

Beginning Farmer Tax Credit Act



Annual Report
July 1, 2010 – June 30, 2011

Nebraska Department of Agriculture
Beginning Farmer Program

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Beginning Farmer Program Annual Report

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Beginning Farmer Program Board of Directors

FY 2010 – 2011
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Name	Representing
Greg Ibach	Director Nebraska Department of Agriculture
Marian Beethe (Designee)	Beginning Farmer Program Administrator Nebraska Department of Agriculture
Douglas Ewald	Tax Commissioner Nebraska Department of Revenue
Dave Dearmont (Designee)	Research Division Nebraska Department of Revenue
Darrell Mark	Academic Community Extension Agricultural Economist University of Nebraska - Lincoln
Mark Graff	Agricultural Lender
Todd Reed	Producer, District 1
Melvin Valasek	Producer, District 2
Don Anthony	Producer, District 3

Staff Members

Karla Bahm	Staff Assistant
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**Beginning Farmer Program
Board Meeting Dates
and
Attendees**

**FY 2010 – 2011
July 1, 2010 – June 30, 2011**

Meeting Date	Members Attending	Guests Attending	Staff Attending
August 25, 2010	Don Anthony Marian Beethe Dave Dearmont Mark Graff Darrell Mark Todd Reed Melvin Valasek		Lindsey Salestrom
November 29, 2010	Don Anthony Marian Beethe Dave Dearmont Mark Graff Darrell Mark Todd Reed Melvin Valasek		Karla Bahm
January 25, 2011	Don Anthony Marian Beethe Dave Dearmont Mark Graff Darrell Mark Todd Reed Melvin Valasek		Karla Bahm
February 22, 2011	Don Anthony Marian Beethe Dave Dearmont Mark Graff Darrell Mark Melvin Valasek		Karla Bahm

Beginning Farmer Program Administrative Notes

FY 2010 – 2011

July 1, 2010– June 30, 2011

The Beginning Farmer Tax Credit Act was passed by the Nebraska Legislature and enacted into law on August 28, 1999. The intent of the Act was to help beginning farmers and ranchers have access to agricultural assets by providing an incentive to a landlord who will enter into a three year lease with a beginning farmer or rancher. The incentive is a refundable Nebraska State income tax credit.

Since the inception of the program, approximately \$3,300,000 in tax credits have been issued to landlords and 213 beginning farmers and ranchers have gotten their start by utilizing the Beginning Farmer Tax Credit Program. There was a considerable increase in applications from 2008 to 2009 due to legislative changes to the Act in 2008. Those changes included adding a personal property tax exemption on agricultural and horticultural production machinery and equipment, allowing lease agreements between family members, and expanding the owner's eligibility to include an individual or business entity which has an ownership interest in an agricultural asset located in Nebraska. One hundred beginning farmers and ranchers were issued Personal Property Tax Exemption certificates during fiscal year 2008-2009. Consequently the number of applications received this fiscal year were considerably lower than last year. However, the program experienced a 35% increase in applications when comparing number of applications in 2008 to those received in 2010.

Educating landowners and beginning farmers about the program continues to be our focus. Outreach efforts include agricultural conferences, farm shows, industry meetings, career fairs and providing representation on a variety of agricultural advisory councils. Center For Rural Affairs was awarded a three year grant that began in October 2010. The grant helped create the Beginning Farmer and Rancher Network. The network is made up of various representatives in the agricultural industry. Members include state and federal government agencies, higher learning institutions, agricultural financial institutions and agriculture interest groups. The Program Administrator for the Beginning Farmer Tax Credit Program is a member of the Beginning Farmer and Rancher Network. The focus of the network is to educate members of the network about the programs each entity has to offer farmers and ranchers with an emphasis on beginning farmers and ranchers. Each entity is able to educate their target audience about the multitude of programs available to beginning farmers and ranchers. Many of these programs can work in harmony to assist the beginning farmers. The Network created a website: nebraskabeginningfarmer.org. This website provides a brief description of education, financial and technical resources available to the beginning farmer and provides links to each resource's website.

