The Beginning Farmer Center

John R. Baker
Attorney at Law
Administrator
Beginning Farmer Center
jrbaker@iastate.edu
1.877.232.1999

Photos by USDA NRCS
Acknowledgements

Professor Andrew Errington (died 2003)
Research Chair in Rural Development
University of Plymouth, England

Matt Reed
Research Fellow
Countryside and Community Research Institutes
University of Gloucestershire
Trend in Iowa Agriculture

- 1996 Iowa had 99,000 farms with 33,000,000 acres
- 2006 Iowa has 88,400 farms with 31,500,000 acres, 3rd in U.S.
- Lost an average of 1040 farms per year
  - Technology, economy of scale, and not enough transition planning
Iowa Agriculture is rapidly changing

• Twice as many farmers over 65 as those under 35.
• Approximately ½ of the farmland is owned by individuals over 75.
Percent of Iowa Farmers Over 65 and Under 35 Years Old

- 1959
- 1964
- 1969
- 1974
- 1978
- 1982
- 1987
- 1992
- 1997
- 2002

- < 35
- > 65

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Distribution of Iowa Farmland by Age of Owner and Year

0%  5%  10%  15%  20%  25%
< 25  25-34  35-44  45-54  55-64  65-74  > 75


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Business Transfer Definitions:

• Inheritance
  – The transfer of land and other farm business assets to a succeeding generation upon the death of the owner of those assets.

• Retirement
  – The withdrawal of labor to and managerial control of the business by the owner.

• Succession
  – The transfer of managerial control of the farm business to the succeeding generation during the life of the owner of the business.
OWNERSHIP

Business ownership combined with daily control by the principals.
WORK IN ALL FORMS

Family members perform all the work:

- intellectual
- emotional
- manual
KINSHIP & MARRIAGE

Principals in the farm family business are related by a dynamic combination of kinship and/or marriage
Cultural, Social & Economic Capital

Family members provide economic, cultural and social capital to the business.
The present not present

The demands of the dead

Expectations of the future unborn
BELIEF AND SUCCESSION

A commitment to farming is passed from one generation to the next. Ownership and control are transferred between the generations for selected children.
CORE “FAMILY” FARM

A part of the family lives on the core family farm. The core family farm may not be the locus of managerial control and may not be profitable.
CONNECTEDNESS

The family is connected with and embedded in a dense local network of kinship, friendship, social and business relationships, and association.
CREATED BY AND CREATING THE ENVIRONMENT

The environment around the family and the farm enterprises embody the labor of the family and the enterprises in turn creates the environment around the family.
GENERATING THE DISCUSSIONS AND THE DECISIONS

The family generates the discussions, makes and implements the decisions about farming for themselves and others.
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Program History

House File 137
Passed 2005 & Vetoed
Veto Due to Sales Tax Rebate Provision

Senate File 2268
Passed Spring 2006
What Is An Agricultural Asset?

• Agricultural land
• Agricultural improvements
• Depreciable agricultural property
  – Breeding livestock
  – Machinery/Equipment
• Does not have to be traditional cow & plows.
Key Provisions

Taxpayer

• Owner of record of the asset
• Eligible to own land under corporate farming laws
• Not at fault for terminating a prior lease
• Not a party to pending administrative or judicial action relating to violation of CAFO’s
• Not classified a habitual violator by DNR
• Can have more than 1 tax credit/lessee
• At fault termination, repay redeemed credits
Key Provisions
Beginning Farmer

• Net worth less than $300,000
• Have sufficient education, training and/or knowledge
• Have access to working capital
• Actively participate in management and labor of the operation and assume financial risk
• 18 years or older
Other Provisions

- Two – Five Year Lease Term
- Credit Good For Term of Lease
- Renewable at Expiration(with qualification)
- 5% of Gross Income = Cash Contract
- 15% of Gross Income = Commodity Share Agreement
- Lease value not substantially higher/lower than market
Other Provisions

• Begins with 2007 tax year
• Cash or Crop Share Leases
• Non refundable
• Can carry unused credits forward 5 years
• No carry back
• Related party transactions OK
• Can’t rent from owned entity
• “Rent to own” not eligible
Application/Approval Procedures

• Obtain application from IADA
  – Taxpayer application
  – Beginning farmer application

• Submit applications & copy of lease to IADA

• Applications due 15th of month

• Considered @ board mtg. (4th Wednesday)
Thank you for your interest and support!

John Baker, Attorney at Law
David Baker, Farm Transition Specialist
Contact info:

**Beginning Farmer Center**
www.extension.iastate.edu/bfc/
877.BFC.1999

Providing such programs as Farm On, Ag Link Seminar, educational materials, individual consultation, International Farm Transition Network