

Vermont Housing and Conservation Board
Vermont Farm Viability Enhancement Program

2007 GUIDELINES FOR FARM TRANSFER PLANS

RATIONALE

Sooner or later every farmer will retire. Before this occurs, many questions arise: Who will take over the farm? Will a younger family member be able to step in? How can assets be transferred over an extended time period? How can multiple heirs be treated fairly when only one has an interest in the farm? Will a buyer from outside the family be able to obtain financing to run the farm at a profit? Will the older farmer have enough equity and savings for retirement?

These and many other questions influence the outcome of a farm transfer. If they cannot be satisfactorily answered, both the retiring farmer and the prospective new owner may be unable to achieve their goals. When this happens the farm itself, as an agricultural resource, becomes at risk. A non-farmer may end up owning the farm, or it may be sold for a non-farm use, such as development.

A program to help farms transfer from one farmer to another is in keeping with the Vermont Housing and Conservation Board's mission of preserving the state's agricultural land for the benefit of future generations. To this end, VHCB authorizes the Vermont Farm Viability Enhancement Program to include Farm Transfer Planning as a component of its business management services offered to Vermont farmers. These Guidelines provide an operational framework for this service.

FARM TRANSFER PLANNING PROCESS

The farm transfer planning process is not unlike the process employed by the Vermont Farm Viability Enhancement Program for standard business plans, except the farm transfer plan may involve more parties, may be more complex, may require specialized technical assistance, and may take longer to complete. Once the plan is complete, it also may take longer to implement, than a standard business plan.

As a prerequisite for participation in farm transfer planning under the Farm Viability Program, at least one of the individuals involved in a proposed farm transfer should attend one or more Transferring the Farm Workshops such as those offered by the University of Vermont Extension Service. This prerequisite may be waived at the discretion of the Director of the Farm Viability Program.

Each farm transfer planning process conducted by the Farm Viability Enhancement Program must have a Coordinator assigned by either a Farm Viability grantee organization or by the Viability Program Director. The Coordinator is responsible for maintaining communication between the interested parties, setting up and facilitation of meetings, calling in technical assistance, and coordinating with and reporting to a grantee organization or the Viability Program Director. The Coordinator may also write the farm transfer plan in collaboration with the interested parties and a business planner.

Initial farm meetings should be aimed at identification of all the individuals who will need to participate in the process; a general assessment of the current farm business (strengths, weaknesses, opportunities, threats); a discussion of the post-farming plans of the retiring owner; an appraisal of the readiness of the prospective owner to take over the business; setting rough goals and timelines for the farm transfer; and formal decision whether to proceed with the farm transfer planning process, to proceed only with a business planning process or other service offered by the Farm Viability Enhancement Program, or to withdraw from the Program. All parties should be aware of the time commitment and “homework” involved in completing the farm transfer plan.

Soon after initial meetings, a set of financial statements for the farm business should be assembled. These should include the farm’s most recent balance sheet and income statement. A cash flow statement may also be prepared at this time, if desired. If farm assets are owned by the prospective owner, he or she should also prepare a balance sheet, at a minimum. These documents may be kept confidential or shared among the parties, as may be mutually agreed. The Coordinator and technical assistance providers shall respect the confidentiality wishes of the participants.

A question that must be answered early in the process is: Who is the client? This is especially important if there are confidentiality issues. In close-knit families or where a retiring farmer wishes to pass the farm to a trusted employee, it may be possible to create one plan for the farm; in this case the clients are all the interested parties.

In other cases, a strategy for the retiring farmer may be worked out separately from a strategy for the prospective farmer. The Coordinator may then serve as a mediator between both clients, with a goal of creating a shared document at the end, even if some components are kept private. The Coordinator should be clear at all times whether the Coordinator’s role is that of mediator or that of advocate for one client or another.

If the farm transfer will involve creating a new ownership structure, or if it will involve leases, contracts, or agreements on the sharing of income or the transfer of assets, these issues should be discussed early in the process, so that the Coordinator can determine if and when technical assistance such as legal counsel, tax accounting advice, specialized farm financial advice, business planning assistance, and retirement planning advice shall be brought to the table.

The enlistment of specialized technical assistance shall be approved by the Coordinator in consultation with the farm participants, the Farm Viability grantee organization, and/or the Farm Viability Program Director. The Farm Viability Enhancement Program will cover these and related technical assistance costs, up to pre-established limits, provided that the services are limited to actual consulting, and do not include services such as legal document preparation, tax return preparation, etc.

The final stage of the transfer planning process is the preparation of the written document described below. This document’s various components may be written by different parties, including the participating farmers, the Coordinator, a business planner, or a technical assistance provider. However, the Coordinator is responsible for ensuring that the document is completed, or for reporting the circumstances surrounding a delay or deadlock in the writing of the plan.