Other notes of interest regarding the program for this fiscal year were:

- A Rule Making Hearing was held for the adoption of the amended Rules and Regulation cited as Title 91: Nebraska Administrative Code, Chapter 1, entitled Beginning Farmer Board, Beginning Farmer Tax Credit Act Regulations. Governor Heineman approved the regulations on July 11, 2011.
- Legislative Bill 356 was introduced on January 13, 2011 by Senator Carlson. LB 356 would change the source of funding for the Beginning Farmer Tax Credit Program from general funds to Rural Rehab funds. Don Anthony, Chair of the Beginning Farmer Board testified in a neutral capacity on behalf of the board. The bill was indefinitely postponed.
- The Board adopted a suggested forecasted market price for use in computing the price of the commodity applicable to the cash equivalent statement on applications for crop share leases. A pricing model was developed by the Board and prices for corn, soybean and wheat are posted monthly on the program website. The pricing model was implemented March 15, 2011.
- The net worth threshold for applicants was reduced from \$200,000 to \$175,000 in 2010 and remained at \$175,000 for 2011.

Beginning Farmer Program Administrative Notes continued

The homepage for the Beginning Farmer Network website referenced in the administrative notes is shown below:

NebraskaBeginningFarmer.org

1-800-753-9396

Nebraska's economy was founded by farmers and ranchers. NebraskaBeginningFarmer.org provides easy access to a number of entities which offer financial resources to individuals interested in agricultural production. These resources assist those desiring to pursue agricultural opportunities as well as those desiring to maintain/improve their viability in the industry. Click on the links below to learn more about these programs.

[Contact Nebraska Beginning Farmer.org](#)

Financing Programs

USDA Farm Services Agency

The USDA Farm Services Agency is a customer-driven agency dedicated to achieving a sound future for American agriculture. FSA is committed to enhancing the USDA mission by increasing the participation of beginning farmers/ranchers and ensuring their full access to all FSA programs and services. The ultimate benefit will be improved economic viability for family farmers and ranchers.



FSA makes direct and guaranteed farm ownership (FO) and operating loans (OL) to family-size farmers and ranchers who cannot obtain commercial credit from a bank, Farm Credit System institution, or other lender. FSA loans can be used to purchase land, livestock, equipment, feed, seed and supplies. FSA loans can also be used to construct buildings or make farm improvements. FSA loans are often provided to beginning farmers who cannot qualify for conventional loans because they have insufficient financial resources.

Click here: www.fsa.usda.gov or contact your local FSA office, listed in the phone book (blue or government pages) under US Government, USDA Service Center by town.

Farm Credit Services of America

Farm Credit Services is a network of independently owned and operated credit and financial institutions that serve farmers, ranchers, and agribusinesses of every size and income range. Farm Credit Services offers a Young and Beginning Program providing financial resources for less established producers (age 35 or younger or less than 10 years experience). Qualifying farmers and ranchers can receive agricultural loans for land purchases, operations, insurance and more business education reimbursements (up to \$500/year), youth in agriculture loans (up to \$2500/student) and college scholarships (\$2,000) are also offered by Farm Credit Services.

Click here: www.fcsamerica.com for more information.





Nebraska Investment Finance Authority (NIFA)

The Nebraska Investment Finance Authority provides Nebraskans a broad range of financial resources, including its Beginning Farmer/Rancher Program for purchase of agricultural land, equipment/machinery, or breeding livestock. Working with banks, private seller-lenders (land contracts) or private investor lenders, the Program facilitates loans of up to \$500,000 to be used in agricultural production for "beginning" farmers/ranchers who have not already owned substantial farm land and with a net worth not exceeding \$500,000. The loans are below market rate due to NIFA making the interest income tax-exempt (both State and Federally) for the beginning farmer/rancher's lender. [Click here for more information.](#)



Nebraska Department of Agriculture (NDA)

Recognizing the importance the agricultural industry continues to play in the state, the Beginning Farmer Tax Credit Program brings together the shared strengths and resources of existing and beginning farmers. The Program offers a refundable tax credit to existing farmer/livestock producers who agree to rent to beginning farmers. Beginning farmers/ranchers also receive tax benefits.

