

--DRAFT PENDING SUB-COMMITTEE APPROVAL--

**WISCONSIN DAIRY TASK FORCE 2.0
SUB-COMMITTEE ON GENERATIONAL SUCCESSION AND TRANSITION
MINUTES**

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January 21, 2019

The Generational Succession and Transition sub-committee of the Wisconsin Dairy Task Force 2.0 met on Monday, January 21, 2019 beginning at 10:00 a.m. at the Hatch Public Library, Community Room, 111 W. State Street, Mauston, WI 53948.

Call to Order

Chair Dave Daniels called the meeting to order at 10:38 a.m.

Members Present

Members present included: Melissa Haag, Dave Daniels, Ryan Klussendorf, and Charles Untz. Joy Kirkpatrick of the Center for Dairy Profitability at UW-Madison was also present. Dairy Task Force 2.0 Chair Mark Stephenson and DATCP staff Ashley Andre also attended.

Dan Pearson was not able to attend.

Minutes

Approve minutes of last meeting

Chair Daniels asked for a motion to approve the minutes. Ryan Klussendorf made a motion. Melissa Haag seconded. The minutes were approved unanimously.

Resume work on tasks identified in charging document

Chair Daniels asked the sub-committee members to introduce themselves. Joe Tomandl, the Executive Director of the Dairy Grazing Apprenticeship, completed an appearance card to speak as a member of the public. Mr. Klussendorf had asked him to attend to share ideas and information about the program since it may be helpful as the sub-committee is generating recommendations on succession and transition between generations.

Chair Daniels reviewed the charging document from Chair Stephenson to guide our discussion today. He asked the group to look at the three main issues identified at the last sub-committee meeting:

1. Wealth transfer, Generational transition-taxes.
2. Need to get young generation opportunity, ability for young farmers to start-up in dairy business, Next generation
3. Generational farm transfer, transition the farm to the next generation.

Chair Daniels asked for any additions to the discussion. Mr. Klussendorf added that as prices get worse, people do not want their kids to even think about coming back to the farm. He feels there are a lot of opportunities for young people in dairying, but he is not sure how to address that.

Charles Untz emphasized that any business needs to make money. The ability to transfer wealth can be very challenging when it's the older generation's retirement. He said that he often thinks that if he was a young person, would he enter this profession? There has been consolidation in farms, resulting in the farms growing in size. He sees transition as very difficult unless it is between a father and son, and the farm is in good standing.

Mr. Klussendorf asked that we look at how people who do not have a farm background can begin farming. Mr. Tomandl explained how the Dairy Grazing Apprenticeship works to match farmers with those interested in dairy. Mr. Untz asked if the aspiring farmers are always coming out of college. Mr. Tomandl shared that they need to be at least 18 years old and a high school graduate. The group also has been working extensively with those retiring from the military. Mr. Untz asked how the aspiring farmers build equity. Mr. Tomandl explained that it is a process, and it usually starts with cattle.

Chair Daniels asked what Joy Kirkpatrick is seeing in her work, if parents are hesitant for their kids to join the profession. Ms. Kirkpatrick said that the families she works with are those who want to pursue a transition. It is difficult when the older generation wants to retire, but there is a large debt load and there is no opportunity for the younger generation. Mr. Klussendorf agreed that the people who utilize succession planning are those who want their farm to continue, but in the past year, we've seen hundreds of farms go out of business. These farms are sitting there and could be an option for a beginning farmer.

Mr. Untz asked about what tax incentives could be put in place. Ms. Kirkpatrick shared research she had done, including a Beginning Farmer and Farm Asset Owner Tax Credit that Wisconsin used to have.

Mr. Untz shared an example of how some states had discussed if beginning farmers could receive an extra \$3-5 than base price for a time to try to give them a leg up. Chair Daniels shared the example of Maine that gives direct payments to farmers from the state. Mr. Untz asked if something like that could be put in place for beginning farmers. Chair Stephenson emphasized that it could ease the burden of transition, but there would need to be a compelling reason for why it is needed.

Chair Daniels mentioned how this is a long period of low milk prices. While agriculture is cyclical, he asked Chair Stephenson if there is light at the end of the tunnel. Chair Stephenson said that there is, but the long-term persistence of low prices has been challenging. Some folks, though, have been able to cash flow through this though, at all farm sizes. Mr. Untz agrees that projections are positive. He shared concern though that farmers who lost money may try to get bigger to make more money when prices get a little better. That creates a continuing problem.

Mr. Klussendorf noted that it is hard for younger farmers to get the capital to buy these larger farms when the older generation gets out. Chair Stephenson added that farmers can't get loans if there is not a market for the milk. Mr. Untz said that farms have had to stop expansions because their milk buyer could not buy any more milk.

