



# Farm Transitions with Farmer Martha

**Eva:** Hello, welcome to the farm Commons podcast, where we make farm law accessible and actionable for sustainable farmers and ranchers as well as their networks of support. I'm Eva.

**Kate:** And I'm Kate.

**Eva:** And each episode we explore real legal issues faced on farms every day, providing key knowledge and tangible solutions to help you grow a thriving agricultural business.

**Kate:** From managing liability to navigating tough conversations with landlords and neighbors. We've got your back. Let's get started.

**Kate:** Hi, everyone, I am so excited to introduce today's episode because we are going to hear from Martha McFarland, who is the owner of Hawkeye Buffalo and cattle ranch in Iowa. Martha was also one of our farm Commons fellows this past year. And over the last year, she and three other farmers have regularly convened to offer their wisdom about creative farm law solutions, both to us and to each other, and now to you. So Martha has offered this beautiful story about farm succession and business structures at her farm, which is to say, a story about family and relationships and what to prioritize when a business is so much more than just a business. So Martha recorded this episode at her home in Iowa a few weeks ago. And as you listen, you'll hear Martha talk about her father, at nine years old, still active on the farm. Unfortunately, in the weeks since recording Martha's father passed away, which really makes this story all the more precious. So we're sending big hugs to Martha, and to her family. Thank you for sharing your story with us. Okay, here's Martha.

**Martha:** *[AUDIO CLIP]* Hi, welcome to Hawkeye Buffalo and cattle ranch. My name is Martha, we are going to start the tour today by introducing you to one of the oldest bison that we have on the property...

I grew up on a family farm in northeast Iowa. It's one of those iconic places with a big red barn and chickens roaming around. There are corn and soybean fields and about 150 acres of woods and pasture where we graze her fruit, cattle and bison. I came back about 10 years ago now to take over full time management of the farm. My dad is 89 but he still helps with many aspects of the operation. Growing up, I can remember my mom telling me Don't marry a farmer. But no one ever told me don't be a farmer as if like marrying someone was as close to agriculture as I was ever gonna get.

I am number four of five kids, part of the second litter as my little sister jokes. My dad was married before he met my mom and my older siblings, half siblings are 15 and 10 years older than me. My other two siblings did work on the farm with my dad. But for one reason or another, it didn't work out. So my dad and I didn't start talking about the possibilities of me running the farm until after college. When I moved back to Iowa in 2011 to run the farm full time, it was an adjustment. Getting up on big equipment was intimidating. I had raked and bailed hay growing up. I definitely spent many summers giving bison tours and helping out. But you should have seen me trying to back up a 20-foot livestock trailer. Those things are totally second nature to me now. It's super easy. But there was definitely that learning curve.

I will never forget the first time I had to turn around a herd of bison. It was during roundup, they were about to break free. And I threw myself in front of 50 Bison waving my arms and shouting and screaming at the top of my lungs. And I just remember thinking, Okay, we're gonna do this or I'm gonna die. And I probably never would have done it. If I had given myself any time to think about it in the moment something needed to happen, and I did it.

**Kate:** Hi, it's me again. I am jumping in here because Martha actually shared the video of this pivotal moment, and I just could not stop watching it. So here's a little audio clip so that you can also get a sense of what this buffalo stampede was all about and why it was so powerful. *[AUDIO CLIP]*

Like, wow, you can hear the force of will move through her body. And it literally redirects a herd of 50. stampeding bison. It's amazing. It's on YouTube, by the way. Okay, back to Martha.

**Martha:** And I think it was just a pivotal moment for me for recognizing, yes, I can do this. This is where I'm meant to be. This is the deal. So that was probably in like the third year after I came home. And my confidence was definitely growing. With all of the experience, I had started taking over farm finances, I was making decisions about how the farm was going to be run, thinking about new enterprises like maybe adding pastured hogs. So it was at this time that dad was ready to transition the farm to me, the rent at that point had been held in a trust which he had created in the years before I came home. A trust like a will is a legal document that gives instructions for how assets will be distributed after you die. Trusts differ from will, though, because they avoid probate, meaning your heirs do not have to go through a legal proceeding with the courts to recognize the will and appoint an executor. So our existing trust named all five kids as recipients of the land. And my brother and I were listed as trustees, the ones who would be responsible for executing decisions after dad's death. So transitioning the farm made a lot of sense at this time, for all the obvious reasons I had quit my job to come home and run the farm.