Click here: www.agr.ne.gov or call 800-446-4071.



Nebraska Department of Revenue

The Nebraska Advantage Rural Development Act, administered by the Nebraska Department of Revenue, will provide a refundable tax credit against sales and use taxes or income tax liability for taxpayers engaged in livestock production who invests in at least \$50,000 for livestock modernization or expansion. The amount of the tax credit for livestock production will be 10% of the investment, not to exceed \$30,000.

[Click here for more information.](#)

Education



University of Nebraska - Institute of Agriculture and Natural Resources (IANR)

IANR is a provider of educational, research and outreach programs related to food, agriculture and agribusiness systems, natural resources and human resources. IANR is dedicated to providing the highest quality programs that are ecologically sound, economically viable, socially responsible and scientifically appropriate.

[Click here for more information.](#)

University of Nebraska College of Technical Agriculture (NCTA)

The University of Nebraska - Nebraska College of Technical Agriculture, located in Curtis, Nebraska, is dedicated to the agriculture industry with degree programs in the various agriculture production, horticulture, agribusiness and veterinary technology systems. NCTA teaches entrepreneurship across its entire curriculum in an effort to encourage graduates to be the next generation farm, ranch, and business owners and managers. Ownership programs include the *100 Beef Cow Ownership Advantage*, *100 Acre Farm*, and *Business Builder* programs. In addition, a *Combat Boots to Cowboy Boots* program has been developed to help veterans return home to rural communities as partner/employees and eventual owners of farms, ranches and businesses.

The core of NCTA's ownership programs is the development of business plans, partnership agreements and low interest USDA loan applications. It is



critical that graduates understand entrepreneurship principles and the "art" of ownership to become an owner of an agricultural or business enterprise. With 70% of the nation's agricultural land changing hands during the next 20 years, there are great opportunities for those prepared with a technical agriculture education and willing to work hard and smart.

Click here: www.ncta.unl.edu or call 1-800-3CURTIS.



Nebraska 4-H Foundation

4-H is one of the largest youth (ages 5-19) organizations in the United States with more than 6.8 million participants. The program partners the cooperative efforts of youth, volunteer leaders, state land-grant universities, state and local governments, 4-H Foundations, and the Cooperative State Research, Educational and Extension Service of the U.S. Department of Agriculture.

[Click here for more information.](#)



Nebraska Future Farmers of America

The Nebraska FFA Association is a state and national youth organization made up of students (Grades 7-12) from across the state and nation. It contains of over 7,000 members dedicated to agricultural education and youth leadership.

[Click here for more information.](#)

Technical Assistance

United States Department of Agriculture - Natural Resources Conservation Service (NRCS)

The Natural Resources Conservation Services offers free technical assistance for soil, water and wildlife conservation and management practices including irrigation and animal manure management. Beginning farmers/ranchers can receive up to 90 percent cost-share assistance with up to 30 percent in advance payments for planned practices in conservation programs like the Environmental Quality Incentive Program, and others. (In 2010 and 2011 alone, 383 beginning farmers/ranchers received over \$11.7 million in cost-share funds.) NRCS desires to build and/or maintain a strong conservation ethic within our beginning farmers/ranchers in Nebraska. Details are available at local NRCS offices in USDA Service Centers. NRCS employees will provide free technical assistance and help you determine if you are eligible for a higher cost-share rate to implement conservation practices.

[Click here for more information.](#) or contact your local NRCS office, listed in teh phone book (blue or government pages) under US Government, USDA Service Center by town.



