Keep It Growing™
Southwest Minnesota’s Farmland Giving Program

Confirmed in Compliance with National Standards for U.S. Community Foundations
About the Presenter

• Named President/CEO in January 2015
• Joined SWIF in 2001 as development director
• Long, hands-on history with farmland giving as SWIF VP/COO
• Farming background
• Happy to share about this unique program!
  – www.swifoundation.org
  – www.keepitgrowing.org

Diana Anderson
President/CEO
Foundation Facts

• One of six **Minnesota Initiative Foundations** founded in 1986 by The McKnight Foundation

• Regional community foundation serving the 18 counties of southwest Minnesota
  - Current assets of $80 million
  - 114 funds, including 24 affiliates
  - $27 million awarded in grants
  - $41 million made in loans
  - Proactive programming around early childhood, leadership and economic development
Regional Facts

• 156 communities
  – 4 with 10,000+ population
• 287,000 people
  – 19% age 65+ (13% statewide)
  – Median household income $52,000
• Headquarters for AGCO, TORO, largest 3M plant in North America, Jennie-O Turkey Store, JBS, Schwan Food Company
• Top national producers of corn, soybeans, sugar beets, turkeys, hogs
• Generates 70% of wind energy statewide (Minnesota is 7th in U.S.)
• Produces 38% of ethanol statewide (Minnesota is 4th in U.S.)
Farmland is our greatest asset

- Of the 7.9 million acres that make up our region, 6.2 million (or 78%) is tillable farmland
- Average price per acre in 2014 of tillable farmland in southwest Minnesota: $7,522

SOURCES: 2007 Census of Agriculture, total value based on $3,500 per acre, USDA Economic Research Service
Farmers are an untapped market for rural philanthropy

- Emphasis on cash giving
- Average net cash farm income in Minnesota between 1996 and 2013: $72,163
- Farmers hold wealth through land, not cash

SOURCES: 2007 Census of Agriculture, total value based on $3,500 per acre, USDA Economic Research Service
Keep it Growing℠
Southwest Minnesota’s Farmland Giving Program

- Preserves one of the greatest natural assets in our region…farmland
  - Land owners receive tax benefits and income
  - Tenants continue to farm the land
  - Counties receive property tax income
  - SWIF retains ownership, stewards the land, and uses the income to support its work in communities
Patience pays off…
BIG TIME!

- Practicing agricultural law in Lakefield, Minnesota, since 1977
- Pat had the idea in 1982 when creating a private charitable trust
- Presented the concept paper to the American Agricultural Law Association (AALA) in 1994
- Shared it with SWIF in 2002
- Implemented in 2005 when exemption Z to the Minnesota Corporate Farming Law was enacted
Program Components

- Policies and procedures to allow SWIF to accept, keep and manage farmland
- Life estate as a vehicle to give farmers income for life and significant tax benefits, with SWIF as the remainderman
- Donor-designated fund option so that farmers may fulfill their own philanthropic goals through their legacy
- Marketing program to reach financial advisors and key influencers
How Keep it Growing℠ Works

Gift of farmland is used to provide tax benefit, stream of income, charitable giving and continued crop use.

Charitable Life Estate created for donors

- Donor receives immediate tax deduction on charitable portion of the gift
- Donor retains rental income for life

Upon passing

Remainder interest passes to SWIF

- Annual rental income used to fulfill charitable wishes of the donors through a memorial fund or unrestricted endowment

Land stays in production

Property managed through the Keep It Growing℠ farmland giving program

- Tenants continue to farm the land
- SWIF manages the property according to sound practices

Gift of farmland is used to provide tax benefit, stream of income, charitable giving and continued crop use.
The Policies

• Originally written to provide detailed direction
  – Types of land to be accepted or declined
  – Process for conducting due diligence
  – Fees and cost sharing
  – Fund agreements
  – Rental agreements
  – Retention period

• Every gift is different and policies were too restrictive
  – Committee of the board oversees each potential gift
  – Check list used to ensure best practice is followed with each
The Process

- Terms negotiated with donor i.e. timing and designation of gift
- Phase I environmental assessment completed
- Appraisal completed
- Gift presented to board for acceptance
- Booked at cost – our choice. Can book at current value and pay for regular appraisals.
  - Need birth dates of life estate beneficiaries and appraisal to calculate gift amount and life estate liability
- Beneficiary assumes all costs during life tenancy – MIT agreement
- SWIF assumes cost, management, and income upon passing of last life tenant
Marketing Plan

Linder Farm Network
Weekly sponsorship on regional farm radio network to raise awareness and drive traffic to the website

Minnesota Farmfest, Life Connections and Other Events
Booths at regional and local farm events to raise awareness with farmers and build database

Sessions for Planners and Donors
Webinars and luncheon sessions to provide detailed information to partners, planners, and donors

1:1 Visits
Meet individually with those who self-identify or are referred to the program
Choice and Flexibility

Timing of Gift:
- Immediate – maximum charitable deduction
- With life estate retained – tax deduction based on life expectancy of life tenants and income stream for life

Purpose of Gift:
- Donor-advised fund
- Field of interest fund
- Community foundation or designated fund
- SWIF’s General Endowment

Use of the Farm:
- Have SWIF keep or sell the property
- Hold in perpetuity or non-endowed

This flexibility uniquely positions community foundations to be an attractive partner for farmers and nonprofits.
Factors Influencing the Decision to Give

- Average age of farmers in the region is 53 years and rising
- 91% of Minnesota farmers are sole proprietorships owned and operated by farm families
- Many do not have an estate plan and have not named a successor
- Emotional tie to the land goes beyond the balance sheet

SOURCE: 2007 Census of Agriculture, 1997 Census of Agriculture
Donor Profile

- Charitably inclined AND…
- Single OR
- Married with no children OR
- Married with children who leave the farm and are financially successful themselves

Bob and Helen Remick
SWIF farmland donors
In just a short time…

- SWIF received 1,650 acres of farmland through seven separate gifts with an approximate current value of $12.2 million – two are unrestricted, two benefit community funds, and three create field of interest funds.

- In Cottonwood County, SWIF has already captured the 5% goal of $1.9 million in this five-year period.

- 352 acres currently generates annual income of $80,000 to support programs in communities across the region.
But…it’s about the people!

Siebenand Family, Madison
SWIF farmland donors

Glenn Krog, Lake Benton
SWIF farmland donor
And continuing a farmer’s legacy...

Geoff and Leann Johnson and Zac Walton, Windom
SWIF farmland tenants

Bob Remick
SWIF farmland donor
and Geoff and Leann’s former landlord
Replicable? YES!

These are the questions to consider:

- Not prohibited by state law
- Mission fit
- Board support
- Infrastructure
- Staff capacity
If I could start over …

• Do more homework:
  – Corporate farming laws
  – Medical Assistance rules
  – Separate LLC for the program

• Set up the board committee earlier

• Get the marketing plan done ASAP
Questions?

www.keepitgrowing.org