

Promotion of Intergenerational Farm Transfers for Agricultural Sustainability and Farmland Production

Final Report for EW01-013

Project Type: Professional Development Program

Funds awarded in 2001: \$56,000.00

Projected End Date: 12/31/2004

Matching Non-Federal Funds: \$34,616.37

Region: Western

State: California

Principal Investigator:

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California FarmLink

Project Information

Abstract:

California FarmLink, with project partners, AERO (Montana) and Cascade Harvest Coalition (Washington FarmLink), organized 7 workshops addressing conservation easements in farm transitions serving 247 individuals, exceeding our goal by 47 individuals. These workshops were oriented towards the professionals that serve farmers. Professionals were served in three Western Region states, thereby adding a region to the original proposal.

These workshops were attended by attorneys, CPAs, financial planners, Co-op extension agents and land conservation professionals. Workshops were held in 5 different regions of California, Montana, and Washington State. Two of the trainings were presented as part of national conferences: the National Farm Transition Network Conference and the Risk Management Agencies National Conference in San Diego.

In addition, twelve workshops serving 383 individuals (primarily serving farmers, although also including professionals) focused on farm succession planning and farm financing. California FarmLink hosted the annual meeting of the National Farm Transition Network in 2002.

Project Objectives:

Goals from original proposal are listed with details performance reports on specific objectives from proposal.

Goal 1: Facilitate understanding and adoption of conservation easements as part of farm transfers among agricultural professionals and producers: through training, printed materials and the Internet distribute information on transferring property for future agricultural production to at least 200 interested agricultural professionals and 200 producers in California and Washington.

Goal 2: Develop information about techniques regarding maintaining farmland in

agricultural production targeting farmers committed to using sustainable cultivation and husbandry techniques: through training, printed materials and the Internet distribute information on transferring property for future sustainable agricultural production to at least 200 interested agricultural professionals and 200 producers.

Goal 3: Facilitate farm transitions by serving as a one-stop clearinghouse of resources for agricultural professionals and producers seeking information strategies for financing farmland preservation, estate planning, and planning a new farming enterprise.

Introduction:

There is no greater challenge to the development of sustainable agriculture than the barriers than beginning farmers--skilled in techniques and committed to a sustainable philosophy of agriculture--face as they attempt to lease or purchase farmland. Through this proposal California FarmLink and Washington Farm Assistance proposes to continue and expand on our efforts to address this challenge head on with practical solutions addressing the financial realities of existing agricultural landowners. "Promoting Conservation Easements as Part of Intergenerational Farm Transfers: Training for Agricultural Professionals" proposed to promote and facilitate the use of innovative easements as part of intergenerational transfers involving land for use in sustainable agriculture.

At the time of this proposal, over 29% of California farmers were over 65 years old. Unfortunately, as farmers retire, many of their farms are destined to be paved over for developments, as these farms are economically out of reach for the large number of aspiring farmers trained in the techniques of agriculture and eager to work their own piece of land. California FarmLink and its partners work to address this challenge by promoting innovative techniques that preserve farmland in perpetuity and maintain agricultural production through intergeneration farm transfers.

Considering the importance of agricultural production and the viability of productive, diversified, and sustainable farms, we must use every means available to facilitate the entry of new, skilled and committed individuals into farming. Between 1987 and 1992 the number of California farms shrank 6.7 percent, according to the Agricultural Census. This represents a loss of 21 farms per week. Of the approximately 6,000 farms lost during that period an estimated 88 percent were classified as small farms with an annual sales value between \$2,500 and \$99,999. Like many states in the west, California and Washington are rapidly losing valuable farmland to development, and the rate of increase of those losses has changed dramatically in just the last five years.

California FarmLink and its partners on this project have represented an approach with widespread applicability throughout the region by focusing on three aspects of the challenge described above: pressures leading retiring farmers to sell land for non-agricultural uses; barriers to entering farming faced by aspiring farmers; and the lack of readily accessible resources designed to facilitate beginning or retiring a farming operation.

