

Agribusiness Incubator Project Summary

May 18, 2004

What follows is a summary of the initial meetings held in October, November and December 2003 to set up and provide guidance for the Agribusiness Incubator Project, the results of the One-Stop-Shopping Resource Development, Funding and Transition Model Development workgroup meetings held in January and February 2004, and the list of action items that came out of the steering committee's March 24, 2004 meeting.

1. Guidance for the overall project:

A. At the initial meeting of the project, the 24 people who attended were asked to respond to the following statement *"In 2008 the Agribusiness Incubator Project will be successful if it"*. They were then asked to rank those statements. These are the top six answers.

- 1) Has developed a wide range of successful transition strategies that improve the economic viability of farming.
- 2) Helped create efficient, cost effective and environmentally sound farm businesses that reduce the polarization in agriculture
- 3) Developed recruitment and development models that satisfy both the needs of those entering and exiting agriculture.
- 4) Reliable funding source for the project and to help transition farms to new owners.
- 5) State policymakers are engaged.
- 6) One-stop-shopping for resource information set up for both entering and exiting farmers.

B. Mission Statement: ***"The Agribusiness Incubator Project provides opportunities, processes and resources that facilitate the entry of new farmers and farm businesses into the agricultural community of North Central Wisconsin."***

C. The Incubator Project should provide:

- 1) A learning environment for everyone involved.
- 2) Methods and opportunities for building financial equity for new farmers and providing financial security for exiting farmers.
- 3) Incentives for mentors and exiting farmers to be involved.
- 4) A contact point for people interested in getting into farming, exiting farming or mentoring new farmers.
- 5) Financial benchmarks for assessing success.
- 6) A simple system that can allow for several transition models to run at one time.
- 7) A way of preserving the agricultural production capacity of the region.
- 8) Support and guidance in dealing with legal and labor related issues involved in farm transitions.
- 9) A way for people from diverse ethnic and cultural backgrounds to enter farming.
- 10) A screening process for mentors, exiting farmers, apprentices, interns and new farm owners that improve the chances of successfully transitioning farms to a new generation.
- 11) A screening process for farm sites that are physically sound and environmentally sustainable.
- 12) A method of demonstrating how such an investment of resources adds value to the taxpayer's investment.

2. **Model Development:** The charge of this workgroup was to develop some different models for getting a new person started in farming. All of the models may likely be pursued but the group decided to initially promote the sharefarming and outright purchase alternatives.

A. The five models that were developed for consideration are:

- 1) *Internship:* The intent of the 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.
- 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 the opportunity to improve their farm and/or business management skills. This may 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. This option would be viewed as a long-term, 2-3 year commitment.
- 3) *Apprenticeship that builds equity:* The intent of this model is to provide someone who has already had several years of farm experience and is seriously looking at farming as a career with the opportunity to improve their farm and/or business management skills. This model will also provide an opportunity to build equity that could go toward the purchase of the farm they are doing the apprenticeship on or perhaps another one. It would also be viewed as a long-term, 2-3 year commitment.
- 4) *Sharefarming:* The intent of this 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 that is available in the marketplace.
- 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 for an outright purchase of a farm using any number of funding mechanisms.

B. The group felt that there were several features to the sharefarming and outright purchase alternatives that made them appealing to begin with:

- 1) These alternatives may be more realistic possibilities for North Central Wisconsin because of the current farming culture and business resources in the area.
- 2) There are a number of sharemilking and outright purchase examples that have been set-up in the United States that could be used in developing these arrangements. Sharemilking is a very common practice in countries such as New Zealand where it is the primary method for young farmers to get into the business.
- 3) Neither of these alternatives would require the supervision of internships and apprenticeships.
- 4) Sharemilking would provide a model that interns and apprentices could realistically strive for.
- 5) The outright purchase alternative may be able to connect people who are currently looking for ways to transition into and out of farming.
- 6) Both of these alternatives would utilize the funds currently available through the Dairy Industry Revitalization Grant to develop tools and resources that increase the chances of successfully transitioning farms to another generation of farmers. Such things as model agreements, financial recordkeeping support systems, mentorship training for mentoring farmers and methodology for screening potential participants.

3. **One-Stop-Shop Resource Development Workgroup:** The charge of the One-Stop-Shop Resource Development Workgroup was to develop an easy to access, seamless process for obtaining information on resources that are important in developing new farm businesses.
 - A. In developing the resource list the group felt the following items were important for consideration:
 - 1) It should be a web-based system that is available wherever someone has Internet access.
 - a) One of the features of the website should be a direct link that doesn't need a long address routed through other websites. This would be important for making it easy to find the site.
 - b) The New Zealand dairy industry has developed a website entitled "Lets Talk Dairying". The address for the website is <http://www.letstalkdairying.co.nz/>. The website is a good example of how a country has taken the leadership in mentoring a new generation of farmers.
 - c) Currently the funds exist through the Dairy Revitalization Grant to get a website set up.
 - 2) Although it will be primarily web-based all material should be easily downloadable and printable so they can be distributed to people without web access.
 - 3) The central point of contact should be the Marathon County Economic Development Corporation in order to take advantage of skills and resources already available. UW-Extension and Marathon County Conservation, Planning and Zoning staff will aid in the development of resources.
 - 4) Listings should be free but with annual updates, similar to the United Way First Call Program, for agencies and non-profits services.
 - 5) Listings for the private sector or those who would personally profit should be charged a nominal fee that shows a commitment and allows for an incentive/mechanism to update information.
 - a) Once the site is up and running the maintenance of the site could be handled by charging an advertising fee to agribusinesses who would like to be listed on the site. An advertising fee of \$50 per year would provide \$1000 if even 20 businesses choose to use the site.
 - 6) The goal would be to have the website up and running by the time of the Wisconsin Valley Fair.
 - B. Resources for potential inclusion:
 - 1) Financial
 - 2) Markets
 - a) Direct
 - b) Commodity
 - 3) Processing
 - 4) Legal
 - 5) Agencies
 - a) Regulatory
 - b) Retention, expansion and development
 - c) Relief and special assistance
 - 6) Land and mapping
 - 7) Commercial Businesses

