



Planning Solutions for Families in Agriculture

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Estate, Business Succession and Wealth Preservation Planning are issues of immediate importance to farmers and ranchers. Not surprisingly, like most Americans the vast majority of the nation's farmers and ranchers have no succession or estate plan in place. Although unlike other Americans, these families have much more at stake than a few mutual funds and a life insurance policy.

The U.S. food and farming system contributes nearly \$1 trillion to our national economy, more than 13 percent of the gross domestic product, and employs 17 percent of the labor force. Eighty-six percent of America's fruits and vegetables are grown near metropolitan regions, where they are continuously threatened by development. Cattle are a significant economic driver in rural communities and are produced in all 50 states, and their economic impact contributes to nearly every county in the nation.

Additionally, farmers and ranchers are the stewards of America's natural resources. Small farms and ranches are responsible for the vast majority of the approximately 52 percent of total U.S. land that is used for agricultural purposes and, therefore, plays a major role in conservation and natural resource protection. Agricultural land supplies important non-market goods and services for our environment. Farm and ranch lands provide food and cover for wildlife, help control flooding, protect wetlands and watersheds and maintain air quality. Agricultural land absorbs and filters wastewater and provides groundwater recharge. Agriculture represents one of the most cost-effective ways of improving two of our most critical environmental challenges: water quality and climate change. However, this productive farm and ranch land which is comprised of fertile soils that took thousands of years to develop is a finite natural resource that is irreplaceable. Regrettably, we lose 125 acres of farm and ranch land to development every hour.

The vast majority of farms and ranches in the United States are family owned and operated. Many of these farms and ranches have been in the family for several generations, and over 37,500 cattle producers operate enterprises that have been in their family for more than 100 years. In rural America, the estate tax is considered one of the leading causes of the breakup of multi-gen-

eration family farms and ranches. Without proper planning these families risk the forfeiture of large tracts of land and other assets used to run their agricultural operations. For these asset-rich and cash-poor family businesses, the appraised value of rural land is extremely inflated in comparison to its agricultural value. Farming and ranching families are too often forced to sell off land, equipment, components of the agricultural operation, or the entire ranch to satisfy estate tax liabilities.

An estimated 70 percent of U.S. farmland will change hands in the next 20 years, but many family operations do not have a next generation skilled in or willing to continue farming. If a farm or ranch family has not adequately planned for succession, it is likely to go out of business, be absorbed into neighboring farm operations, or be converted to non-agricultural uses. However, there are numerous planning solutions and strategies available to insulate these families from their exposure to the liability of transfer taxes, and preserve family values, land and agricultural operations. Planning for families in agriculture involves the preservation and protection of a family legacy, a way of life and the values upon which this country was built. Successful management of agricultural operations, inter-generational transfer of farms and ranches, and the retention of agricultural land in production are essential. The future of the agriculture industry and our nation's food supply will be determined by the succession planning decisions that farmers and ranchers make today. Over half of all agricultural landlords are age 65 or older. The time to begin planning solutions for these farm and ranch families is now!

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