Project goals are summarized as follows:

The approach of California FarmLink is based on 14 other farm transition organizations throughout the nation. California FarmLink has taken the work one step further by coupling efforts to transition farm ownership with the essential work of advocates of sustainable agriculture, farmland conservation, smart growth, and pesticide use reduction. This project supports the organization's work, encouraging the use of careful estate planning and conservation easements in structuring

sustainable farm transitions. California FarmLink's outreach strategy centers on collaboration with organizations with a grassroots presence in agricultural communities statewide.

The Opportunity

The number of U.S. farmers aged 34 and younger has decreased 46.4% over the last 10 years (1997 Census of Agriculture). It is simple to conjecture about causes for this decline: high land prices, concentration of the agricultural economy and the difficulty of farming are all contributing factors. The more difficult challenge is to understand how to address the various barriers to farm entry. Private or governmental entities committed to the future of U.S. agriculture must consider these declines in light of the fact that more than 26% of U.S. farmers are over the age of 65. Clearly a huge amount of land will be transferred in the coming decade; the question is will that land stay in productive family agricultural operations or meet other fates?

In Washington State the average age of farmers rose from 50.6 years in 1987 to 54.2 years old in 1997. The case in California is similar. Looking at the data from a different perspective gives a sense of what is driving the increase in the average age. A very high percentage of the owners of California Farms are currently in their retirement years. The 1997 Census of Agriculture reported that over 22,000 or some 29.9% of California Farmers were over the age of 65. Some of these farmers have heirs, a clear plan for transition of their farm, sufficient financial resources for their retirement years, and a carefully prepared estate plan. They are a rare exception.

Many farmers pass-away leaving children with estate taxes that require them to sell the land whether they want to or not. Many farmers have children that are not interested in agriculture, and others do not have children at all. Senior farmers in California often face financial hardships that lead them to sell to the highest bidder; this often means developers of residential sub-divisions and retail malls. Other farmers, dedicated to maintaining their land in agricultural production on principle, face many of these same difficulties.

In rural communities there is a saying that goes: "There are two ways to get into farming: marry in or inherit." The number of well trained individuals committed to starting their own small farm far exceeds the number of farms for sale. In addition, land prices and down payment requirements are prohibitive.

California FarmLink and its partners continue to offer a comprehensive effort to provide resources to facilitate a transition from one farm owner to the next. Farmers of retirement age previously had no single, accessible source to turn to regarding the interrelationships between conservation easements, estate planning, annuities, and lease-options transactions. Knowledge of these techniques can make the difference between a planned transition for a comfortable retirement and a "fire-sale" in times of family crisis. Similarly, this program can provide aspiring farmers comprehensive information on farm management plans, government loan programs, or sellers willing to assist a buyer (i.e. installment sales or carrying a second mortgage).

California FarmLink addresses these issues by speaking at workshops and meetings sponsored by grassroots agricultural organizations. California FarmLink has coordinated efforts with the county Farm Bureaus, the Community Alliance with Family Farmers and University officials. This project proposal represented a new program for California FarmLink to build on our efforts by continuing existing work and adding on another level of outreach to the professionals who serve farmers and ranchers.

Conservation Easements:

The conservation easement used to “transfer development rights” represents the most long-term and financially viable way to simultaneously promote the future of agricultural and preserve prime farmland. With the growth in funding of the California Farmland Protection Program and various private funding sources the importance of conservation easements as a farmland preservation tool has grown dramatically over the last two years. Unfortunately many of the farmers and other agricultural landowners who would be most likely to take advantage of these tools are not yet sufficiently clear on how they can be applied, or in many cases have not heard of them at all.

Through experience we have seen that many agricultural professionals are not familiar with key conservation tools being promoted by the Natural Resources Conservation Service, State Departments of Conservation, private foundations and others. Specifically, knowledge of agricultural conservation easements is poor among many government and private sector lenders, private financial planners and other field agents that deal with producers on a daily basis. Case studies, such as those developed by California FarmLink, demonstrate the financial advantages of using this conservation tool to landowners looking to lease or sell their property as well as beginning farmers attempting to put a downpayment on a property. (See attached sample case studies, in original proposal.) Support for this project from the California State Director of the Farm Service Agency and Washington State Extension staff demonstrates some of the demand for information on these topics.

