

## Land Stewardship Project Farm Transition Profile: Trust in the Land

By Alex Baumhardt

Jon Peterson's day starts at 5 a.m. He milks the 55 organic dairy cows at his farm near (aptly named) Peterson, Minn., while his son collects the eggs from their 2,300 organic hens. Both the milk and the eggs will be picked up by the Organic Valley Co-op and transported from their farm, which is tucked amongst rolling green hills along the Root River. It's hard to imagine subdivisions, or a thousand-head livestock farm, or a frac-sand mine leering up through the morning mist of the surrounding landscape. But these enterprises are a potential part of this region's changing landscape and, in the early 1990s, Peterson was feeling these pressures on his farm as well as his father's neighboring farm to an alarming degree. The father and son decided they needed to do something binding and permanent to protect their land from development. Now Peterson is hoping this protection will help ensure a new generation will have the opportunity to produce food profitably in such a beautiful place.



### Changing Times

Peterson started his farming operation when he was 17. Just out of high school, he bought 12 cows and rented a barn with a loan his father, John, reluctantly co-signed. They went to a local bank and talked with the loan officer who, as Peterson puts it, either trusted you or he didn't. In Peterson's case, it was the former.

"You could go in there and your word was good enough," he recalls. "You didn't have to fill out form-after-form—he trusted you and I made dang sure I paid him back and each time he trusted you more-and-more."

Among other things that have changed with banking since then are interest rates. Jon borrowed at an interest rate of around 15 percent, almost five times current rates. When he was ready to buy his first 80 acres, he paid \$600 an acre, one-sixteenth of what land in his area is going for now.

The other thing that's changed is the industrial model has become the norm on most livestock farms in the area, with conventional livestock farmers forced into getting bigger and bigger in order to compete. "When I first got started dairying here 25-years-ago, I didn't know any farms that had 100 cows," Peterson says. Now, "there are some that have 1,000."

Jon began transitioning to organic in 1997 after researching the USDA's Low-Input Sustainable Agriculture (LISA) program—now the Sustainable Agriculture Research and Education (SARE) program—and attending Land Stewardship Project meetings on grazing. Organic wasn't that much of a stretch from what he was already doing on his diversified farm, and he was interested in getting a higher price for his milk and eggs. It also helped that his father was not that interested in using chemicals on his own land and frugal when it came to any inputs he might need.

"Everybody ships in fertilizer and ships in other inputs and fertility wasn't built that way," says Peterson. "Four, five hundred years ago, nature didn't haul nitrogen in from Kuwait to dump everywhere."

### **Easement Protection**

In the early 1990s, prior to the acceleration of industrial agriculture in the area, Peterson and his father were more concerned about the growing number of housing developments springing up in areas where woodlands used to be. The father and son, with their properties right across the road from one another, thought that if they could find a way to protect all of their land from developmental interests, in perpetuity, it would make even the land right around theirs seem undesirable to potential developers.

"The big thing was that we didn't want the land to become new housing," Peterson says. "We were afraid that all of this land around here was going to get split up for houses, and a lot of it did."

The younger Peterson had read about conservation easements and land trusts, which are nonprofit organizations interested in preserving land from development. They do this by acquiring the developmental rights to a parcel of land by either buying them or, more often, receiving them as a donation from a landowner. (*See the "Land Easements" sidebar for more information.*)

Eventually, Peterson approached the Minnesota Land Trust about such an arrangement. At the time, he had about 210 acres of land and he wanted to protect almost all of it, so he entered into four years of negotiations and appraisals with the Trust about what they were willing to allow him to do, how much the land was worth and what development rights he was willing to give up. The Minnesota Land Trust is generally averse to allowing farming on eased land, but they were interested in Peterson's property because of the large amount of timber he has along the Root River. The Trust appraised his land, came up with a dollar figure that represented what they saw as the developmental potential of his land that he was

giving up, and paid him about 40 percent of that value. The rest of it Peterson was able to claim as a charitable donation on his federal taxes.

