

HANDOUT

SECURING LAND WITH RETIREMENT SAVINGS

INNOVATION
IN ACTION
SERIES

CSA Ackerilla © Kulturland eG

Kulturland-Genossenschaft



CONTEXT

At today's prices, land purchases can hardly be amortized from the income generated by food production. Average land prices in Germany have risen 250% since 2009 to more than €26,000 per hectare. The Kulturland Cooperative (Kulturland eG) is a community of farmers and citizens who work to free agricultural land from speculation. It enables the purchase of land for ecologically operating farms that also consciously integrate themselves into their region and open up socially. For this purpose, Kulturland eG has developed a new form of collective ownership of agricultural land aimed at stewarding it across generations, a kind of modern "commons". More than 1,000 people have bought shares in Kulturland eG, enabling 350 hectares of land to be secured for 23 farms.

WHAT'S AT STAKE?

Kulturland's first 15 land purchases averaged €230,000 per farm. These sums could be raised through "crowd-investing campaigns", where customers, supporters, and friends "in the vicinity of the farm" buy shares in the cooperative. In recent years, Kulturland has moved beyond its original scope of buying land to support existing farms and started getting an increasing number of inquiries from retiring farmers wanting to hand-over their entire farm. These farm purchases regularly cost over € 1,000,000. This vast amount of money cannot easily be raised through classical crowdfunding campaigns selling cooperative shares. This is why Kulturland has been working on a new funding model involving retirement capital.

"Innovation in Action". In 2020-21, six RURALIZATION partners conducted eight-month-long participatory action research projects to explore new solutions to leverage farmland in favour of agroecological transition, generational renewal, and rural regeneration. The results of their actions are presented in this series.



INNOVATIVE

- ✓ Find ways to enable citizens to invest retirement capital in securing land for sustainable agriculture
- ✓ Enable an inflation adjustment for invested capital
- ✓ Enable land to be used as a corollary (security) for large investments, while at the same time securing the land as a commons



IMPACTFUL

- ✓ Buy more land and entire farms for extra-familial succession
- ✓ Enable young people to enter farming and take over farms without little or no capital
- ✓ Enable all farmers, young and old, to benefit from sufficient pensions when reaching retirement age

OBJECTIVE

Increase farm transfer to extra-familial successors by using retirement capital to finance land purchases

ACTION PLAN

Task 1: analyse the status quo of retirement savings on Kulturland partner farms

- In-depth analysis of first cases of land purchase financed through retirement savings in the Kulturland eG
- Analyse the needs and constraints of young farmers with regard to planning for their own retirement stipends

Task 2: speaking to established actors and legal experts

- Define the requirements for the use of retirement money to secure land in light of the analysis of the status quo of retirement savings on Kulturland partner farms and of the first concrete cases of purchase studied in task 1
- Speak to other innovative retirement savings institutions and lawyers to understand the legal and accounting parameters to take into account when dealing with retirement savings and the creation of investment vehicles

Task 3: work out a generalised model for using retirement capital for land purchases

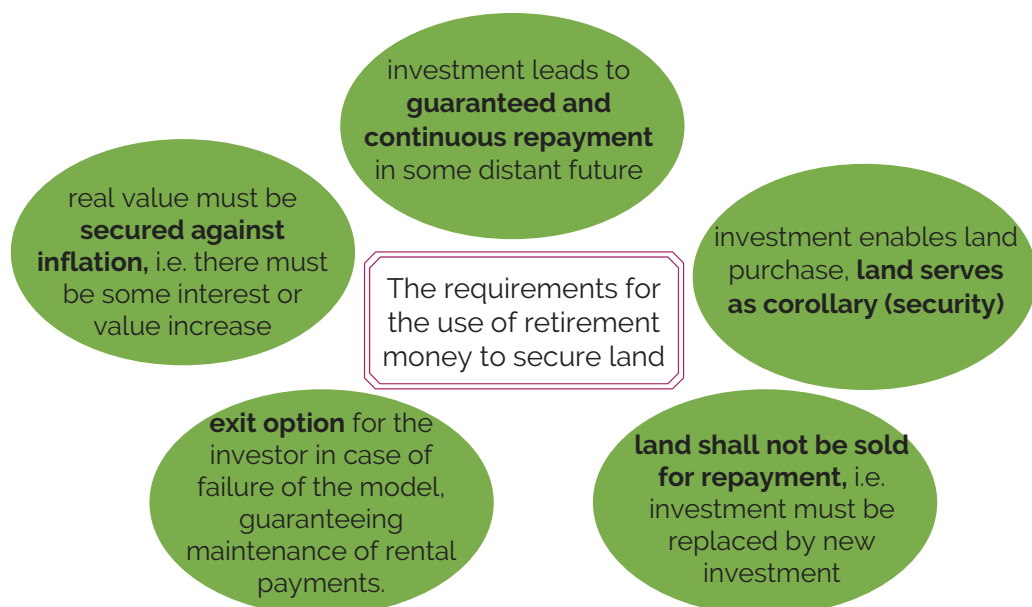
- Interpret results of the conversations with established market actors and legal experts in light of the requirements outlined below
- Document the contractual and financial structures needed for a large-scale implementation of the "retirement capital for land purchases" model