Applications of the Easement for Producers Committed to Sustainable Cultivation and Husbandry Techniques:

Beyond basic information about the role of conservation tools in facilitating farm transfers for the next generation of sustainable farmers and ranchers, this project has provided information on rarely used innovative applications of these tools including easements drafted for landowners committed to organic or biodynamic farming systems. This information will be of use not only to NRCS staff familiar with standard easement language but also to the staff of non-profit agricultural land trusts unsure of how to deal with these rare applications of the tools. California FarmLink’s first effort to train professionals on these strategies took place at a statewide meeting of the California Bar Association. This event provided continuing education credits for the attorneys and allowed them insights in to how to better serve their clients in the agricultural community.

Virtually all conservation easements that have been executed in California emphasize what a new landowner cannot do: they cannot develop the land. Only two are known to have been written to say what a future landowner should do: farm in a sustainable fashion according to regulations describing organic practices or practices of biodynamic farming. California FarmLink contracted with an attorney to create a sample easement based on these two innovative documents and is making them available to the public. The specific techniques to be described can vary depending on the landowner signing the sustainable agricultural easement. What is significant is that the affirmative language is a new innovation with profound implications to dealing with this dilemma.

California FarmLink’s conservation strategy emphasizes an innovative approach best described as a “leveraged easement sale”. The concept is to link up a retiring farmer and aspiring farmer with a land trust to sell a conservation easement at the point of sale. In exchange for assisting the aspiring farmer with his or her down payment, the land trust may acquire the easement at a fraction of the appraised value. Alternatively, or additionally, the land trust could acquire a property, with an easement purchased from a retiring farmer and be guaranteed buyer (or lessee prepared to make payments on the property). Many variations on these themes are

possible depending on the needs of the actors and the specifics of the property. This project will help ensure that professional advice will be available to individuals serious about doing a transaction of this nature. (Please see the draft case studies provided in the attachments of the original proposal.) This approach has transferable application throughout the nation. In addition the organization has developed sample language for easements that would call for sustainable agricultural practices, and an affirmative commitment to farm (in contrast to the standard commitment not to develop).

Many agricultural land trusts in the Central Valley are in a beginning stage of their organizational development. California FarmLink assists these, and other land trusts, by offering leads with farmers interested in selling or donating an easement.

Cooperators

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Education & Outreach Initiatives

Objective:

Description:

Methods

FarmLink and partners prepared materials for both agricultural professionals and producers, provided them a training serving a small region of one state, and then made the materials available to the public for those who could not attend. To ensure broad based participation we partnered with the range of organizations and agencies serving the agricultural community to invite them to learn more about applications of the models to their clients. Contractors, working on both a paid and pro bono basis, developed and reviewed materials. These included attorneys specializing in land-use, taxation and estate planning. Materials and presentations were tailored as much as possible to ensure that each group was hearing the information in the language of their profession. Target groups included USDA FSA staff, Cooperative Extension, farmland conservation organizations, and grassroots agricultural groups. The most important category of partners included professional associations. We worked with professional associations including the California Bar

Association and others in order to offer continuing education credits. This made workshops increasingly attractive. In several situations we offered the workshops as part of the larger conferences that would be attracting the professionals.

The project delivered up to date information on innovative farmland protection tools to the people most able to transfer these techniques to producers. Instead of working with representatives of groups we worked with professionals that have direct contact with clients who could use the intergenerational farm transition techniques.

California FarmLink and partners distributed models and information about successes in implementing them by working with our project partners, as well as collaborating organizations represented on our Advisory Council including the California Farm Bureau, American FarmLand Trust and others, and our colleagues in the National Family Farm Transition Network. Through this network information was made available directly to other organizations in California, Washington, Montana and at least 14 other states.

Outreach and Publications

A summary of the technical guide on affirmative farming clauses in agricultural conservation easements that FarmLink created with attorneys in 2002 was presented at two of the professional training workshops mentioned above. The most comprehensive handout was a booklet of more than 170 pages, and has been made available to other professionals outside of the workshops. In addition, California FarmLink wrote a contributing article titled "Easements and Partnerships: Helping California Farmers Stand Their Ground" in the Community Food Security Coalition publication Weaving the Food Web. Workshop materials, PowerPoint presentations and other educational professional development tools reached more than 250 individuals directly.