According to the agreement the farmer and the Trust came up with, he is able to continue farming on the land, but cannot build any new structures, mine, or split up the land and sell it in pieces; and he must keep certain areas in grassland. Jon still owns all of the land, but he has, essentially, sold its development rights. From the agreement, Jon exempted several acres of buffer zones surrounding the buildings already existing on the property so he could expand them if he wanted. The bottom line is Peterson has agreed to give up a large amount of the potential market value of his land in order to ensure his legacy of stewardship.

“I have to realize that when I sell it, I’m not going to make a ton of money on it,” he says.

After Peterson signed his agreement with the Trust, his parents started their own negotiation process with the organization to place easements on most of their land. Before it was all finalized, John Peterson had passed away. Peterson bought approximately 400 acres of his parents’ land in 2006, which was mostly under an easement by then (it’s largely woodland and pasture). In 2011 his mother, Arlyss, put another 150 acres of the original homestead under an easement, meaning a total of approximately 750 acres of the Peterson farm is now protected from development.

The decision to enter all of his land into easements was not made without seriously considering the opportunities the easement would and wouldn’t offer future farmers. “You’re doing something that’s forever,” Peterson says. “I thought, ‘Do I have the right to make that decision for my kids or grandkids—that they can’t do certain things with the land?’ They can’t build on it. If they choose to start a hog farm or expand the dairy, they can’t build a big confinement building.”

Jon worries about the rigidity of the easements given inevitable changes that will come to the community. “Have I created this island that someone is stuck in? Land that someone can’t do anything with while everything around them is developed?” Peterson asks, adding that the easements may restrict a future farmer from adapting to changing markets and farming techniques.

### **A Farmer’s Legacy**

Peterson’s father was 79 when he passed away and he never retired. The conversation about transitioning the land was seemingly too difficult to address and he didn’t talk about a life after farming. “About other farms that came up for sale I’d ask, ‘Well should I buy that or are you going to sell me some of yours?’ and he just kind of pushed away from it,” Peterson recalls.

The foresight his parents, particularly his mother, had to put their land into easements, however, made it affordable for Peterson to purchase farmland after his dad had passed away.

Both of Peterson's children, Taylor, 24, and Kaitlyn, 20, are interested in dairying and he and his wife Lori are hoping one or both of them eventually farm the family's land. Their daughter graduated in 2013 from Northeast Iowa Community College with a dairy science degree. Taylor went to school there for a year before coming back to farm with his dad and he intends to continue farming organically.

While he wishes easements could be amended by future parties, making them more flexible and better tailored to preserving land on working farms, Peterson also knows he's given future farmers like his children more than just strictly regulated land.

"I'm also giving them the opportunity to buy land at a reasonable price, like I did," he says.

*Alex Baumhardt served a Farm Beginnings journalism internship in 2013.*

### **Land Easements**

A conservation easement is an agreement between the landowner and a land trust where the landowner agrees to limit or end development on a piece of property in order to permanently preserve it for its conservation features. Conservation features could be significant wildlife and plant habitat, natural and agricultural resources, lake or river shoreline, wetlands, or important scenic or cultural lands that benefit the public. The agreement applies to the current landowner, as well as all future landowners.

Easements are great if you have a strong land ethic and the desire to preserve your land for future generations, but don't count on big financial benefits. In Minnesota, the tax incentives for an easement—like reduced income, estate and property taxes—are not as great as, say, Iowa's. Minnesota still taxes on the full, pre-easement value of the land. That means a farmer like Jon Peterson is only receiving the federal tax benefits and still paying taxes on the original, financial value of the land before the easement was put in place.

Accessibility to land trusts is also based on region, with such organizations much more prevalent on the East and West Coasts than in the Midwest, for example. More trusts mean more opportunities to find one that is open to providing easements to farmers who wish to continue farming on eased land.