I was certainly gaining experience starting to take over investing time and money and then operation and wanted the security knowing that I could continue investing in the business. One of the challenges with the trust is that it defined how many votes would be required if we ever wanted to sell the land. But there was no governing document that clarified how decisions would be made for the daily operations of the farm, or how disagreements would be settled. Or even if I could just continue farming the land. My dad would also say quite often that it's really hard for new farmer to get started these days. And he would bring up stories like other families, we knew where the land was divided equally between all of the kids. And there was one kid who stayed home and couldn't make it because the income was being diverted away from the farm. He'd also bring up stories, or we talk about times when a farmer was forced off the land because the rest of the family wanted to sell. So I think these were pieces in his mind as well.

And, you know, years ago, my brother had insisted that the best thing to do for the farm was just to leave it to one person to not to have too many cooks in the kitchen, so to speak. He was probably right. But at that time, the siblings did not trust me to run the farm, those older siblings felt that it just wasn't the thing to do. Now, at that point, I was relatively new to farming. So I can certainly understand that. I was also implementing practices that aren't very common around here. This is mostly corn and soybeans country and you don't hear a lot about the principles of soil health or holistic management. You know, if I'm a farmer who is living with weeds, rather than spraying them, it might feel like laziness to someone who doesn't understand that strategy, that it will eventually grow more grass unless you've like had that background or your study those ideas. So together, we settled on a different plan. It was a governing document that would give me the operating rights to the land, and it would address any of their fears or concerns. We had a lawyer draw up an automatically renewing long term lease between myself and the trust. So this was an agreement for no compensation. But it carried these stipulations that I pay property tax and insurance every year that I keep at least 40 Bison and then I either spend \$20,000 on farm improvements every five years, or I save that money towards larger farm improvements. This addressed my concerns about long term land tenure. So that really worked for me.

However, eventually the question came up after me. Then what I remember sitting in a car talking about lease with my nephew who loves the farm Who could see himself running the farm one day? And the question was, would he have to convince five people that he would be the one knowing that everyone had very different visions for what the farm should be different opinions about who should run that farm, you know, it really starts to get sticky as to how you're going to make that call. And really, the bottom line was, what would happen to the land, I have to give my dad credit here, he pushed to make a change. I recognize that we needed one. But I did not want to act, I was scared that we would end up in some kind of court battle, like many families I've heard stories about. And I just wanted to find a way forward where everyone felt better about it.

It's not surprising that my dad and I were not aligned on this. My Risk aversion, that tendency to avoid risk is much higher than my dad's. It's typically the place where we struggle making any business decisions on the farm. So I wanted to share this story with you today in hopes that you might also start the process. Because if you're like me, and you're scared of change can be really easy to avoid. But I want you to think about what's possible. Taking those first steps was hard, talking to my brother about it, having him talk to my other siblings was hard. But finally making a decision. It wasn't hanging over my head. And there is this relief, this energy that comes from freeing up that space, fear of the unknown is always worse than living out whatever happens. So I want to tell you about our farm transition, I wish that I could also give you a step-by-step guide, and formula about how you're supposed to transition a farm. But the truth is, it's a lot messier than that. In the end, I probably met with three or four lawyers, maybe more in total. Ultimately, we decided it was important that everyone would have their own legal representation. So there were those visits in the mix. And I also talked to my accountant, our insurance agent, and my retirement planner, all of these advisors helped us clarify, each legal path helped us understand what the impact would be in terms of liability taxation, and long term retirement plans. But figuring it out was very messy and confusing at times, because I would go to one place and get questions answered about the law. But then I would need to go to my accountant to get questions answered about if I did something, based on what the lawyer had suggested, what would that mean, for me, personally, in terms of tax implications, in terms of insurance, and so it really was this kind of mismatch of going to one appointment, finding out answers not being ready to make a decision, having conversations with others, going back, having conversations with family, and then back to the lawyer for another round of questions. I think of it almost like a crazy quilt of tough choices. Like it wasn't just a nice, neat, orderly plan.

The other thing that I would love to share with you is really the biggest like AHA of the whole process. And that is that when I went to these experts, I expected them to be able to tell me what I needed to do. I thought when I sat down, and I explained my situation, and dad's situation, that they would suggest the perfect plan. And that is just not how it goes. I recognize now that you would never, ever go to a carpenter and say, How should I renovate my kitchen. So it's kind of like that

when you're talking to a lawyer or a tax accountant. You know, they have a variety of tools to get you places, and they can help you weigh the pros and cons of many different possibilities. But in the end, you have to understand the implications of each choice. And they can help you with that. But you're the one who has to decide which way to go.

Through this, the key is figuring out what is most important to you. Now, maybe you want that to be to support a beginning farmer on the land, maybe that is to protect and conserve the land. Maybe that is making sure that there is an equal inheritance for all of your kids. All of these are great goals. And figuring out which one is the very most important is going to help you out when you're just trying to navigate and figure out what those trade offs are going to be. Because that's the truth that all of these choices come with implications that are not perfect. And so you just have to land on the thing that's right for you. My dad would always always say growing up that everything like in life is a trade off, and it definitely feels like that here. So you can definitely have more than one goal. Our family certainly did. But when you come to that moment where here trying to figure it out, knowing what is most important is key.