Ms. Haag mentioned an issue that sometimes people can't take advantage of beginning farmer incentives if they are farming with an older generation that has been in place for years.

Mr. Untz asked Mr. Tomandl if the apprentice needs to be part of the bookkeeping of the farm to learn. Yes, they do. Mr. Untz mentioned the importance of estate planning. Chair Daniels said that it is often more difficult to get the younger generation engaged in estate planning.

Chair Daniels asked Mr. Tomandl how many of their apprenticeships are on organic farms. He replied about 50%.

Chair Daniels asked Mr. Untz about his involvement in cooperatives. Mr. Untz mentioned that he has heard of milk buyers dropping farms. He added that he believes the processing industry in Wisconsin is old and antiquated. He said it is tough. No one wants to monkey around with numerous small producers when they can go to one place to get multiple loads.

Mr. Tomandl said it has been difficult to get support from the industry for the Dairy Grazing Apprenticeship.

Mr. Untz mentioned the consolidation in processing, where they have control of the entire process. He used the example of WalMart and Kiwi Trip.

Chair Daniels asked the group to look at the information that Ms. Kirkpatrick put together on tax incentives. Ms. Kirkpatrick said that more research would need to be done to compare Wisconsin tax policies to other states to see if their policies would work here. Ms. Kirkpatrick mentioned that Paul Dietmann may be a resource on this topic. Ms. Haag asked how often this credit was utilized? Chair Daniels added the services that formerly were available from the state under Dairy 2020, which transformed into Dairy 30x20.

Mr. Untz pointed out that farmers need to make money to take a credit. Ms. Haag asked the group what do farmers need relief from? Mr. Untz suggested educational expenses. Ms. Haag said that last year there was a dairy scholarship. The group pointed out that some other professions had tuition forgiveness. Chair Daniels used veterinarians as an example.

Mr. Untz asked if there could be a community program that locals could do to bring in a farmer when one leaves. Chair Daniels shared the availability of AEA's or Ag Enterprise Areas for communities.

Mr. Tomandl asked who wants beginning farmers? If rural communities want independent farmers, could we as an industry think of how we could form production hubs with 20 150-cow dairies in an area that could compete with a 3,000-cow dairy? Mr. Untz cautioned about a

processing plant in Nevada that is running at half-capacity, because they cannot get someone to come dairy in the area.

Mr. Tomandl pointed out a bottleneck for dairy is skilled people. We need to go into training people.

Mr. Untz asked about the UW-River Falls Pilot Plant Renovation progress. Chair Stephenson added that it can be difficult to find teachers for these areas as well.

Mr. Untz questioned how young farmers can justify getting into the profession if it has been difficult to profitable for the past four years. Despite that, the price of land keeps going up. Ms. Haag agreed that farmers who sell out want to get a high value for their land or even keep it to lease it.

Chair Daniels asked if there are any recommendations to draft based on the discussion. Possibly the tax credit idea?

Mr. Klussendorf did remind the group that you need to be profitable to get a tax credit. Chair Daniels said that at some point, the older generation will pay taxes. Mr. Klussendorf asked if we could make it more attractive to sell to a younger farmer rather than an established farmer, even if they can't pay as much. Chair Daniels pointed out that some of the tax credits required training, which could be advantageous. Chair Daniels pointed out that PDPW had an educational program several months ago on finances/economics, but it was costly at about \$600 a members.

Mr. Untz said the recommendation could be to reevaluate Wisconsin's Beginning Farmer tax credit and add some sort of educational requirement to it. Ms. Haag pointed out that we may need more information. Chair Stephenson said that resurrecting the former program could be a start and then in a few years, it could be re-evaluated. He asked if there was enough incentive to use it?

Ms. Haag asked if the industry wants beginning farmers? Consumers may want family farms and small towns, but does the industry want them in the spirit of efficiency? Do people want their neighbor to get bigger?

Mr. Tomandl pointed out the size growth in organic herds as well as conventional.

Mr. Untz pointed out that an outcome of the last Task Force was that townships and counties lost some control of where dairy farms went. It fell more to a function of the state. Now we have big dairies where some people don't want them, and we are dealing with the milk. He said he's not sure if people view the local dairy farms as key to local communities like they used to. Ms. Haag said that some of that was talking about in the Dairy and Rural Community Vitality sub-committee.

Mr. Tomandl pointed out that once businesses grow past a certain point, they make less of their expenses locally. He asks who wants these farms locally? Ms. Kirkpatrick said possibly people

who do not have a child to take ownership of the farm, but sometimes these people depend on the assets for retirement or emotionally not ready to have someone they do not know take over.

