprise Facilitation Board Meeting
Network with Blue Earth area about workshop
POFC Board Meeting
Apprenticeship Meeting, Granite Falls
Farm Planning Process Workshop, Alexandria, MN
Farm Planning Process Workshop, St. Cloud, MN

DECEMBER 1997

North American Farm & Power Show, Minneapolis
Minnesota Cattlemen's Show, Bloomington
Customized Training District Staff Meeting
Transferring the Farm Workshop, Blue Earth, MN

JANUARY 1998

Meet with Legislators, St. Paul
Planning for Annual Conference
Working Through The Planning Process Conference, Rochester, MN

FEBRUARY 1998

POFC Board Meeting
Beginning Farmer Workshop planning meeting
Senate Finance Committee, St. Paul, MN
South Central Technical College Presentation, Mankato, MN
Farm Credit Services Beginning Farmer Board, Mankato, MN
Faribault Community Coop presentation
Grant Writing meetings

MARCH 1998

Minnesota AG Project, St. Paul
Dave Dinnel, work on Grant Writing
TriState Farm Show Booth and Presentation
Dairy Initiative Meeting
MN AgriBusiness Expo, Mankato, MN
Farm Planning Process Center Workshops:
Roseau, Crookston, Ada, Glyndon, Thief River Falls, Staples, Fergus
Falls, Willmar, Marshall, Pipestone, Windom, & Fairmont

***Budget and
Financial Statement
for the
Passing On The Farm Center
July 1, 1997 - March 31, 1998***

Passing On The Farm Center

1593 11th Avenue

Granite Falls, MN 56241

1-320-564-4511 / 1-800-657-3247

July 01, 1997 - March 31, 1998

Ivan Anderson, Program Director

REVENUES:	BUDGET	TO-DATE	PERCENT
		REVENUES	REC.
		(July 1, 1997-March 31, 1998)	
Carry-over Funds	20,000.00	18,615.00	93%
MN West In-Kind	33,630.00	25,222.50	75%
Farm Credit Services	5,000.00	5,000.00	100%
Northwest Area Foundation	50,000.00	50,000.00	100%
State of Minnesota	50,000.00	50,000.00	100%
TOTAL GIFT/GRANTS:	158,360.00	148,837.50	94%
Registrations/Fee Income		5,766.06	4%
TOTAL REVENUE:		154,603.66	98%

EXPENDITURES:	BUDGET	TO-DATE	PERCENT
		EXPENSES	EXP.
		(July 1, 1997-March 31, 1998)	
Salaries	54,280.00	38,669.13	72%
Benefits	14,184.00	8,029.99	57%
Travel/Meals/Lodge	8,000.00	3,782.65	48%
Telephone	1,200.00	295.37	25%
Postage/Printing	4,000.00	2,331.12	59%
Advertising	6,000.00	6,846.21	115%
Supplies	12,836.00	11,656.05	91%
Equipment	3,500.00	835.00	24%
Evaluation	3,000.00	2,240.00	75%
Consultants	12,000.00	18,715.79	156%
Rent (In-Kind)	24,000.00	18,000.00	75%
MN West Staff (In-Kind)	9,630.00	7,222.50	75%
Program Administration	6,000.00	4,500.00	75%
Less Difference in Carryover		1,385.00	7%
TOTAL EXPENDITURES:	158,630.00	124,508.81	78%
BALANCE REMAINING		34,121.19	22%