Legal Aid of Nebraska

The Farm and Ranch Program of Legal Aid of Nebraska works in collaboration with the Interchurch Ministries of Nebraska (IMN), the Nebraska Department of Agriculture's Farm Mediation Service and Beginning Farmer Program (NDA) and other partners to provide a range of services to Nebraska farm and ranch families, including:

- [The Nebraska Farm Hotline](#) (1-800-464-0258)
Full-time staff and on-call legal and financial consultants
- [Farm and Ranch Legal and Financial Clinics](#)
Confidential, state-wide, monthly one-on-one financial and legal consultations
- [Estate and Transition Planning Workshops](#)
Seasonal state-wide day-long workshops for farm and ranch



families

- Nebraska Counseling, Outreach, and Mental Health Therapy program (COMHT)

Vouchers for counseling from participating licensed mental health counselors

- Ag Mentor Program

On-farm financial and legal consultations

Through this array of services, Legal Aid and its partners work with farm and ranch families in estate and transition planning, business organization, beginning farmer support programs, FSA loan and price support programs, cash flow analysis and preparation, debt structuring, financial distress transactions, agricultural security interests, real property and contract issues, water regulation and rights, and retirement, long-term care, consumer protection and elder law matters.

Click here: www.legalaidofnebraska.com or call the Hotline at 1-800-464-0258.

Center for Rural Affairs

Center for Rural Affairs, a private, non-profit organization based in Lyons, Nebraska, works to strengthen small businesses, family farms and ranches, and rural communities. The CFRA website provides advice for beginners, introductions to farm transition and estate planning for retiring farmers, and links to resources for financing, work-in examples, high-value markets, and production information. CFRA administers the Land Link matching program, which helps beginning farmers and ranchers gain access to land, financing, knowledge and skills needed to make a successful start by matching landowners and retiring farmers with beginners, including military veterans, who desire to farm or ranch. CFRA also works extensively with organizations and individuals on Farm Bill development and use of those programs. CFRA's business program (REAP) provides advice and loans to small businesses in rural Nebraska, such as value-added agricultural enterprises and Main Street businesses.

Click here: www.cfra.org or call the Farm Bill HelpLine at 402-687-2100



Nebraska Sustainable Agriculture Society (NSAS)

The Nebraska Sustainable Agriculture Society is a member-based, grassroots, non-profit, farmer led organization dedicated to sustainable farming and foods in Nebraska. NSAS was founded in the 1970's by a group of organic farmers. Throughout the years NSAS has been promoting agriculture & food systems that build healthy land, people, communities & quality of life for present & future generations. NSAS has provided numerous resources, educational and networking opportunities for farmers across Nebraska. One resource is the NSAS listserv, which is available as a resource and online learning platform and includes weekly events and opportunities for farmers. Another resource is a database of resources located on the NSAS website, which includes past lectures, workshops, webinars and other resources for farmers interested in sustainable and organic agriculture.



The Farm Beginnings® Nebraska educational training and support program, designed to help people who want to evaluate and plan their farm enterprise, is sponsored by NSAS and its partners University of Nebraska, Land Stewardship Project and Center for Rural Affairs. Farm Beginnings® Nebraska participants engage in a mentorship experience and network with a variety of successful, innovative farmers while attending practical, high quality seminars, field days and conferences. The program is unique in that several successful farmers participate in the program as presenters, explaining firsthand the nuts and bolts of their farming operation, including alternative marketing avenues. Most of the farmer-presenters come from small to medium sized farming operations that produce and market many different diversified and value-added products. While any beginning farmer would benefit from attending these training sessions, many participants want to emphasize sustainable agriculture and organic agriculture principles on

their farms.

Click here: www.healthyfarms.org or email healthyfarms@gmail.com

Membership



Nebraska Farm Bureau Federation

The Nebraska Farm Bureau Federation, founded in 1917, is Nebraska's largest voluntary agricultural organization. It represents more than 50,000 member families in all 93 Nebraska counties and has 85 organized County Farm Bureaus. The farmers and ranchers who belong to Farm Bureau raise various livestock species and grow a variety of crops such as sugarbeets, corn, and soybeans. The Farm Bureau's goals are to improve net farm income, to improve the quality of rural life, and to unite to analyze challenges and formulate appropriate solutions.