Mr. Tomandl asked if a fund could be established to put some capital behind these farms. Could the fund help purchase out an older generation? Could it be the intermediary to get the cash the farmer needs for retirement? Chair Daniels asked if the Farm Credit system could do that? Mr. Tomandl suggested that the retiring farmer would own part of the fund and slowly pull cash out. Or could it be a local 401K that people invest into. Chair Stephenson pointed out that people would need to be sure that the farm is a potentially viable business.

Mr. Untz asked if more could be done in an AEA. Chair Daniels suggested it may need more funding. He used the example of the stewardship program that people want that to conserve land. Mr. Untz added that Jefferson County buys potential building sites to keep it in agriculture.

Chair Daniels added that it may be difficult to make a recommendation on this. Chair Stephenson added that you could recommend the state look at it or have a formal study group to consider if it is a viable method to transfer rural assets to a next generation. Mr. Untz agreed more research would need to be done before a policy was implemented.

Lunch

The group broke for lunch at 12:13 a.m. and reconvened 12:43 p.m.

Minutes

Resume work on tasks identified in charging document

Chair Daniels asked Ashley Andre to review the two draft recommendations discussed in the morning: reinstating the beginning farmer tax credit and the creation of a fund to aid in transfer between generations. Chair Daniels emphasized the need to include some continuing education with the tax credit.

Mr. Klussendorf will draft a recommendation on the evaluation of the former Beginning Farmer and Farm Asset Owner Tax Credit and its possible reimplementations as is or with modifications as needed.

Ms. Andre reminded the group they had discussed possible funding for education, such as loan forgiveness. Mr. Klussendorf brought up a proposal from 3-4 years ago about something similar. Ms. Andre gave background on the dairy scholarship from 2018.

Ms. Kirkpatrick pointed out that before the state funds were used for dairy scholarships, they were used for transition and succession planning, which was valuable. Ms. Haag added that the Dairy 30x20 funds could help make improvements in management.

Ms. Haag and Ms. Kirkpatrick will start by drafting two recommendations:

- State investment in dairy scholarships
- State investment in transition and succession planning support

Chair Daniels asked if registered apprenticeships could be included in the scholarship. Mr. Tomandl said that each apprentice needs a job sponsor. Could there be employer training support? Chair Daniels pointed out that apprenticeships do have a positive economic impact on the state.

Mr. Untz added that some high schools have apprenticeship programs. Chair Daniels asked if there could be a requirement to receive the scholarship that students have an internship. Mr. Tomandl pointed out that Wisconsin has one of the best apprenticeship programs in the nation. It is very innovative and does a great job.

Ms Haag and Ms. Kirkpatrick will draft a third recommendation on financial assistance for the sponsor of a registered apprenticeship to receive training.

Mr. Tomandl pointed out that sponsors pay the apprentice even when they are at school. They are investing to hopefully have a better employee down the road. Chair Daniels added that internships do cost time and money to do. He asked if we can take advantage to departments that have programs for mentors, such as rural development or workforce development?

Chair Daniels asked about what was needed for generational transfers. Chair Stephenson added that at the last meeting, it was brought up that there are limited 'boots on the ground' through DATCP, UW-Extension and the Center for Dairy Profitability to do transition and succession planning. Could we dovetail on the Dairy Innovation Hub request to provide additional resources for this type of work? Chair Daniels did point out that one of the quadrants was to grow farm businesses and communities. Mr. Klussendorf added the Dairy Innovation Hub recommendation included the need for financial literacy.

Chair Daniels will draft a recommendation about the need for additional resources through DATCP, UW-Extension and the Center for Dairy Profitability to work with farmers on transition and succession planning. Ms. Kirkpatrick may have resources to share to be helpful. Chair Daniels did emphasize that UW-Extension needs more educators in this area and located in the counties. Chair Stephenson mentioned the importance of people in the Dairy Innovation Hub and other state departments not working in silos and reaching across disciplines.

Set a conference call

The sub-committee chose to have their conference call on February 21, 2019 at 1:00 p.m. Members should send documents to Ashley by February 14.

Identify next steps

The following topics will be discussed at the upcoming teleconference:

- Mr. Klussendorf will draft a recommendation on the need for an evaluation of the former Beginning Farmer and Farm Asset Owner Tax Credit and its possible reimplemention as is or with modifications as needed.
- Ms. Haag and Ms. Kirkpatrick will draft three recommendations:
 - State investment in dairy scholarships
 - State investment in transition and succession planning support

- Financial assistance for the sponsor of a registered apprenticeship to receive training
- Chair Daniels will draft a recommendation about the need for additional resources through DATCP, UW-Extension and the Center for Dairy Profitability to work with farmers on transition and succession planning.

Chair Daniels asked for any additional discussion. Mr. Tomandl thanked the group for allowing him to attend the meeting.

Adjournment

The sub-committee adjourned at about 1:32 p.m.

Minutes drafted by Ashley Andre.

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