Succession planning: retiring farmers keep the land in farming

By Jane Tanner

When it is time for farmers to retire and the next generation of growers to take their places, there are no set formulas for how the transitions take place.

Katie Brandt and Tom Cary sold Groundswell Farm in Western Michigan with Cary staying on part-time, temporarily to help the new owners learn the systems. Chip and Susan Planck's exit plan involved developing a small cluster of homes on the edge of their 60-acre Wheatland Vegetable Farms northwest of Washington, DC, and protecting the rest in an agricultural conservation easement. Two separate farms operate on the original farmland.

Jim Crawford of New Morning Farm in Pennsylvania spent well over a decade trying "farm-to-own" arrangements with employees, but the plans fell through again and again until Jennifer Glenister stepped up. Glenister now runs the farm, pays Crawford to work part-time and she is poised to buy it. Read more about New Morning Farm in the September 2019 GFM.

Richard Giles farmed most of his life and now at 68 is transferring the assets of Lucky Dog Organic, a diversified vegetable farm in Hamden, NY, to longtime employee Kalan Joslin. The farm assets are held in an LLC by both men with the ownership percentage transferring incrementally to Joslin over five years. After that, they'll devise a land ownership transfer.

Janet Allen and her husband Mark Gillen want to retire and convert Hygieia Homestead, their 55-acre certified organic vegetable and fruit orchard farm in Northern Michigan, into a worker-owned intentional community where they would remain advisors and helpers.

While the approaches vary, all the farm owners want the land to remain in farming. That commitment is critical to local food systems in the face of the enormous wave of farmer retirements and farm ownership changeovers underway. For the next generation of farmers, access to land and capital are the biggest obstacles.

Leasing is a valuable option for both the exiting and entering farmers. In fact, the majority of farmland owners aren't farming. "As long as we keep encouraging farmers that they don't have to own to farm, without debt they are more likely to succeed," said Kathy Ruhf, Senior Advisor at Land for Good, which helps new farmers get land and keep farmland in farming.

Eric Plaksin and Rachel Bynum of Waterpenny Farm have been farming in the exorbitant Washington, D.C., area market with a 40-year lease agreement that has con-

tinued after the land was transferred from the original farmer to his children. There are incentives for retiring farmers in addition to leasing income, said William Hamilton, Western Region Director at NC Farmlink in North Carolina. "If they have someone farming their land, they are not taxed at residential tax rates."

A gradual transfer of assets, such as the LLC plan at Lucky Dog Organic, is another way to make it work financially for both sides. "The farm income is going to buy me out and buy him in," Giles said. He credits technical help from Jack Hornickel, business planning and legal specialist at GrowNYC's FARMroots, with the creative solution.

This article elaborates on farmers' experiences, including cautionary tales and stumbling blocks, and points to resources for transitioning out of farming — an enterprise in and of itself that should begin long before it is time to walk away from the fields and greenhouses.

Whether sale, lease or asset transfer, the technical aspects of transitions require skills far removed from day-to-day farming. Farmers may bring in business planners, attorneys, tax accountants, financial planners, lenders and conservation entities to help bring about the best outcomes. Hornickel advises farmers to save on billable hours by starting with free or low-cost resources (see sidebar) to outline their goals and plans before sitting down with professionals.

The so-called soft issues can be the hardest, says Ruhf. Among them: figuring out family goals, including how non-farming heirs will be treated; needs for retirement; how to manage conflict; and transition timetables.

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Brandt started Groundswell Farm in 2006 with Anna Hoekstra and then three years later Tom Cary took over Hoekstra's role as business partner. By 2015, Brandt wanted to transition to new farmer training and advocacy work, but it was a stressful year at the farm. The previous year they built a $40,000 barn to equip for washing and packing, and, they were training nine new employees after high staff turnover.

Cary lost use of an arm when a nerve was crushed and needed lots of physical therapy. Nonetheless, the harvest was robust, reminding Brandt of a Russian proverb: "There is no greater catastrophe than a full harvest." After years of financial stability, they were short on cash from the barn construction and floated payroll checks for a couple of months. "None ever bounced, but it was nerve-wracking," Brandt said.

