

Access to Land: Farm Linking to Help New Farmers

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What is the problem? There are twice as many farmers over 60 as under 35 (USDA/ERS). 20% of Iowa farmers will exit farming over the next 5 years. 70% of farms will transition in the next 15 years. In some regions, prime farmland is being converted to non-farm uses; in other regions, farms are consolidated. It is less likely that the next generation of farmers is coming from farm backgrounds; they will come more from non-farm backgrounds. There are considerable barriers for new farmers to enter farming:

- access to land
- access to education, training and technical assistance
- access to credit and capital
- access to markets.

The focus of this presentation is on access to land. However, getting onto land is necessary but not sufficient to assure a successful new generation of family farmers.

- What will it take to encourage a new generation of family farm owner/operators??
- beginning farmers are likely to start small; they are part of the small farm agenda

The barriers to accessing land include: - locating it - choosing appropriate tenure model - negotiating the transfer - securing necessary financing Entering farmers need to connect with exiting farmers. Exiting farmers often do not have viable transfer plans in place. Upon retirement or death, they or heirs of farm owners want quick out, usually selling, or seeking cash rent, typically from neighboring farmer. This increases size of farm, and decreases opportunity for new farmers. Cash rent needs 3-4 times the financial backing, and absorbs all the risk, compared to crop or livestock share or other shared risk arrangement. In urbanizing areas, upon retirement or death, pressure is enormous to sell to development. The word tenure comes from TENIR: "to hold".

There are many ways to hold farmland: you need access, security, redemption of equity, and clear articulation of rights and responsibilities. Tenure arrangements need to consider: rights and responsibilities rather than title; personal and family values (e.g. is land a means of production or investment vehicle for accumulating wealth?) and preferences; long range planning also: full vs part-time, mentor transition vs.

entrepreneur, profitability and debt (what can your enterprise carry), cash flow vs collateral Kinds of tenure models: (each has pros and cons) - purchase (farmland cannot pay for itself) - rental (usually annual, not more than 5 years: implications) - long term lease - farm manager/employee - work-in Transferring the land, transferring the business: farming is a combination of business assets, plus personal holdings. Transfer plans use multiple tools: business arrangements, insurance, contracts, etc. Arrangements can change over time. It's important to get in writing and update the plans regularly.

Transfer planning can be fraught with interpersonal, financial and legal considerations, among family members and between generations, and between unrelated parties. Exiting farmers need transfer plan in place: needs to begin when farmer is in 40's: - business planning - retirement planning - transfer planning - estate planning. Farmers don't do sufficient transfer planning, which leads to last minute, poor decisions. The process needs family involvement early and often. Often TA providers are not knowledgeable about all aspects, nor about more innovative approaches to transfer and access. Farm families need a TEAM to be on the same page. Transfer is a process, not a point in time; plan needs to encourage transfer of assets over time: most liquid to least liquid.

Also, transfer is NOT just about money: There are other values and goals There are now sixteen Land Linking programs serving 25 states. In this presentation, I described New England Land Link, and the National Farm Transition Network. Issues and considerations. We need new tenure models. They must be: - regionally appropriate: conservation easements in some locales, CRP land in others - models that provide alternatives to borrow and buy - models that enable transfer of knowledge - models that encourage non-ownership options - models that share risk Policy ideas include: USDA guarantee cash rent payments, apply risk management concepts and strategies to transfer situations; provide technical assistance and resources to promote better transfer planning Working with exiting farmers, one must address whether the farm is viable; can it support two families during transition? Policy and program ideas: in Nebraska, they exempt the first \$20k lease income from taxation. States could require or give

bonus to PDR application that has a transfer plan in place. We could encourage breaks between generations: lease or ownership of assets at below market value; unequal draws for equal labor, gifting. With respect to tax policy, ERS is completing a study of tax laws on farm transfer: current laws provide incentives to invest in equipment rather than labor; this discourages hiring young folks. Also serves as a disincentive to lease rather than hold land. The tax code contains obstacles for contract sales.

Regarding share leasing and mentoring: limitations on earned income, and share lease income subject to self-employment tax. Working with entering farmers, we need to address marginal economic returns from traditional enterprises, and provide resources and technical assistance to assure success, including interpersonal skills, education and information regarding alternative tenure options, and business planning.

We need to acknowledge the role of new partners: - land trusts - municipalities - CSA shareholders - community members - local lenders - sprawl/smart growth/ greenfields/open space advocates - economic development - planners - community colleges (business training) Conclusion: Getting new farmers onto farmland is critical. - There are many barriers to successful entry - Traditional models of farm succession are inadequate - New farmers need information, assistance; land is not sufficient - Exiting farmers must be a part of the solution - We need to create new models and examine existing policies - We need new partners