

Range Beef Cow Symposium



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Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%					
35 – 64						
Over 65						
Total						

Source: Census of Agriculture, NASS

Nebraska EXTENSION

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Under 35	13,436 22%					
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Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%					
35 – 64	38,030 63%					
Over 65	8,777 15%					
Total						

Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%					
35 – 64	38,030 63%					
Over 65	8,777 15%					
Total	60,243 100%					

Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%	12,609 21%				
35 – 64	38,030 63%	37,056 61%				
Over 65	8,777 15%	10,839 18%				
Total	60,243 100%	60,502 100%				

Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%	12,609 21%	8,877 17%			
35 – 64	38,030 63%	37,056 61%	32,735 62%			
Over 65	8,777 15%	10,839 18%	11,311 21%			
Total	60,243 100%	60,502 100%	52,923 100%			

Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%	12,609 21%	8,877 17%	5,531 11%		
35 – 64	38,030 63%	37,056 61%	32,735 62%	33,532 65%		
Over 65	8,777 15%	10,839 18%	11,311 21%	12,391 24%		
Total	60,243 100%	60,502 100%	52,923 100%	51,454 100%		

Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%	12,609 21%	8,877 17%	5,531 11%	3,782 8%	
35 – 64	38,030 63%	37,056 61%	32,735 62%	33,532 65%	33,390 68%	
Over 65	8,777 15%	10,839 18%	11,311 21%	12,391 24%	12,203 25%	
Total	60,243 100%	60,502 100%	52,923 100%	51,454 100%	49,375 100%	

Source: Census of Agriculture, NASS

Nebraska EXTENSION

Age of Nebraska Farm Operators

Age	1982	1987	1992	1997	2002*	2007*
Under 35	13,436 22%	12,609 21%	8,877 17%	5,531 11%	3,782 8%	3,353 7%
35 – 64	38,030 63%	37,056 61%	32,735 62%	33,532 65%	33,390 68%	31,297 66%
Over 65	8,777 15%	10,839 18%	11,311 21%	12,391 24%	12,203 25%	13,062 27%
Total	60,243 100%	60,502 100%	52,923 100%	51,454 100%	49,375 100%	47,712 100%

Source: Census of Agriculture, NASS

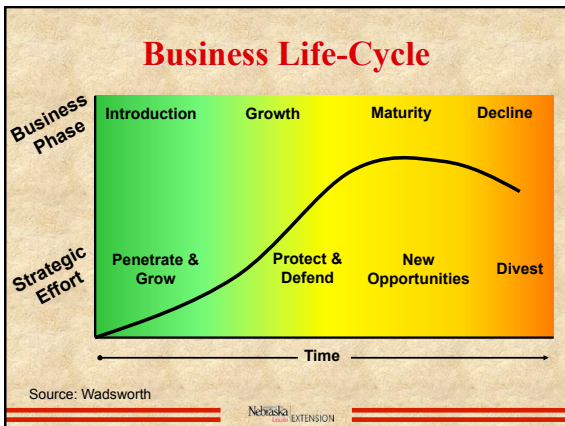
Nebraska EXTENSION

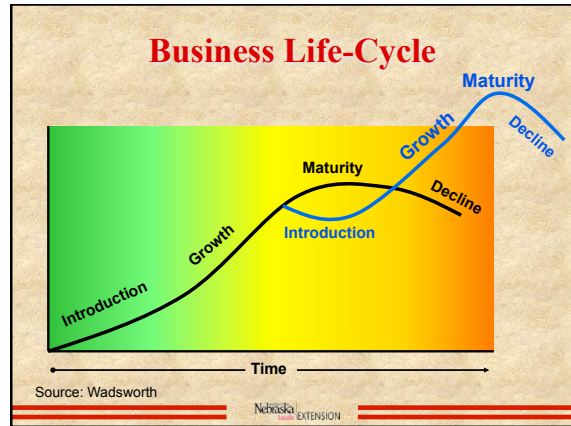
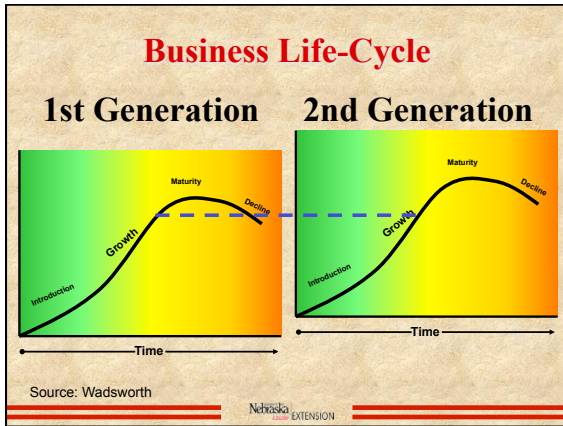
Age of Nebraska Farm Operators

Age	1982	2007*	%
Under 35	13,436	3,353	25%
35 – 64	38,030	31,297	82%
Over 65	8,777	13,062	149%
Total	60,243	47,712	79%

Source: Census of Agriculture, NASS

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Estate Planning Research

- 2/3 of Iowa Farmers plan to never **“Fully Retire”**
- Over 1/2 of all Nebraska farmers do not have a **Will**

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Why don't we Plan?