The following year things turned around, experienced crew returned, and bank accounts were flush. So, it was a better time to sell. An advertisement listed $200,000 in sales at three farmers markets and 180 CSA members. Brandt moved into a teaching position at Michigan State

continued on the next page

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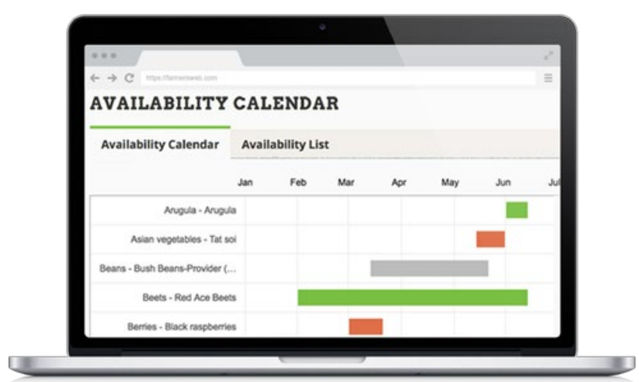

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Succession planning

continued from page 9

University's Organic Farmer Training Program.

They considered starting a non-profit at the farm and instead in 2018 leased the farm to an employee who later moved to an urban farm site. In hindsight, Brandt wishes she had worked with a lawyer on the lease agreement. "We used a template with legalese we didn't entirely understand and added provisions in conflict with the template language, so some items were not enforceable," she said.

Last year, they sold the farm in a three-year land contract with Cary staying on at least one day a week to help the new farmer acclimate. Were she to do it again, Brandt would have offered a percentage ownership in the farm to several excellent farm managers before the need to sell. "When two of our farmworkers were looking for land to buy, we could have offered them a stake in the business and set up a plan for them to buy Groundswell," she lamented. "We may have had a much smoother transition."

Jim Crawford is transferring New Morning Farm over to Glenister, who started as an apprentice in 2009. The uneven road to this successful succession was not for the faint of heart. In 2004 when Crawford turned 60, he began serious efforts toward retirement. He offered an ownership track to a couple who'd been with him three years. Instead, they wanted to start their own farm from scratch.

Crawford placed ads, promoted the sale on the farm website and linked with organizations to help. The responses fell short. A man with no farming experience saw it as a real estate transaction. "Someone who had never farmed could not walk in and farm in one or two years," Crawford said.

On the other hand, those with experience didn't want an established farm and wanted to create their own tabula rasa. "I'm flexible, I told them you can change it over time, as the process goes on," he said. But again and again, potential successors fell through.

"I concluded this is hopeless," Crawford remembers. He stopped trying from 2007 to 2009 and then made a hard pitch to a couple (a field manager and crew leader) who had been with him for nearly a decade, but again they wanted to start their own farm.

In 2011, three employees (including Glenister) approached him about forming a partnership to take over. They created a long-term plan (eventually contracts draw up with lawyers) that included transferring equity to the team members each year in lieu of an annual bonus.

One dropped out because of personal debt. The two remaining continued with the plan through 2016. Then, the 2016 season ended in the first loss in 18 years. One partner dropped out as stress took its toll. That left Glenister. The next year was equally devastating with excessive rain, water in the fields, diseases, and deer damaging the crops. After two decades of profit, the farm had losses three straight years.

Undaunted, Glenister remained committed to the succession plan. Ted LeBow, CEO and Co-Founder at Kitchen Table Consultants, advised them to forge ahead and find funding. Glenister and Crawford hunkered down and dramatically revised the farm plan, reducing acreage to less flood prone areas, ditching less-profitable crops and trimming the crew. They employed a USDA deer eradication program and added a new farmers market.

Retiring farmer Richard Giles of Lucky Dog Organic, with long-time employee Kalan Joslin who is taking over the farm. Photo by Lincoln Giles.

Last February, Glenister got a $150,000 unsecured, low-interest loan from USDA Farm Credit directed to new farmers. She leased the farm and equipment; Crawford, now 75, is her part-time employee, staying on to help with continuity. Last year was a good year and she paid back the loan and is now seeking USDA financing to buy the farm.

Crawford's advice: Prioritize recruiting employees, people who see it as a career, who can overcome challenges. Focus on retention and commitment. "Out of this team you may get one or more who could take over," he said.

