

Farmland Ownership: Making Plans for the Future

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*The following is an excerpt from **Your Farmland and the Future: Setting Goals, Taking Action**, written by Teresa Opheim and published by Peoples Company.*

We often think of goal setting and future planning with the beginning of a new year. With around 10% of all farmland changing hands in the next few years, farm succession planning is no longer optional, it's essential. The future of farmland ownership is set to look very different in the coming years.

To read more from this white paper, please visit: <https://peoples-company.s3.amazonaws.com/papers/Your-Farmland-And-The-Future.pdf>.

Farmland Owners: You are part of a business, important like none other: the growing of our food and fiber, and you are fortunate to call a piece of the earth “yours.” Many have realized – and then lost – their farmland ownership dreams; others have never even had the opportunity.

Your farmland may be the primary financial asset you will leave behind. “Family farms are businesses, in which the land is the bulk of the operation’s value,” says Michael Duffy, Professor Emeritus at Iowa State University and an expert on farmland values. “This makes farmland transfer such a difficult area to navigate.”

For many of us, it is hard to think through – and then talk about – what matters most (farmland or otherwise). What are the plans for the future of your farm after you leave this earth? Only through reflection about the legacy you want to leave behind can you put into place strategies that will help you achieve your goals.

For some, owning farmland is simply a good financial investment. If that piece of real estate has been in your family for generations, it may be an important part of your family heritage that you want to continue. You may want more than anything for your heirs to prosper in the farming business when you are gone or help a non-related family continue the farming tradition. Or your top goal may be donating your farmland to a charity or using it for conservation.

You are certainly not alone in your need to address the future of your farmland. You are part of a tremendous land transfer that is taking place. About 10 percent of all farmland is expected to change hands within the next five years alone, according to the U.S. Department of Agriculture.

Stories are plentiful about what goes wrong with farmland succession. Some landowners die having made no plans at all for the future of their farm businesses and land. Others sell the farm without communicating their plans to their heirs, leaving the family in shock. Fathers fight with sons over the farm business; brothers and sisters fight once mom and dad have passed on. Landowners pass their land on equally to farming and non-farming heirs, leaving the farming heir unable to continue a viable farming operation. Farmers without children who farm cannot find the right young people to continue their operations.

Iowa's Poet Laureate Mary Swander documented some of this rancor in her play on farmland transfer, "Map of My Kingdom" (see www.maryswander.com). She ended her play with an example about what can go right, based on the story of Tom and Irene Frantzen of New Hampton, Iowa. Here are some actions the Frantzens are taking to navigate this tricky farm transfer arena. They:

- spent several years considering and crafting their overall farm goal, what they want most for the farm;
- had a team of professionals who helped them develop the legal and financial strategies to achieve their goals;
- communicated – over and over again – with their heirs about those goals and strategies.

Tom and Irene Frantzen's goal is the "long-term protection for a true Iowa family farm that has significant conservation features blended into a working landscape." Tom reports: "This was written after much thought and a lengthy discussion with our family. With that stated goal, we could now measure proposed actions against it."

Other farmland owners come up with different goals. For Bob and Linda Lynch of Gilmore City, Iowa, providing land for the next generation to farm is a top goal. Bob's great-great grandfather bought the farm near Gilmore City, Iowa, in the early 1900s. Bob and Linda's son Jay is the fifth generation of Lynches to work that land.

Barb Opheim, of Mason City, Iowa, inherited 80 acres of farmland near Rolfe, Iowa, that her grandfather plowed out of prairie in 1886. The land has helped provide her with a comfortable retirement. Her top goal when she is gone? To preserve family harmony. "I do not want my heirs to do any fighting because of this land," she says firmly.

Unfortunately, it may not be possible to accomplish all of the goals you would like for the future of your farmland. As Mike Duffy says, "You cannot maximize more than one variable. You have to prioritize. Most people aren't going to have the resources. It becomes so important to consider the various goals and decide 'this is my number one goal.'"

For example, many farmland owners want to give their heirs an inheritance of equal economic value but also want a farming heir to continue to farm the family land as well. Without long-term planning and likely considerable off-farm resources, accomplishing both of these goals may not be possible.

The important thing is to begin the transfer-planning process right away. John Baker from the *Beginning Farmer Center* says to decide these questions about your farmland:

- What do I own?
- How do I own it? (joint owner, right of survivorship, etc.)
- What is it worth?
- Who do I want to give it to?
- When do I want to give it to them?
- How do I want them to own it?

Peoples Company's experienced team of land professionals can help with succession planning when it comes to land valuation and business planning for non-operating farmland owners. To learn more, contact us at info@PeoplesCompany.com.