Who Gets the Farm?

by Jan Joannides

Who gets the farm? This question seems a bit crass, and yet it is something all farmers and farmland owners must think about. If you have a farm, eventually you will need a plan for when you are gone or can no longer farm yourself.

For some, the answer is transferring the farm to a family member. That can be fairly straightforward if you have a single family member interested and able to take over the farm. If that isn’t the case, and it usually isn’t — then things can get complicated. In this newsletter, Gary Hachfeld from the University of Minnesota Extension addresses this issue. He’ll introduce the concept that fair does not always mean equal.

For those without heirs, or those without heirs who want to farm, the issue is also complex. In this newsletter, I’ll share a research project starting this fall that examines innovative options for these often-complicated situations.

And to give you a better sense of our “coaching” services, staff attorney Robyn Ingher shares an example of a coaching visit that occurred this summer.

Finally, this month marks the launch of two new tools that we hope will help farmers and farmland owners as they consider the next chapter for their farm. Look for information on Farm Transitions Radio and the FarmTransitions.org online portal later in this newsletter.
Our Farm Transitions work has always included a Coaching Program, which has been detailed in the Farm Transitions newsletter and has worked with scores of families across Minnesota. But what does coaching look like, and how does it go beyond our series of workshops and educational events?

Recently, Kent Solberg (Farm Transitions coach and SFA’s Livestock and Grazing Specialist) and I had the pleasure of meeting with South Dakota farmer Cliff Millsapps, who owns a grass-finished beef operation in Gary. After graciously giving us a tour of his rolling 320 acre farm, which is part native prairie and part planted high-quality grasses and forages, Cliff treated us to a farmraised lunch of T-bone steaks and spinach salad. Afterward, we sat down at his kitchen table and discussed his farm transition plan. We talked about what Cliff’s goals were for his farm and for his life after farming; the strengths and weaknesses of his operation, and what a transition would actually look like for him and an incoming farmer. We also discussed business entities and the importance of assembling a team of professionals to implement his plan. Ideally, Cliff would like to find a successor and gradually transition the management of his farm over the next three years.

While “coaching” often occurs over the phone, in some cases the Farm Transition team can travel to your farm to help you put a plan in place. Farm transition planning ensures that you control your farm’s legacy. Whether you have on-farm heirs, want to find a successor to continue your operation, or want to sell your farm outright, the Farm Transition Coaching Team is here to help farmers reach their succession planning goals.

If you feel you could use assistance navigating this process, please contact a member of the Farm Transitions Coaching Team and we will be glad to talk with you – with or without T-bone steaks.

To get in touch, email info@rtcinfo.org or visit www.FarmTransitions.org.
How to Be Fair With Non-Farm Heirs

**by Gary Hachfeld, David Bau & Robert Holcomb**

One of the most difficult questions many retiring farm families face is how to get a son or daughter started farming while being fair to the non-farming heirs. Non-farm heirs often leave the farm in their late teens for careers elsewhere. Most parents are concerned with being fair to all of their children at estate settlement time. Fairness, however, may not mean equal treatment of heirs.

Many farm families have reasons for unequal treatment of heirs. Some of those reasons include:

- Non-farm children received college tuition, a down payment on a house or other compensation, so they received their inheritance early.
- The farming heir helped create part of the final estate of the parents by actively contributing to the parents’ business over the years, so they may be entitled to more. This is an issue of “Contribution vs. Compensation” – fair does not always mean equal! See Transferring the Farm Series #11 - Putting a Value on Sweat Equity by Dave Goeller, University of Nebraska, Lincoln.
- Parents want the farm to “stay in the family.” Consequently they are willing to give more to the farming heir whose goal it is to stay on the farm.
- Farming heirs are getting delayed compensation for work performed in years when they were underpaid.
- Farming heirs have been or will be attending to the majority of the physical and business needs of the parents in their declining years.