For many new farmers, leasing makes the most sense. For Plaksin and Bynum of Waterpenny (both Wheatland Vegetable Farms alumni) that meant a series of leases. (See Plaksin's January 2001 GFM article about short-term leases.) "We wanted to be close to D.C. and didn't feel we could find affordable land," Plaksin said.

In 2006, they signed their current 40-year lease on Rappahannock County, VA, land they farmed previously with short-term leases. In reality, the long-term lease is a five-year lease with seven five-year renewals. As long as they don't break the terms of the lease, they can stay and can walk away giving 90 days' notice. "When we were negotiating, we wanted as long as we could get," Plaksin said. "We feel ownership. We feel like this is our farm."

If they stay through the series of renewals, they will be in their 70s and their oldest son (now 15) would be 40. They don't expect either of their sons to farm as a career. By leasing, they focus their money on the business. They have 90 CSA shares and take produce to the Arlington, VA, courthouse market and Takoma Park market in

Maryland on weekends.

Five years in they built a new house for their family and use the older house for worker housing. They pay rent for the land and property taxes on the buildings they own. When the couple decides to leave the farm, the landlord is required to buy the two houses and barn from them at the appraised values. On top of that, they spent $60,000 on improvements they won't recoup. They built two new barns, one for a tractor and the other for hay. Additionally, they installed an eight-foot deer fence around the crops.

Crafting the lease agreement took three years of back and forth. Plaksin says the key is finding a landowner willing to make a big commitment. "Many landowners don't understand what it takes to have a farm and what kind of commitment people want."

Giles at Lucky Dog Organic had been working so closely with employee Kalan Joslin who started in 2003 that Joslin became the natural successor. Giles' two children don't seem interested in farming careers. "We've made decisions together more and more," Giles said. With Hornickel's help, the farm buildings, equipment, vehicles and inventory — assets worth about $200,000 — were put into an LLC. In the LLC operating agreement, both are owners with Giles started at 100 percent and Joslin at zero.

At the beginning of this year, it moved to about 80-20 because Joslin deferred some of his wages and contributed some of his own equipment to add to his side of the balance sheet. They planned to buy a new truck with farm income that Giles will gift to the LLC. With steady amounts of equity earned each year by Joslin, by the end of five years, he'll own 100 percent of the assets.

Giles will work at the farm during the five-year asset transfer and will continue to receive farm income. He will cut back on his role at New York City farmers markets and spend more time at the farm. The LLC rents farmland, and Giles says over the long-term the land will probably be sold into the farm operation and ultimately to Joslin, whose family is also helping run the farm.

In the case of another retiring farmer, Hornickel is working with several farms that will collectively own equipment. As the outgoing farmer retires, there will be multiple new farm businesses set up on the 140-acre farm with about 20 acres in cultivation. Each farm will have a lease.

The assets — two heated greenhouses and five hoop houses, half a dozen tractors, implements, market vans and all the market supplies, a car, golf carts, hand tools, fencing, irrigation — likely will go into an LLC. "They can collectively pay down the cost," Hornickel said. "Each farmer could purchase shares based on the amount of usage and pay the former owner." They might set up an annual percentage paid into a reserve for ongoing maintenance or set a fee.

Chip and Susan Planck started vegetable farming in 1973 and their family was integral to establishing farmers markets in the Washington, D.C., region. At one point, Wheatland Vegetable Farms sold at 21 farmers markets. To keep the land in farm-

continued on the next page

Succession planning

continued from page 11

ing after they retired, they created plans for seven homes along the edge of the property and protected the rest from development.

Five homes — all must follow specific farmhouse designs — are already built (chalkfarmhamlet.com). Eight acres around the homes cannot be developed and the remaining 50 acres are in an agricultural conservation easement where two separate farms operate. "Ninety-six percent of our 60 acres is preserved," said Chip Planck, now 79, who lives 100 yards from the housing cluster.

