

## Agribusiness Incubator Project

### Model Development Workgroup

January 21, 2004

As Wisconsin was settled people brought with them a vast array of personal experiences, from a variety of places and cultures. The state was settled as families and ethnic communities where they learned together on how to farm the new land. For those who made it past their initial years the intergenerational transfer of land and knowledge began. Any attempt to revitalize farming and rural communities needs to acknowledge that people aspiring to own and operate their own farms need more than access to capital. They need a community support system that provides the variety of resources that can help make that goal a reality.

As the Agribusiness Incubator Project moves forward it will look at several different ways to provide this new generation of farmers with the resources they need to have every opportunity for success. The long-term goal is to act as support systems for a variety of agricultural operations but in the short term the USDA Dairy Revitalization Grant will focus attention on using grazing dairy systems as a vehicle since they have been shown to be effective in allowing new dairy farms to get started.

In setting up what we will call “incubator” farms there are several potential models for getting new people started into farming. What follows are at least five different model alternatives that the Model Development Workgroup explored. The models represent a spectrum of alternatives but it is clear that there is a lot of gray area in between. The possibility is very good that several ideas may be put together.

### Model Alternatives

1. Internship: The intent of an internship model is to provide a farming experience to those who might be interested in farming themselves or perhaps those who may be looking at careers that support the farming community and would like to gain some practical insight and experience.
  - a. The mentor farmer would have a short-term commitment to the intern but would view him or herself as an educator/mentor. They would not be looking at this as an arrangement that would give them a cheap labor source.
  - b. The intern would also be looking at this as a short-term commitment with the expectation that it would gain them some valuable experience. They could be people who have no experience or perhaps experience in a different farm setting.
  - c. For the purposes of the Dairy Revitalization Grant portion of this project, which is emphasizing grazing based systems, the following list of criteria should be considered in selecting candidates:
    - Owner
      - 1) Demonstrated skills in grazing management
      - 2) Educator/mentor mindset and willingness to improve those skills
      - 3) Capable of paying competitive wages for the position
      - 4) Willingness to expose the intern to the entire operation by the end of the agreed upon time of employment
      - 5) Not looking for cheap labor
    - Intern
      - 1) Show-up
      - 2) On-time
      - 3) Willing to learn

2. Apprenticeship that provides experience: The intent of this alternative is to provide someone who has already had some farm experience and is seriously looking at farming as a career with farm and/or herd and business management skills. This could eventually lead to an arrangement that could allow them to build equity on this or another farm operation with the long-term goal of owning and operating their own farm. It would be viewed as a long-term, 2-3 year commitment.
  - a. The mentor will be committed to a 2-3 year relationship that builds management skills for both the mentor and the apprentice. The mentor should be willing to take part in education efforts that will improve both their mentoring and farm management skills. They should also be willing to share in management decisions. The mentor may or may not be ready to transfer their assets but is interested in developing new farmers and perhaps would be willing to do so in the future.
  - b. The apprentice will be committed to a 2-3 year relationship and will be willing to learn about and take part in herd and farm management decisions. There should be no expectation beyond gaining management experience. They should be willing and capable of taking part in farm and business management training, such as workshops, classes and discussion groups
  - c. There should be agreed upon stage of development set so they can be assessed.
  - d. There should be written contracts with escape clauses
  - e. For the purposes of the Dairy Revitalization Grant portion of this project, which is emphasizing grazing based systems, the following list of criteria should be considered in selecting candidates:
    - Owner
      - 1) Willing to involve apprentice in management decisions
      - 2) Farm capable of paying competitive wages
      - 3) Has demonstrated farm and grazing management skills
      - 4) Willingness to share financial information that could be used in business plan development.
      - 5) Able to assist in providing convenient housing
      - 6) Educator/mentor mindset and willingness to improve skills
    - Apprentice
      - 1) Capable and willing to learn management skills
      - 2) Some farm experience
      - 3) Has 2-3 years to invest
  
3. Apprenticeship that builds equity: The intent of this model is to provide someone who has already had several years of farm experience, is seriously looking at farming as a career with the farm and/or herd and business management skills. It will also provide an opportunity to build equity that could go toward to the purchase of the farm they are doing an apprenticeship on or another one. It would be viewed as a long-term, 2-3 year commitment.
  - a. The mentor will be committed to a 2-3 year relationship that builds management skills for both the mentor and the apprentice. The mentor should be willing to take part in education efforts that will improve both their mentoring and farm management skills. They should also be willing to share and even give up some of their management decisions as time goes on. The mentor should be willing to slowly transfer some assets so they are not only developing the skills of the apprentice but also their financial ability to purchase their own farm. The mentor may or may not be looking at transferring the actual farm to the apprentice.