The process of farm transfer planning can be difficult and time consuming. That's because in addition to establishing the goals and objectives of the business, and outlining implementation steps, a farm transfer plan must articulate distinct goals and strategies of both the prospective new owner and the retiree. At the outset, these goals may not all coincide. This means farm transfer planning can be challenging but also rewarding for both the farmers and the Viability providers.

FARM TRANSFER PLAN DOCUMENT

A farm transfer plan produced under the Farm Viability Enhancement Program should contain four components: (1) a snapshot of the current farm business; (2) an outline of the farm transition goals and process; (3) an acquisition plan; (4) and a retirement plan.

The outline below should be treated as a list of categories within which there is a menu of items to choose from as appropriate for the farm. Categories may be reordered or renamed as long as the same basic information is included. The underlined items are mandatory.

1. Cover sheet

- Name of farm and farmers'/owners' names
- Names of prospective new owners
- List of specialists who contributed writing or provided input
- Date of plan
- Statement: "Farm transfer plan produced with funding from the Vermont Farm Viability Enhancement Program"

2. Table of contents (helps readers quickly find sections and references)

3. **Summary**—This should be written at the conclusion of the planning process and should describe the purpose of the farm transfer plan. Also any changes in ownership structure or specific management changes that are planned should be summarized.

4. Snapshot of current farm business

- Farm location
- Number of acres owned and/or rented
- Present ownership structure (for example, "sole proprietor," "family corporation," etc.)
- When acquired or how long owned (for example, "acquired in 1997" or "in the family since 1952")
- Brief description of farm buildings (for example, "80 cow comfort stall dairy barn, heifer freestall, machinery shed)
- Brief description of personnel, their qualifications and their farm responsibilities (for example, "Bob—full time manager, has 2-year ag. degree; Mary—part time, bookkeeping and fieldwork; son Bill, high school student, part time field work and relief milking; farm also hires seasonal labor by the hour during haying)
- Brief description of production units (for example, "120 milk cows," "3 acres commercial vegetables," "700-tap sugarbush" etc.)
- Description of each product sold (for example, "raw milk, bulk" "mixed vegetables—wholesale and retail," etc. If multiple crops are produced it is not necessary to describe each one, instead describe broad categories.)
- Description of each market (for example, "milk shipped to Agri-Mark" or "vegetables sold at farmers' market, local restaurants, farmstand, and prepayment CSA customers")
- Brief production history (for example, "shipped 700,000 lbs. milk last two years, with 18,000 lb. rolling herd average)
- Strengths and weaknesses analysis

- Most recent income statement
5. **Farm transition goals and process**
 - Farm transition goal(s)
 - Description of challenges or issues impacting a successful farm transfer
 - Timeline of various steps to complete implementation of transfer
 - Description of transfer mechanisms, i.e., leases, LLC's, share agreements, purchase contracts, etc. Status and timeline for implementation of each mechanism.
 6. **Acquisition plan**
 - Personal goal(s) of prospective owner(s)
 - Education and experience of prospective owner(s)
 - Balance sheet of prospective owner(s)
 - Identification of financing source(s)
 - Anticipated management changes during or after transfer process
 - Cash flow projection
 7. **Retirement plan**
 - Personal goals(s) of retiring owner(s)
 - Assessment of wills
 - A cash flow statement
 - Assessment of retirement income needs
 - Most recent balance sheet, including loan summary and estimate of deferred taxes
 - Proposed uses of farm equity following transfer
 8. **Appendices**
 - Summary of technical assistance provided in coordination with the farm transfer plan
 - Draft legal documents, maps, pictures, etc.

CONFIDENTIALITY

Farm transfer plans contain confidential financial information, such as income statements and balance sheets. They may also describe legal documents and contracts of a sensitive nature. Viability planners and technical assistance providers must agree to keep farm transfer plans confidential to protect farmers' interests, but must agree to furnish copies of completed farm transfer plans to Vermont Housing and Conservation Board staff.

VHCB staff will require copies of completed farm transfer plans for several reasons: (1) to monitor quality of work conducted by those receiving VHCB funds, (2) to collect data on the economic viability of the farms being assisted, in anticipation of being able to measure the success of the Program over time.

VHCB, as a public instrumentality, is subject to the Vermont Open Records Law, 1 VSA § 317. The statute contains specific exemptions for tax-related information of persons, personal financial information of an individual, and trade secrets. Therefore the information submitted by service providers to VHCB will be held in confidential files at VHCB and will not be available for public inspection under the Open Records Law.