



Minnesota hopes to build its farm team with tax incentives

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Minnesota hopes to replenish its aging population of farmers with young blood through a new program that will offer tax credits to retiring farmers who sell land, livestock, buildings or machinery to industry newcomers.

State Sen. Mike Goggin and Rep. Nels Pierson, both Republicans, co-authored the Food Production Tax Credit, a first-in-the-nation law aimed at expanding the state's farm team before it is depleted.

Gov. Mark Dayton recently signed the legislation into law, and sponsors believe it is a plan that can go national as farmers across the country age.

The average U.S. farmer is just shy of retirement at 58 years old, while in Minnesota that age is 55, according to 2012 U.S. Census data. Only 4 percent of Minnesota farmers are under the age of 35. Pierson said he was concerned about the lack of prospects for replacing a generation that is retiring.

"That's not exactly a recipe to keep food on our tables going forward," Pierson said.

One of the reasons millennials and Generation Y members have been slow to enter the industry is the hefty price tag associated with getting started, according to Andrew Bahrenburg, national policy director for the National Young Farmers Coalition.

"I grew up on a dairy farm and saw how hard it was to enter the profession if you didn't already have the land, equipment and other capital costs needed to start farming. As a Realtor, I had heard stories about the difficulties that beginning farmers faced in getting financing, and those challenges created a preference for those who owned the land to sell or rent their land to established farmers who wouldn't face those challenges," Pierson said.

Bahrenburg says his organization surveyed its members and found access to affordable farmland was the top challenge nationwide.

Nebraska and Iowa have offered tax credits for leasing land, but not the sale of it.

Pierson and Goggin consulted with the Central Minnesota Young Farmers Coalition when writing the law and found a solution that addressed both sides of the coin.

The program is available to any Minnesota resident who has entered the industry within the past decade and intends to be the primary worker of the farm.

The credit is equivalent to 5 percent of the sale price, 10 percent of the cash rent or 15 percent for a cash share deal.

Young farmers can receive a tax credit up to \$1,500 for taking a qualified financial management course, but do not receive tax credits for buying land or other farm-related items.

"We need to facilitate land transfer, that's the most acute need of young farmers," Bahrenburg said.

Farmland has become increasingly consolidated across the country. The goal of the new policy is to ensure those starting out in the industry, who often have issues accessing credit, have a leg up in their search for real estate. For a novice farmer, being able to find good land is equivalent to a retiring farmer's ability to get an extra good deal on selling it.

The credits will be offered in fiscal 2018 through 2022 and will be given on a first-come, first-served basis. An estimated \$5 million to \$6 million will be available each year.

"This bill offers a win-win solution for the future of farming in Minnesota," Central Minnesota Young Farmers Coalition co-founder Matthew Fitzgerald, an organic grain farmer, said in a [statement](#).

Cato Institute economist Chris Edwards says the government subsidies are a waste of money, considering the \$25 billion that farmers receive annually.

"The new tax breaks for farmers in Minnesota are completely ridiculous. Farming is already the most heavily subsidized industry in America, so Minnesota farmers do not need more subsidies," Edwards said. "Also, farm tax breaks and subsidies are welfare for the well-to-do. Farm households have average incomes far above average American incomes. [Department of Agriculture] data show that in 2014 the average income of farm households was \$134,164, which was 77 percent higher than the \$75,738 average of all U.S. households."

Minnesota's Rural Finance Authority is required to publish a report on the program's usefulness by Feb. 1, 2022. The agency also has been tasked with getting farmers to sign up.

Bahrenburg says he believes the program will entice out-of-state farmers to move to Minnesota and will trigger other states to introduce similar programs.

"It will hopefully spur some healthy competition amongst states," Bahrenburg said. "It's one way to get aspiring farmers to stay in your state, and it can help attract young people to your state."