Click here: www.nefb.org for more information.



Nebraska Farmers Union

Founded in 1913, Nebraska Farmers Union is a grassroots-driven, general farm organization that is dedicated to protecting and enhancing the quality of life and economic well-being of family farmers and ranchers, and their rural communities.

Click here: www.nebraskafarmersunion.org for information or learn more on facebook at: Nebraska Farmers Union.

[Contact Nebraska Beginning Farmer](#)

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Participant Statistics As Reported for the Tax Year

Tax Year Participation	2006		2007		2008		2009		2010		2006 - 2010		Totals - 2001 to 2010	
											Last 5 Yrs Total & Avg			Since the Beginning
# of Owners Receiving Tax Credit	18		23		46		147		216		450		616	
Total Tax Credits Paid To Owners	\$ 26,883		\$ 76,782		\$ 372,222		\$ 1,094,696		\$ 1,460,453		\$ 3,031,036		\$ 3,310,791	
Average Tax Credit per Owner	\$ 1,493		\$ 3,338		\$ 8,092		\$ 7,447		\$ 6,761		\$ 6,736		\$ 5,375	
# of Beg. Farmers Paying Rent	16		17		34		119		177		363		523	
Total Rent Paid by Beg. Farmers	\$ 479,960		\$ 697,105		\$ 2,877,600		\$ 8,460,149		\$ 10,950,931		\$ 23,465,745		\$ 29,060,537	
Average Rent Paid per Beg. Farmer	\$ 29,998		\$ 41,006		\$ 84,635		\$ 71,094		\$ 61,870		\$ 64,644		\$ 55,565	
Applications Received	19		23		43		129		58		272		431	

Beginning Farmer Program Financial Report

FY 2010 – 2011
July 1, 2010 – June 30, 2011

Account Code Description	Budgeted Amount	Year-To-Date	% of Budget	Variance-Favorable (Unfavorable)
<u>510000 Personal Services</u>				
511100 Permanent Salaries - Wages	\$31,822.88	\$26,091.93	81.99	\$5,730.95
512100 Vacation Leave Expense		\$2,338.03	0.00	(\$2,338.03)
512200 Sick Leave Expense		\$937.24	0.00	(\$937.24)
512300 Holiday Leave Expense		\$2,068.66	0.00	(\$2,068.66)
512500 Funeral Leave Expense		\$10.06	0.00	(\$10.06)
515100 Retirement Plans Expense	\$2,386.44	\$2,358.78	98.84	\$27.66
515200 OASDI Expense	\$2,434.83	\$2,204.59	90.54	\$230.24
515400 Life & Accident Insurance Exp	\$11.00	\$9.30	84.55	\$1.70
515500 Health Insurance Expense	\$3,609.00	\$7,917.25	219.38	(\$4,308.25)
516300 Employee Assistance Program	\$15.00	\$15.00	100.00	0.00
516500 Workers Comp Premiums	\$308.00	\$307.60	99.87	\$0.40
<u>510000 Personal Services Total</u>	<u>\$40,587.15</u>	<u>\$44,258.44</u>	<u>109.05</u>	<u>(\$3,671.29)</u>
<u>520000 Operating Expenses</u>				
521100 Postage Expense	\$343.13	\$278.85	81.27	\$64.28
521200 Com. Exp – Voice/Data	\$634.04	\$599.17	94.50	\$34.87
521290 Com. Exp – Data only	\$32.17	\$22.15	68.85	\$10.02
521400 Data Processing Expense	\$1,167.45	\$1,146.47	98.20	\$20.98
521500 Publication & Print Expense	\$818.13	\$1,511.73	184.78	(\$693.60)
522200 Conference Registration	\$30.00	\$25.10	83.67	\$4.90
524744 Exhibit Space	\$40.00	\$45.93	114.83	(\$5.93)
531100 Office Supplies Expense		\$4.75	0.00	(\$4.75)
533100 Household & Instit Exp		\$24.06	0.00	(\$24.06)
534900 Miscellaneous Supplies Exp	\$10.00	\$0.00	0.00	\$10.00
534946 Promotional Supplies	\$22.00	\$15.35	69.77	\$6.65
534947 Data Processing Supplies		\$2.29	0.00	(\$2.29)
541100 Accounting & Auditing Service	\$72.00	\$72.48	100.67	(\$0.48)
559100 Other Operating Expense	\$6.30	\$4.45	70.63	\$1.85
<u>520000 Operating Expenses Total</u>	<u>\$3,175.22</u>	<u>\$3,752.78</u>	<u>118.19</u>	<u>(\$577.56)</u>
<u>570000 Travel Expense</u>				
571100 Board & Lodging	\$550.00	\$884.94	160.90	(\$334.94)
571600 Meals – Not Travel Status	\$275.00	\$370.52	134.73	(\$95.52)
571900 Meals – One Day Travel	\$40.00	\$3.86	9.65	\$36.14
574500 Personal Vehicle Mileage	\$1,365.00	\$1,717.88	125.85	(\$352.88)
575100 Misc Travel Expense	\$140.00	\$111.00	79.29	\$29.00
<u>570000 Travel Expense Total</u>	<u>\$2,370.00</u>	<u>\$3,088.20</u>	<u>130.30</u>	<u>(\$718.20)</u>
Budgeted Expenditures Total	\$46,132.37	\$51,099.42	110.77	(\$4,967.05)