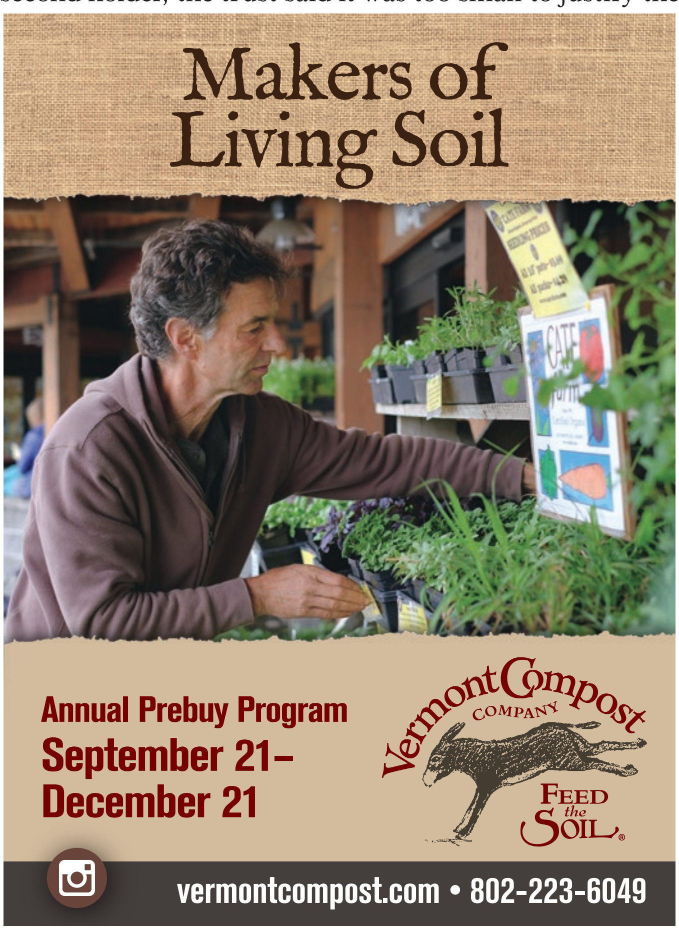
The housing wasn't to support their retirement; they put money into a retirement plan for decades so they wouldn't be forced to sell the farm to developers and instead could plan it in line with their values. They did it themselves and spent a lot of time and borrowed money. Looking back, Planck sees how using experts would have fast-tracked the project. "We don't necessarily represent a formula," Planck said. "It takes professional skills and maneuvering by someone who knows regulation of land development and conservation."

They started the process in 2002, using a "Rural Hamlet" provision in their county's zoning ordinance that no longer is in force. Planck emphasizes houses need to be "cheek to jowl" to allow housing and preserve farmland. Loudoun County holds the agricultural conservation easement. When they approached a local land trust to be a second holder, the trust said it was too small to justify the administrative costs of monitoring. The Plancks traded the development rights in return for county permission to lay out the housing in small clustered lots with the drain field and well utilities located in surrounding common open space. Not every jurisdiction has cluster zoning, allows off-lot utilities, common ground for utilities, or allows houses to be close to the road. "All those things add up and might preserve some farmland," he said.

Whatever the odds, farmers ought to explore an agricultural conservation easement, which means selling or donating the development rights to restrict future residential or commercial development. The 2018 Farm Bill assigned $450 million a year for the next five years for farm conservation easements, a significant increase. It also allotted $300 million to a regional conservation partnership program which could be used for easements.

There are myriad organizations from national land trusts down to local grassroots organizations. There are farmland preservation funds on the federal, state and local levels. Farmers can start investigating preservation with the interactive Land Trust Alliance map at findalandtrust.org, which lists land trusts in all states that are part of its alliance.

There's also the searchable Farmland Protection Directory of the American Farmland Trust at (farmlandinfo.org/directory). While there's some overlap, they also offer different conservation resources. In Canada, Land Trust Alliance — aligned with The Nature Conservancy in Canada and rebranding as the Center for Land Conservation — is a good place to start.



Janet Allen and husband Mark Gillen of Hygieia Homestead want to create an intentional community at their farm as part of their retirement plan. Photo by Tim Goodrich. Chip and Susan Planck created a small housing cluster on the edge of their farm and put the rest in an agricultural conservation easement, where two separate farms are now operating after the Planck's retirement. Photo courtesy of Chip Planck.

Most agricultural conservation easements are made through land donations rather than payments to extinguish development rights unless the farmland has high conservation value. There are charitable tax incentives although farms have to have high enough profits to make those deductions useful.

