

## Government task force 2.0

### **Aging farmers**

The issue of aging farmers is one we cannot control. The negative problem is the younger generation does not see much of a future because there is no income security as prices can change rapidly in either direction. Adding to this problem is Wisconsin's education system has been removing vocational education from their curriculum and moving toward college bound instruction. Today some leaders are finally questioning the cost of college against its reward and slowly are beginning to see vocational education as just as important. We are starting to see a resurgence back to better agriculture instruction in the classroom, giving the students work study opportunities on farms and in agricultural fields.

From the 2012 census there were about 11500 farmers under the age of 45. The number from age 45 to 60 there were 63500 in all agriculture activities. The numbers are important as it shows the rapid consolidation of all agribusiness not just dairy. Dairy herds and crop farming are being managed by fewer farmers and much larger farm size

One approach some states are looking at is a positive pay price, for profit, for startup producers and small family farms. An example is the state of New York. They're researching a pay price on the first 200,000 lbs. of production. This number equals an 80-cow dairy producing 80 lbs. per cow per day. All farms would earn a pay price of \$20-\$22 per hundred weight. The balance of the cost could be made up of a less uniform pay price for the balance of the milk of each producer. This may require the federal orders to be changed. It would give start up dairies and small dairies better opportunities to survive. The values above would be needed to change depending on market conditions and inflationary pressure.

### **Regarding the question young farmer startup's**

Colleges are also involved in posting agricultural opportunities to connect youth with farmers who would love to have the next generation work into their

business. If the state of Wisconsin would establish a better connecting link for interested youth it may help this situation. U.W. River Falls does have a program in place.

Could the state make it possible to allow access to the State Trust Fund Loan program to give young farmers a more reasonable interest rate in the first 5-10 years? As this fund is designed to help municipality fund roads and infrastructure and because communities are being damage by the lack of small farms, this may be an asset for young farmers and could benefit from it in startup situations.

An idea that housing is using to help individuals buy their first home is the concept of "Lease to own". Could this idea work for farms and should the colleges in Wisconsin develop a platform that young farmers could access to help them enter the business.

When a young person makes the decision to try and enter dairying today without the help of a relative, family or friend, to obtain the financial backing of a lending institution the requirements to obtain credit is almost impossible to meet. Wisconsin needs to think outside the box to assist the young applicant.

### **Transition to the next generation**

Transfer of a farm today is as hard on the parents as it is the next generation. In almost all cases the value of the farm is the retirement savings of the parent. The retiring must first determine how much they require as most of their assets are fixed and are not fluid. Therefore, the question comes back to how to make the transfer to family. Various methods can be used, such as setting up a legal form which can include, LLC, Corporation (either C, or S); partnerships, or any other form that places the value of the farm and equipment into a form where shares can be gifted. Because of the large value involved, gifting amounts of \$14,500 per person is far too low for nonreporting of gifts for taxing purposes. Inflation increases the overall value of assets at a rate faster than gifts can stay ahead of. Still the parent must always be vigilant of their own needs. The state needs to review gifting laws and our extension personal need to be better

recourses to help these transfer ideas. A network of legal minds specialized in all the ways to accomplish transfers needs to be developed. A listing of this type of legal help should be available so persons young and old can feel confident of the help they choose to use to make transfers work within the law.

Wealth transferring can be done by the courts, if there is no will or other legal documents prepared prior to death. More information again, by qualified legal help is needed. A will is the easiest method in simple situations, however, when other family members are involved trusts seem to be the best method, both revocable and irrevocable are the most frequently used. Qualified legal help is needed to be sure it works under state law. Most importantly it needs to focus on the tax implications for the person doing the transactions; nothing is gained if unseen taxes require the benefiting individual to sell the gift to pay the tax. Today's laws are very helpful in this regard but could be refined to include the rapid inflation we have seen in the world of agriculture.

### **Next Generation**

The next generation of Dairy farmers need to be well educated how to understand cost of production, all government programs, and their effect on his or her operation, how to use programs that supply some guarantee of price, forward contracting, using futures, basis contracts, and yet still be able to undertake day to day activities. Wisconsin's colleges need to increase their courses to cover all aspects of farm management. Wisconsin's short course program should be placed on line offerings, special courses in many of these areas.

If these could be offered online all producers could benefit from specific areas as a producer encounters issues that require additional assistants.

Charles unto producer owner of Chanson Acres Farms Inc.

Jason Untz, co-owner and in the process of transitioning

## The Organization of Dairy Production in Wisconsin

In 2017, according to the Wisconsin Milk Marketing Board Wisconsin produced over 30 Billion pounds of milk. At that time we had 9,520 dairy farms.

(<http://www.wisconsinmilk.com/assets/images/pdf/WisconsinDairyData.pdf>)

average annual lbs/cow	23,552
total WI milk production (lbs)	30,123,000,000
total number of cows	1,279,000

We continue to lose dairy farms. Reports in November 2018 indicate that we may have already dipped below the 8000 farm mark.

The loss of farms and the shift into a structure of production characterized by fewer, but larger farms does have major implications for farm businesses, rural communities, and the larger state economy. Below is a summary of how the production could be organized to achieve the same amount of milk.

Dairy Farms	Average Cows/ Farm	Milk Production per Farm
25,580	50	1,177,600
12,790	100	2,355,200
5,116	250	5,888,000
2,558	500	11,776,000
1,279	1,000	23,552,000
512	2,500	58,880,000
256	5,000	117,760,000
128	10,000	235,520,000

The figure above shows production per farm using the average annual pounds per cow of 23,552 which was recorded for the state in 2017. If we go with round numbers – let's say we can build a structure for our dairy industry that has 12,500 farms with an average of 100 cows or we can produce the same amount with just 250, 5000-cow dairies. There is a fundamental difference between these two choices, with major impacts on our farm families and our rural communities and to the economic and ecological health of our state as a whole.

What do we know about the difference between these different structures? What is the pattern of spending by smaller farms versus larger farms. The larger farms are spending more money in the aggregate but are they spending it locally? Or how much are they spending locally? Are they getting volume discounts or premiums that are then being made up by the