- **Too Complicated**
- **Don't like to Plan**
- **Facing our own Mortality**

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KEY QUESTIONS

Is there a Successor?

- **Farm/Ranch Income may leave the area**
- **Unintended Consequences:**
 - ✓ **Community**
 - ✓ **Businesses**
 - ✓ **Churches**
 - ✓ **Schools**

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KEY QUESTIONS

Is there a successor?

Will you pass on your farm assets as a business or a pie?

Nebraska EXTENSION

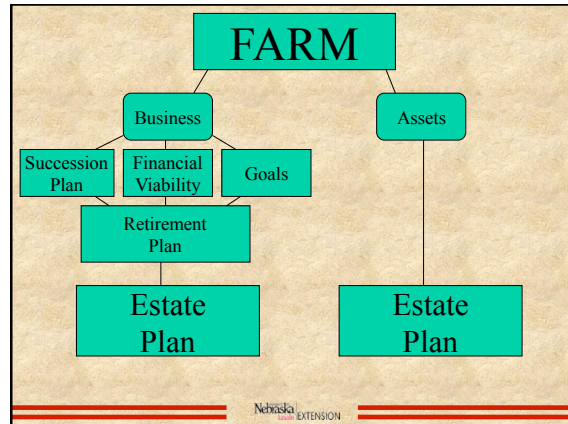
What to do with the Farm/Ranch?

First question to consider:

*Do you want to transfer the ranch/
farm as a "viable business" or simply
as a "group of assets"?*

- A. Transfer Plan
- B. Estate Plan

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Contribution = Compensation?

Contributions????

Compensation???

- Pay wages
- Sweetheart rental agreements
- Estate Plan

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Contribution = Compensation?

- 1990 Networth = \$300,000/3 kids = \$100,000
- 2011 Networth = \$3,300,000/3kids = \$1,100,000
- Contribution/Compensation
- 50%/50% Partner and Founder
- \$3,000,000 Partner & Founder \$1,500,000 ea
- Partner's share
 - ✓ \$ 100,000 from 1990
 - ✓ \$1,500,000 from growth and appreciation
 - ✓ \$ 500,000 from Founder growth and appreciation
 - ✓ \$2,100,000 total for Partner \$600,000 each for siblings

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IS THIS EQUAL?

IS THIS FAIR?

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HELPFUL TOOLS

- Life insurance
 - ✓ If affordable, life insurance is purchased for off-farm heirs
 - ✓ On-farm heir purchases life insurance on parents' lives for buying out siblings interests
- Partnership, LLC, Corporation
 - ✓ On-farm heir controls/manages operation
 - ✓ All siblings share in ownership
 - ✓ Operating entity owned by on-farm heir and land entity owned by all heirs

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HELPFUL TOOLS

- Off farm heirs understand/agree to inherit less, in order to help on-farm sibling succeed
- Shared appreciation agreement
 - ✓ If on-farm heir sells real estate within a period of time, off-farm heirs share in appreciation

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WHO: The Farming Heir

- Real estate divided among siblings
- Long term leases
 - ✓ On-farm heir has right to farm siblings' land for period of time
 - ✓ Perhaps siblings have right to receive rent only for period of years as "purchase" of property by on-farm heir
- Options
 - ✓ On farm heir has right to buy out siblings for a period of time at a determinable value
 - ✓ If siblings decide to sell, on-farm heir has right of first refusal

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Successful Farm Transitions

Business Succession Plan

Can you answer yes to these questions?

- Are the Parents ready for a partner?
- How committed is the child to farming?
- Is the business large enough?
- Do you have a Common Vision of your future together?
- Can you live and work together?
- Are the non-farming children supportive?

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Time Management Matrix

Urgent

Not Urgent

Important
Not Important

I. Activities Crisis Management Deadline Projects	II. Activities Planning Relationship Building
III. Activities Some Calls, Mail, Popular Activities	IV. Activities Time Wasters Busy Work

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Resources

- David Goeller, UNL Deputy Director NCRMEC
 - ✓ Phone: 402-472-0661
 - ✓ Email: dgoeller@unl.edu
- Nebraska Farm Hotline
 - Phone 800-464-0258
- Joe M. Hawbaker, Hawbaker Law Office
 - ✓ Phone: 402-558-3540
 - ✓ Email: mjbaker@radiks.net



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