In our family, the most important goal in this process was to preserve the farm. Its woods, its pastures, its historic buildings. If the farm was ever sold, like others around us have been sold, it would likely go to someone who would tear out the woods to plant corn and soybeans. This is just a common practice around us. It's common practice across Iowa. So I think that that's a piece that's always in the back of our heads whenever we're talking about the idea that we would never want to sell the farm. With that aligned with that my dad's goal was to set up a sustainable farmer for success. My goal was to run the farm, knowing that I could make decisions and know that I would be secure to continue to invest money without feeling like that, where my time was going to waste.

But my other goal was very much to work towards family unity. There are some amazing nonprofits across the country that work with conservation easements, and preserving farmland. So these place restrictions on how the land can be run, no matter who the owner is. So this might be to preserve farmland and to farm it in a

particular way like no till, or at you know, grazing certain areas at certain times of the year, it might simply be preserving the trees on the land. And then these restrictions this easement goes with the deed from owner to owner. So doing this, we could have meant a number of the goals on our farm. And it probably also would have helped with Iowa inheritance taxes. Because easements often change the value of the land. But ultimately, this was not going to solve our goal of family unity. Of course, me inheriting the farm would probably not get us there either. So in the end, we recognize that dad's goal to set up a sustainable farmer, a beginning farmer for success could be reached without me owning the farm. If my niece on the farm, one person who had a balanced perspective on the family dynamics, a love for the farm, but no interest in farming it, who lived in the area if she owned the farm, and I ran the farm with a long term lease through her than my most important goal to have the autonomy to run the farm could be met, while protecting that next farmer and the farm in the long run. This also shifted the power dynamic away from me. So it addressed some of the concerns that my older siblings felt.

Once we settled on this strategy, Dad's lawyer recommended that he used a gift exemption, which would be something that was done before his death, rather than using a will or a trust to transition the land after his death. Now, as you know, when someone gives you something like a car on Oprah, or a lump sum of money, it's considered taxable income by the IRS. At this time, you can give any number of people up to \$16,000 a year. There is also a lifetime exemption, which will be up to 12 point 9 million in 2023. But more than anything, recognize that these are threshold amounts that are changing all of the time at both the state and the federal level. So in our case, we were well below that threshold. And so dad used his lifetime gift exemption to transition the ownership to my knees. He also gifted his portion of the business assets to me at that time. Now, this all worked for us because he's in his late 80s. It's what he wanted to carry on his vision, while he still had social security and navy retirement income. And I was already covering his home insurance and property taxes. So for our family for our needs, this fit the bill, and more than anything, it was what my dad wanted to be able to continue the farm and the business that he had devoted his whole life to.

Of course, you know, that might not be the case for others. It all comes back to that goal and what is most important to you. Before the legal documents were drawn up, and the new deeds were signed, my lawyer recommended that dad go to a doctor to verify that he was of sound mind and to get that on record. And we also had the land officially appraised. Then his lawyer filled out the gift with the IRS to have it on record. And finally we rewrote the lease and we had it filed with the county auditor so that it is a part of public record. Now this isn't required in Iowa, although it is in other states. But filing it meant that my rights as a tenant are now part of public record. So this is a lease that will transition with the deed if the land were ever to be sold.

There is so much more to this story than I have time for today. The ways that making this transition has improved some of the dynamics of the farm and with the family, how it really has changed my expectations of what life on the farm was going to look like. But I have to save those stories for another time. And what do they say, "To whom much is given, much will be required." This experience, this gift inspired me to help other farmers. I took on a job with a nonprofit organization here in Iowa, Practical Farmers of Iowa. My work is now centered on helping others with land access, helping others transition land. And so my story continues, as I help others as well. The story isn't over yet. It never is. Just remember, it is so important to take that first step. It's daunting for everyone. And yes, you can get lost and thinking that there's more than one correct answer. And you have to just land on the thing that feels the most right for you. Because the thing is, not having a plan can really lead to heartache, and at the end of the day, you want to move forward. And considering your options, taking time to have those conversations, even if they're hard conversations with your loved one. And making that decision will help everyone involved. Remember, it's fear of the unknown that is always worse than living out what happens. And in making the changes that we made on our farm. We're all just looking ahead.

**Kate:** A big thank you again to Martha for sharing her story. I feel like it captures so much of the bravery and vulnerability that is an essential part of the hard conversations that lead to legal resilience and and peace of mind. So look for

stories from our other farmer fellows, Michelle, Katie and Hannah in our podcast feed, and thank you for being here today.