There are several methods farm families can use to transfer assets unequally but, in their minds, fairly to their heirs. They include but are not limited to the following:

- Parents write buy/sell agreements with farming heirs, committing to exact sale prices, terms, and timing of payments on farm properties. These agreements are binding on non-farm heirs; provide the farm heirs a guarantee of property purchase at an acceptable pace and price, and guarantee off-farm heirs a fair price.
- Use of life insurance. In addition, parents purchase life insurance on themselves and list the off-farm heirs as the beneficiaries. In this case, farm heirs get farm assets and non-farm heirs get the cash generated by the insurance.
- Parents establish a Testamentary Trust (through a Complex Will) or Revocable Living Trust. It states that the farm heirs have the right to purchase farm assets from the trust at predetermined prices, terms and conditions over a number of years. This guarantees the non-farm heirs their percentage of the estate over time.
- The parent’s will has been used to equalize or to make fair any previous distributions to heirs. The will may make special provisions to fit the situation. If the farming heirs or any heir has received earlier compensation, they may now get less than other heirs.

Non-farm heirs may be given an inheritance of cash, non-farm assets or remote land holdings. Farm assets are transferred to the farming heirs.

It may be beneficial to involve all heirs in the transfer process but certainly to communicate to all heirs the final plans for distribution and transfer of assets. This communication should be done prior to your death so farming heirs are not left in the embarrassing position of trying to explain your actions. Doing this can avoid catastrophic family controversy.

One final point: Parents who develop a business transition and personal estate plan DO NOT have to stop farming the day they sign the plan. Developing a plan preserves what they have worked so hard to build. The plan ensures assets pass to whom the parents want them to go to.

Gary A. Hachfeld is an extension educator at the University of Minnesota Extension. He can be reached at bachf002@umn.edu. Excerpted from their original article, “Treatment of Heirs in the Transfer Process,” University of Minnesota Extension.
Remaining On the Farm in Your Later Years

By Jan Joannides

Over the past two years, we have met a lot of people who are thinking about the next stage for their farm and their later years. One of the scenarios we often hear is of a couple or individual who does not have family members to pass their farm on to. In some cases, there aren’t children. In other cases, the children have professional careers in metro areas and do not want to uproot their lives to come back and manage the farm.

Usually, the current owners want to live out their years on their farm, while also getting a new farm family started. While a number of challenges exist in this scenario, a basic one is that there may not be housing for a second family on the farm. Further, zoning laws often prevent adding additional housing. For crop land, it is often possible to rent out the land and keep the family in the homestead, but for other sorts of farming (vegetable, dairy), this becomes an issue.

This conundrum, and possible solutions, is one that Renewing the Countryside will be exploring this fall. We have been granted a student researcher through the Center for Urban and Rural Affairs’s (CURA) Community Assistantship Program at the University of Minnesota.

Here is where we need your help and feedback. If you know of examples of how people have navigated this issue, or if you are currently trying to navigate this issue, please contact me, Jan Joannides, at jan@rtcinfo.org or 612.251.7304.

Our Brand-New Resources: Farm Transitions Radio, Online Portal

Farm Transitions Radio

Because not everyone finds time to read (especially during summer), we’ve launched Farm Transitions Radio – a series of short interviews that address issues we have been covering in this newsletter. The radio segments are currently playing on stations in Benson (KSCR-FM), Thief River Falls (KTRF-AM), New Ulm (KNUJ-AM), and Faribault (KDHL-AM) as part of Emery Kleven’s Midwest Ag Journal program. If you aren’t in those areas, you can listen to the podcasts at localfoodhero.com/farm-transitions-radio.

Farm Transitions Portal:

www.FarmTransitions.org

A search of the Internet for the words “farm transitions” (without quotes) brings up 3.6 million results! We found that number a bit intimidating, so decided to develop the Farm Transitions Portal to help people more easily navigate the resources and information available. We’ve worked with multiple partners to identify the most useful resources available and to provide guidance for working through the information.

As this is the first public launch of www.farmtransitions.org, we welcome your input and suggestions for resources you have found especially useful. We are also looking for professionals who work with farmers in putting together transition and estate plans. If you have worked with someone who you found an excellent resource, please let us know. Email info@rtcinfo.org.

Partners on the Portal include Minnesota Institute for Sustainable Agriculture, Renewing the Countryside, Sustainable Farming Association of Minnesota, University of Minnesota Extension, Land Stewardship Project, International Farm Transitions Network, and Farmers Legal Action Group.