Taking out the development value can (but not always) bring down the market value making it more affordable for the next generation of farmers. Even when farmland is held in an agricultural conservation easement, new farm infrastructure can be built or rebuilt.

For some farmers, building a community is the goal. Allen and Gillen want to scale back their hands-on involvement at Hygieia Homestead farm by creating a community of like-minded farmers who embrace the raw vegan food philosophy and lifestyle and who would own and work the farm cooperatively.

In addition to vegetables, there is a nut orchard, a stone fruit orchard and another growing apples, pawpaws, persimmons and pears. They are advertising on the Foundation for Intentional Community site for farmers and community members who will fit in. "We want the farm to live on after us," Gillen said.

In their model, the couple would stay on as resources and build another house for themselves on the property. Allen and Gillen both grew up on farms. Allen, a retired nurse, authored two books on raw food recipes and the spiritual effects of live food. Gillen has considered adding processing operations — seed cleaning and selling seeds, but that would be more work and require partner farmers or more workers.

Yet, they've had trouble finding good help at times let alone farmers who want to move into their raw vegan community. "Local people are not interested in what we do," Gillen said. "If I finally get fed up and decide to sell and we sold it to farmers around here, they are all conventional farms and they'd be growing hay."

Farm Link programs, which are growing in number, can be a resource to link retiring farmers with new farmers. Some are simply Craigslist-type classifieds of farmers selling land and would-be farmers seeking land. Others are more robust with resources and staff to help with conversations, negotiations, technical guidance, templates for lease agreements, land tenure education and succession planning support. The California FarmLink program offers financing to new farmers.

Last year, Ruhf convened the first ever conference for Farm Link programs and recently completed a guide to strengthen farm link programs.

"It is important that farmers get help to design the farm transfer plans," Ruhf said. "Sustained technical support is essential."

Transitioning out of farming is a

continued on the next page

Succession planning

continued from page 13

process and often not a smooth one. Hornickel and his colleagues identified key stumbling blocks. One is valuation of the land and business.

Some farmers have a rosier picture of the value than the appraised value. Sellers may be looking for more money than new farmers can afford.

"In the world of direct market small farms, the brand value means so much to the person who created it and kept it going for 30 years," Hornickel said, but he explained that in reality the brand often doesn't carry value except indirectly if the retiring farmer gets paid as a consultant to help with systems and customer transitions.

Housing often is a sticking point. The retiring farmer may want to stay and the new farmer needs housing. In rural areas there's often no housing close enough or affordable for the incoming farm family. Sometimes a new starter house or apartment is built on the farm. Access to capital is a problem for beginning farmers. To help, the Farm Service Agency (FSA) doubled its direct farm ownership loan limits to $600,000. There are private alternative, lower-rate financing options such as Dirt Capital Partners and Iroquois Valley Farmland REIT, which favor organic farms and were created to help farmers and preserve farmland.

Generational perspectives may cause conflicts. For instance, younger farmers may want to make the farm more of a public place than the original farmer would like and they may use different modes of communication. Setting up at the outset how the two sides will communicate throughout the process is important.

Resources for Farm Transitions

- University farm extension services should know regional resources
- Land For Good (landforgood.org/)
- Transferring The Farm videos, University of Vermont (uvm.edu/farmtransfer/?Page=videos.html)
- Farmland Access Legal Toolkit/Vermont Law School (farmlandaccess.org/)
- CLF Legal Food Hub (legalfoodhub.org/)
- Farm Commons (farmcommons.org)
- American Farmland Trust - Farm Legacy (farmland.org/project/farm-legacy/)

Bad timing can make transitions more difficult. Everyone has to be ready. It also helps to set the changeover to fit deadlines such as the close of the fiscal year, reapplication for organic certification, tax bills and quarterly labor filings. "The new person should be doing them on day one or know they'll have to do them," said Hornickel. He added that it's important to think about what happens if the deal goes bad. "We need to acknowledge sometimes people walk away at the last minute."

Jane Tanner grew cut flowers and specialty crops at Windcrest Farm and Commonwealth Farms in North Carolina, and helped manage the biodynamic gardens at Spikenard Farm in Virginia.