4. **Funding Workgroup:** The charge of this workgroup was to identify possible obstacles, and related financial implications, to the success of the various incubator model alternatives and what the financial implications of each of those obstacles might be. Once obstacles are identified possible ways to eliminate them, reduce their impact or work around them will be explored. Funding needs broke down into two main areas; those associated with the different alternatives and those associated with the overall project.

A. Model Alternatives

- 1) For Internship and Apprenticeship Models there are several costs that will need to be addressed in order to effectively deal with each model. These would include such things as:
 - a) Mentoring expenses for the farmer who would be working with the apprentice.
 - Mentor training
 - Business analysis
 - Liability costs
 - b) Intern or Apprentice costs
 - Educational programs
 - Business plan development
 - c) Coordinator to monitor the programs
- 2) For models that deal with equity transfer or capital investments there will be some costs similar to the Internship and Apprenticeship Models; such as educational support, mentoring and business planning and analysis. Besides those costs if a mentoring farmer or farm owner wishes to transfer their property there may need to be funds available in order to improve the chances of these models being successful.
 - a) Possible sources may be able to come from the farm itself, a guaranteed loan program, or a foundation established to promote the education and development of new farms. There may also be various bank loan programs.
 - b) Funds similar to revolving loan funds should be put into place that could help in the transition process. Perhaps things similar to tax incremental finance districts.

B. Expenses associated with the overall project

- 1) Potential costs may include such things as:
 - a) Curriculum development for the various alternative models that may exist.
 - b) Advertising and promotion of the project.
 - c) Analysis time and materials for evaluating farm business plans and current situations, as well as estimating the cost of converting a farm to a new type of system. For this particular project the system would be a grazing based dairy farm.
- 2) In order to meet these costs in an ongoing basis there are several features that the oversight organization should have:
 - a) It should have a clear mission statement aligned with the mission of the project.
 - b) Part of a larger organization that has access to personnel, fiscal mechanisms and capital items that would keep operating costs to minimum.
 - c) It should have Federal IRS 501c3 status.
 - d) It should be able to maintain an oversight committee that oversees funds and farms – similar to revolving loan funds that are managed through EDC's.

5. **Next Steps:** Based on the results of the all the previous meetings the steering committee agreed to proceed with the following activities. Lead people have been identified but the involvement of the farmers and local agribusiness people will be critical for success.
- A. Development of an application process that indicates a commitment from new, exiting and mentoring farmers to be involved in the process. Cadwallader will begin work immediately with Gliniecki and Daigle on where and how to keep track of people expressing interest in the project and the application process and promote the effort.
 - B. Development of uniform personal, business and financial analysis tools for arrangements involving some kind of transfer of equity. Cadwallader will work in this area with Extension colleagues and local financial advisors and attorneys who specialize in farm financial management and farm transfer arrangements.
 - C. Development of site analysis tools of farms interested in transferring to another operator. Daigle will work with Marathon County Conservation, Planning and Zoning Department staff, NRCS, WDNR, WDATCP and perhaps rural electric providers in the development of these tools. Based on the current Dairy Revitalization Grant the initial evaluation should include:
 - 1) Cost of transitioning the farm to a grazing based system.
 - 2) Possible costs associated with complying with various environmental regulations.
 - 3) A stray voltage risk assessment
 - D. Business planning information will be developed for new farmers and also farmers who wish to enter into an apprenticeship with equity transfer or sharemilking. Cadwallader will lead this effort and it will likely include such things as:
 - 1) A business plan outline and information resources.
 - 2) The development of financial benchmarks for business plan development.
 - 3) A class on business plan development.
 - 4) The development of a network of advisors similar to SCORE, or perhaps even affiliated with SCORE.
 - E. One-Stop-Shop resources will begin with the creation of a website similar to what has been done in New Zealand but adding many features that are unique to Wisconsin. Gliniecki and Paul Nehring will work with Chamber staff and their web developer to create a unique Agribusiness Incubator website. Initial meetings have already begun and the goal is to have something ready to go by the 2004 Wisconsin Valley Fair.
 - F. A Mentoring network will be developed as a support system for new start-ups. Cadwallader will work with Steve Stephenson, of the UW-Madison Center for Integrated Agricultural Systems, Nehring and Eric Hurley from Northcentral Technical College in the development of a mentoring and support system.
 - G. The possibility of setting up a teaching farm in conjunction with Northcentral Technical College and the Village of Edgar will be explored by Hurley. This may be a starting place for the internship and apprenticeship part of the project.
 - H. Sources of funding for farming system upgrades and business planning will be explored.
 - I. Cadwallader will be working with Marathon County Administration and UW-Extension evaluation specialists on an evaluation process to assess the impact of this project.