Promoting Transitions of Farm Operations

All citizens have a stake in the success of farm transitioning and the effect it has on strengthening our economy. Farm succession passes on not only farm assets and farm homes – but a distinct value system as well. The value systems held by Midwestern farmers are those of honest, hard-working, industrious and faith-based people. These virtues are deemed by our society to be worth preserving. If the values developed throughout rural America are not to be lost we must act now. The US continues to see a precipitous drop in the number of people actively engaged in farm management. There are twice as many farmers over 65 as under 35.

Iowa State University with its Beginning Farmer Center is leading the way by providing farm transition specialists, educational seminars, research, and legal education on succession planning. The Center was established in 1994 with funds appropriated by the state legislature following the farm crisis of the mid 1980’s to deal with the brain drain from rural Iowa. The Center recruits young people for careers in farming, but that isn’t enough. A key strategy must be developed for encouraging the existing farmers to plan for the eventual transition of their farm businesses in a way that keeps existing farm operations ongoing and prosperous. The Center has developed proven systems to attract the younger generation back to rural communities and provide these entrepreneurs a smooth transition into farming ventures. The Farm On program is the title of the matching service that we provide to multiple generations that are not necessarily blood relatives. Our web site www.extension.iastate.edu/bfc/ reaches a wide nationwide audience. This marketing venue has become an exceptional tool for attracting young people based on their search for beginning farmer topics but has failed to reach the most important client, retiring farmers. In order to recruit the families that have access to the land base, machinery, livestock, and farming assets seminars and workshops are held throughout the state with topics like estate planning, tax credits, farm transfers, and charitable trusts. Once a potential match is secured we work with both parties in an interview process. Most of the interview sessions start out by asking the following six questions:

1) Is the existing farmer ready for a partner?
2) Is the young person prepared and committed to a farming career?
3) Is the farm operation large enough for a two families?
4) Do both families share a common vision of the farm’s future?
5) Can both families live and work together?
6) Are the farmer’s non-farming children supportive of a Farm On match?

If positive responses to these 6 critical questions can be offered then we proceed to setting up transfer stages for both families which include: testing, commitment, established, and withdrawal. As the transition process continues the planning becomes more detailed and levels of commitment become more essential. The income needs of both parties and how to meet those needs become important topics for discussion. Other issues that arise are tax implications, financing alternatives, sharing of management, and housing arrangements. Iowa’s Beginning Farmer tax credit is available to retiring farmers and agricultural asset owners that rent to beginning farmers. Legislation has passed in several states, including Iowa and Nebraska, directed at enticing the retiring generation to rent or lease farming assets to beginning farmers.