With the assistance of attorneys, California FarmLink updated case studies of farm transitions utilizing conservation easement to reflect the most current tax law, made them available on the web, and has drafted new ones. California FarmLink staff worked on developing materials to serve professionals as part of the function of being a clearinghouse of resources for professionals related to intergenerational farm transfers and farm transitions.

Accomplishments of individuals within and related to the FarmLink organization included:

Sample language was compiled on lease agreements and other tenure models, which are available to interested agricultural professionals.

Carly Castagnola, staff intern, conducted research and developed a hand-out and case-study on a specific tool with applications for preserving land as part of farm transfer: the Community Land Trust Model.

Attorney Christine Waggoner served as a consultant assisting with development of a case study.

Intern Cynthia King continued to conduct research on farmland leases through public and non-profit entities.

We estimate the California FarmLink website had approximately 18,100 hits over two years. Cascade Harvest Coalition/Washington FarmLink worked with experienced attorneys and representatives of American FarmLand Trust to develop materials for distribution to professionals.

Outcomes and impacts:

The professional development program (PDP) workshops were attended by

attorneys, CPAs, financial planners, Co-op extension agents and land conservation professionals. Workshops were held in 5 different regions of California; Montana and Washington State. Two of the trainings were presented as part of national conferences: the National Farm Transition Network Conference and the Risk Management Agencies National Conference in San Diego. Workshop materials included detailed information on easements and financial and tax implications for farm transitions. California FarmLink also hosted the annual meeting of the National Farm Transition Network in 2002.

In addition to workshops described under Goal 1, twelve workshops serving 383 individuals focused on farm succession planning and farm financing. These workshops were hosted by California FarmLink in Fresno, Humboldt, Stanislaus, Marin, Santa Barbara, Sonoma, Lake, Monterey, Placer and Contra Costa counties and provided information to beginning and retiring farmers on the topics of farm succession planning, farm financing and business planning, and the role that conservation programs can play. The vast majority of attendees were farmers, however professionals also attended the workshops that were supported primarily by the USDA Rural Business Enterprise Grant program and private foundation funding. Professionals included agricultural commissioners staff, cooperative extension staff, attorneys and others.

Project Outcomes

Project outcomes:

With the assistance of attorneys, California FarmLink updated farm transition/conservation case studies to reflect the most current tax law and made them available from the web. In 2002, a technical guide on affirmative farming clauses in conservation easements was summarized as a fact sheet to make it more accessible to non-technical readers.

All three project partner organizations are serving as a clearinghouse of resources for professionals regarding farm transitions, representing another benchmark achievement as stated in our goals. Partnerships have been established with the Bar Association, Certified Public Accountants Education Foundation and the Financial Planners Association, various land trusts, cooperative extension, USDA Farm Service Agency and others to publicize trainings and services. We have developed materials for workshops to be held during the remainder of the project.

Recommendations:

Potential Contributions

The contribution to the professionals may be best demonstrated by the strong interest in the workshops among individual private sector CPA's, Attorneys and Estate Planners as well as their professional organization staff. The fact that several of these people in the target group brought farmer/rancher clients along to the trainings further established the demand for and benefit of the trainings provided. It is difficult to measure the multiplier effects in terms of professionals who attended workshops and later counseled their clients regarding conservation easements in farm transitions.

Future Recommendations

One new hypothesis is that while farmers and ranchers often need a team of professionals to address a multi-faceted farm transition plan; these professionals are accustomed to receiving professional development training in workshops and conferences isolated from the other professions. Therefore, training should be offered to one group at a time.

Several other recommendations that may be helpful to WSARE include:

- Whenever possible offer professionals continuing education credits through their professional associations. (This may take 6-8 weeks of pre-planning with groups such as the Bar association.)
- Selective marketing of workshops to specific professionals (i.e. PA's, Attorneys, and Bankers). Support this by ensuring speakers have credentials respected by the target group; and the event title and scheduling work well for the target group.
- "Piggy-back" on to largest professional development opportunities (i.e. conferences) as a way of reaching professionals from a large geographic area.
- Co-op extension personnel are difficult to attract to a professional development training; strategies that may assist include specifically organizing events endorsed by their academic leadership or building on an event they are used to attending.

Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the U.S. Department of Agriculture or SARE.



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