Beginning Farmer Program Outreach Activities

**FY 2010 – 2011
July 1, 2010 – June 30, 2011**

- International Farm Transition Network Conference and Meeting – July 20-23, 2010
- Nebraska Grazing Conference, Kearney – August 10-11, 2010
- Nebraska College of Technical Agriculture Advisory Council Meeting, Curtis – August 12, 2010
- MarketPlace Meeting, Kearney – August 23, 2010
- Nebraska State Fair, Grand Island – August 27 - September 6, 2010
- Husker Harvest Days, Grand Island – September 14-16, 2010
- Aksarben Livestock Show, Omaha – September 23-26, 2010
- Farm Crisis Council Meeting, Lincoln – October 25, 2010
- AgCeptional Women's Conference, Norfolk – November 19, 2010
- Farmers in Transition Meeting, Davenport – November 30, 2010
- Nebraska Power Farming Show, Lincoln – December 8-10, 2010
- Kiwanis Breakfast Meeting, Waverly – January 8, 2011
- Nebraska College of Technical Agriculture 100 Cow Seminar, Curtis – January 20, 2011
- Farm Bureau Young Farmers & Ranchers Conference, Lincoln – January 21-22, 2011
- Farm Crisis Council Meeting, Lincoln – January 24, 2011
- Agri/Eco Tourism Workshop, Kearney – February 1, 2011
- Buffalo Bill Farm Expo, North Platte – February 2-3, 2011
- AgrAbility Advisory Council, Kearney – February 8, 2011
- Women in Ag Conference, Kearney – February 17-18, 2011
- MarketPlace Conference, Kearney – February 22-23, 2011
- Governor's Ag Conference, Kearney – March 1-2, 2011
- Omaha Ag Show, Omaha – March 9-10, 2011
- Farm Beginnings Workshop, Mead – March 19, 2011
- FFA Career Fair, Lincoln – April 7, 2011
- MarketPlace Advisory Meeting, Kearney – April 7, 2011
- Farm Service Agency Presentation, Lincoln – April 14, 2011
- Nebraska Staff Training, Burwell – April 27-28, 2011
- Farm Crisis Council Meeting – May 2, 2011
- Coalition of Agricultural Mediation Programs (CAMP), Wrightsville Beach, NC – June 6-9, 2011