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## I've Inherited a Farm, Now What?

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Just a primer – things to think about  
**Outline for today.....**

- What have you inherited?
- What is your situation?
- What are you going to do with it?
  
- Consult your lawyer!! (this presentation is not a substitute for good legal advice)

Credit to Iowa State University, Ag Decision Maker, May, 2013, article by Mike Duffy

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### What have I inherited?

- Exactly what do I have?
- Current Economic situation?
- What is my situation?

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### What do I have?

- Pasture vs. non-irrigated farm vs. irrigated farm
  - Or all three?
- **Location, Location, Location!!**
- Who else is involved? (other brothers/sisters)
  - Check the title or the will – may need to ask lawyer to help
  - Who is in charge? Yourself, shared decision making, someone else

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### What do I have – cont.

- What is it worth?
  - Seriously consider getting a full appraisal (be willing to pay!)
  - Understand that financial institutions will value differently
  - Very important step!

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## Location, Location, Location

Usually the land that is top dollar – subject to all the coffee shop talk – is land that has very good production, good location, and has two or more deep pocketed neighbors interested in the purchasing

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## Current Economic Situation Do you sell the land?

- Farmland is currently valued at an all time high
  - High even if you consider inflation
    - Land values have more than doubled in the past 6 -7 years
  - Recent reports indicate that farmland values have stabilized over the past 6-12 months
    - Outstanding ground still very strong market
    - Average and good ground – starting to soften
  - Values at peak, decline, continue to rise – who knows?

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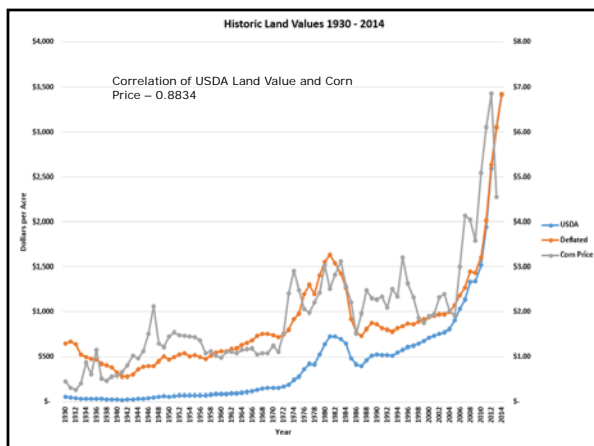
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### Consider Economics - continued

- Selling may be very lucrative – if you care to do that
  - Hard for some – to sell the “home place”
  - Place that has been with the family for over 100 years – etc.....
- If wanting to sell
  - Determine what your basis is (first)
    - This will help you determine your capital gains tax due if you sell
- Selling to the cousin or neighbor – don’t need top dollar – but need to be fair

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### Options for keeping

- Estimate what the potential income might be
  - Either from farming it yourself
    - Does it fit the current operation?
  - Having it custom farmed
    - Some are having it custom farmed for a % of the production – to motivate farmer to produce
  - From rental
    - Crop share rent
    - Cash rent
    - Flexible cash rent

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### Professional Farm Manager

- Consider use if Custom Farming or Renting
- Take care of managing the asset – especially valuable for absentee owners
- Charge between 6-12% of the rental rate as their fee for management (less on straight cash rent, more on crop share rent agreements or custom farming)
  - Depends on what you are asking them to do
- In some cases, the service is very worth while

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### Options for keeping - continued

- A bit more about renting
  - Custom Farming – any questions?
  - Crop Share –(if you don't mind the marketing part)
    - Still a very fair way to rent – for both landowner and tenant
    - Some landlords are taking a smaller percent and paying no input expenses

Questions?

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### Options for keeping - continued

- More about renting
  - Cash leases – two types – straight cash leases and flexible cash leases
    - Straight lease means that you get paid XX dollars per acre for the lease per year
    - Flexible lease means you that the actual lease is flexed by some variable – usually price and/or yield
      - Consider putting lower and upper limits on the 'flex'

Questions?

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### Farming Heir – and the lease

- Is that on-farm sib being treated fairly?
  - Have they been fairly treated for the sweat equity that they have contributed
  - Honest evaluation of this is key
    - Avoid feelings of entitlement
    - Avoid mistrust

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**More on the Situation.....**  
Fair is not always equal

- Our older generation thinks that fair means equal
  - Not necessarily true
  - Appropriate for on-farm heir to receive compensation for sweat equity – (building maintenance, non-crop weed control, volunteer tree control, fence maintenance, terrace maintenance, rock on driveway, etc.)
    - Thus the need to be fair
    - Also means that you may not divide asset equally

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**Communications - Important**

- Most peoples' goal is to hold the family together(?)
  - Don't make that assumption – get that commitment
- Best way is to be open and clear with communications
- Be sure to include spouses and adult children/grand children – especially their spouses
- Put all options on the table
- Listen!!

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**Generational Values**

Understanding generations  
What are each generation's defining characteristics?

Based on experiences during their formative years.

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### Communications, Generations, and relations

- The living generations:
  - Matures: born 1910-1945
  - Baby boomers: born 1946-1964
  - Generation X: born 1965-1979
  - Millennials – (Generation Y): born 1980-2000
  - Generation Z: born 2001-???
    - Not including in today's discussion
    - Formative years just going to start

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### Get and use help when needed

- Rural response Hotline – for transition/transfer questions-1-800-464-0258
  - Make appointment for local clinic (Norfolk)
- Your local attorney
  - Be sure they know ag land law
- Avoid going to court if you can
  - Expensive
  - Divisive

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**Other questions?**

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