- b. The apprentice will be committed to a 2-3 year relationship and will be willing to learn about and take part in herd and farm management decisions. There should be no expectation beyond gaining management experience. They should be willing and capable of taking part in farm and business management training, such as workshops, classes and discussion groups
  - c. This model must make economic sense to both parties
  - d. There should be agreed upon stage of development set so they can be assessed.
  - e. There should be written contracts with escape clauses
  - f. For the purposes of the Dairy Revitalization Grant portion of this project, which is emphasizing grazing based systems, the following list of criteria should be considered in selecting candidates:
    - Owner
      - 1) Farm big enough to handle finances
      - 2) Demonstrated profitability
      - 3) Convenient housing
      - 4) Willing to involve apprentice in management decisions
      - 5) Farm capable of paying competitive wages
      - 6) Has demonstrated farm and grazing management skills
      - 7) Willing to develop business plan
      - 8) Willingness to share financial information that could be used in business plan development.
      - 9) Educator/mentor mindset and willingness to improve skills
    - Apprentice
      - 1) Demonstrated their capability and willingness to learn management skills
      - 2) Practical farm experience
      - 3) Has 2-3 years to invest
      - 4) Meets financial needs
      - 5) Willingness to learn business management skills and business plan development.
4. Sharefarming: The intent of this model alternative is to provide a vehicle for the person who has already demonstrated their farm management skills to build the equity required to purchase the farm that they will be sharefarming on or any other farm that is available in the marketplace.
- a. The sharefarming arrangement can may range from a 70:30 (owner:sharefarmer) arrangement to a 50:50 depending on the equity that the sharefarmer brings to the arrangement.
  - b. The farm owner may or may not want to sell their property but gives up all day-to-day management decisions.
  - c. Management decisions that impact the owner's fixed assets will need to be considered depending on the transfer intent of the owner.
  - d. This model must make economic sense to both parties
  - e. There should be written contracts with escape clauses
  - f. For the purposes of the Dairy Revitalization Grant portion of this project, which is emphasizing grazing based systems, the following list of criteria should be considered in selecting candidates:
    - Owner
      - 1) Farm big enough to handle finances
      - 2) Demonstrated profitability
      - 3) Convenient housing

- 4) Owner willing to give up and/or share day-to-day management decisions
  - 5) Owner involvement in long term planning that fits transfer goals
  - 6) Has time to work with process
  - Sharemilker
    - 1) Has herd and grazing management skills
    - 2) Sharemilking arrangement meets financial needs and goals
    - 3) Has time to invest
    - 4) Willingness to learn business management skills and develop a business plan.
5. Outright Purchase: The intent of this model alternative is to allow a farmer who has demonstrated their abilities and has already developed the level of equity required to allow for an outright purchase of a farm using any number of funding mechanisms.
- a. Possible funding mechanisms could include:
    - USDA or other agency low interest loans
    - Outside investors
    - Local banks
    - Lend-lease agreements
    - Land contracts
  - b. The agribusiness incubator project could provide:
    - Business management skill development
    - Assistance in exploring ways to meet financial criteria that would be established by lending institutions
    - Assistance in working with potential owners in matching their goals to farm resources.
    - Business planning resources
  - c. For the purposes of the Dairy Revitalization Grant portion of this project, which is emphasizing grazing based systems, there should be recognition that outright purchases of farms outside of the Agribusiness Incubator Project will be made. Resources should be made available that would improve the success of such operations. For farms that are interested in working through the Incubator Project the following criteria should be considered:
    - Owner wishing to transfer ownership
      - 1) Willing seller with farm conducive to grazing.
      - 2) Assets that suit the grazing model.
      - 3) Suitable housing for new owner at location.
      - 4) Clean transfer of farm, housing, etc.
      - 5) Immediate transfer possible.
      - 6) Fair price.
      - 7) Perhaps possibility of a land trust
    - New Farmer
      - 1) Adequate equity
      - 2) Demonstrated management skills
        - a. Grazing
        - b. Herd
        - c. Business
      - 3) Willingness to put together business plan.