Federal and State Policy Issues and Innovations

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Beginning Farmer Tax Credit Program: Iowa Example

- Program allows tax credit for land, improvements and depreciable property (machinery, equipment and breeding livestock) if they are rented to a beginning farmer
- Tax credit is 5 percent for cash rent and 15 percent for share rent
- Tax credit is based on the total amount of rental income under the agreement
Iowa Example (continued)

- Beginning farmer loosely defined based primarily on net worth (less than $300K), and sufficient experience or training to farm in way intended and capital
- Financial statements are required
- Application and approval process through the Iowa Agricultural Development Authority
- $1.4M credits issued in 2007 but only $648K were redeemed. $2.2M in credits issued in 2008
Iowa Example (continued)

• 288 applications approved in 2007 and 213 approved in 2008
• In 2008 54% were cash rent leases, 42% were share leases, 2% flexible and 2% were for machinery
• Need to increase publicity
• Need to expand the program to national level
Alternative Federal Farm Program Payment System

- Supplemental wage program; payments based on the hours of labor in the operation not the level of production
- Hours of labor would be standardized per enterprise; for example, 3.0 hours per acre of corn, 2.4 hours per acre of soybeans, .9 hour per head for swine finishing and so forth
- Maximum payment would be for full time equivalent; for example, 48 hours per week for 50 weeks or 2400 hours
Alternative System

- Wage rate could be set for state or county level
- Only principal operators would be subsidized
- All other direct payment programs would be eliminated; conservation programs for specific actions could continue; conservation compliance would be mandatory
- Farmers could supplement hours up to full time by performing community service type projects
Alternative

• Supporting people not commodities would:
  – Allow markets to function relatively freely
  – Help family farms; beginning farmers
  – Give assistance equally rather than increasing amounts for larger farmers
  – Protect natural resources by allowing farmers to farm their land and not the programs
Final Thoughts

• If we are to truly change then we must start considering the unthinkable
• We have to ask ourselves why are we doing what we are doing and what is the best way to accomplish our goals
• We have to be flexible and be prepared
Discussion