RESULTS

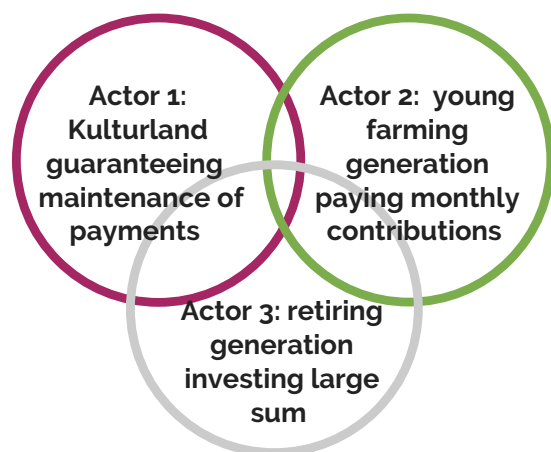
Analysing **requirements for the use of retirement money to secure land** resulted in 5 important aspects to be considered (see figure).

Kulturland eG has implemented a first pilot project using retirement money for land purchase on a farm. A purchase of €500,000 was 60% funded by retired friends of the farm. They invested €100,000 each directly into a legal entity, which holds 15 hectares of land.



Three farming families pay out the retired investors with a payment of €400 each per month over a period of about 22 years. **In this way, the succeeding families gradually acquire financial ownership of the land. The land remains legally in collective ownership, while the financial ownership shifts gradually from the old to the new generation.**

The promise is that the next generation will do the same, so the currently succeeding families get their pensions from their successors; and so on. The scheme is backed up by Kulturland eG who gives a limited guarantee for pension payments.



The aim of the "retirement savings for land purchase" scheme is to establish a **"generational model"** between the retiring generation and the young generation saving up for their retirement. The aim is to match the financial contributions of the young generation with the financial needs of the retiring generation. Money does not flow directly from the young to the old generation, but rather goes through Kulturland, who acts as an intermediary and guarantees the maintenance of payments.

TIPS FOR PRACTICE!

BUILDING LEGITIMACY

- **Setting up small-scale pilot projects** is key to building trust before large-scale implementation of the "retirement savings for land purchases" model.
- **Patient and sustained dialogue** with many young farmers and potential investors is key to understanding the needs of the actors involved and bringing together their perspectives.
- **Setting up preliminary memorandums of understanding (MoUs)** helps to work out the finer details, which will later need to be stipulated in the final contracts.

OBSTACLES FOR ACTION

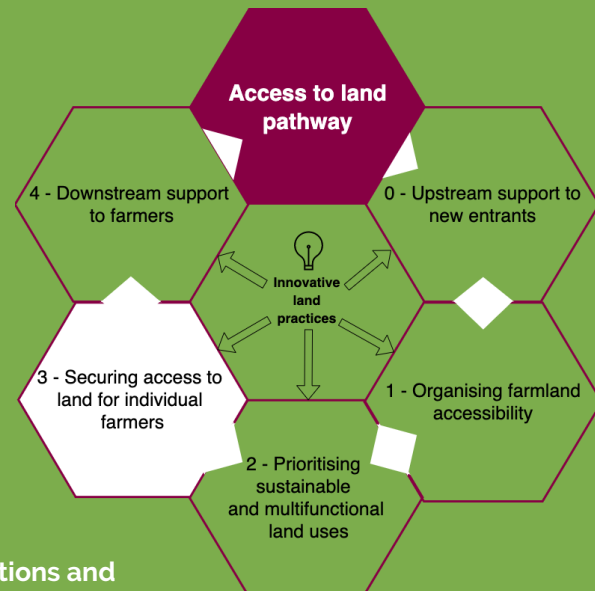
- **Legal parameters with regard to leveraging retirement savings for investment** are very restrictive in Germany.
- **The accounting expertise and financial mathematics** of retirement savings require extensive external expertise.
- **Matching young and old generations for "generational agreements"** is a challenge, due to different time-spans and financial contributions of the young generation saving up and the retiring generation's financial needs and life spans. This implies a larger pool of actors is needed to make the scheme work in the long term.



AN ADAPTED RESPONSE TO THE NEED FOR CAPITAL TO FINANCE LAND

This action aims to explore the possibility of utilising retirement savings of citizens and farmers in order to secure land and entire farms. This enables a young generation of farmers the access to land without needing to have significant up-front capital.

Furthermore, given government pensions (the public generational contract) for retired farmers is too low to live on, this model needs to ensure that young farmers who invest their revenues in the farm and in farmland can later use this investment as retirement capital. Therefore, a significant challenge for Kulturland remains the creation of a legal vehicle to enable this while at the same time securing the land as a commons.



What is the "Access to Land pathway"? Innovations use a wide range of actions and strategies to provide effective access to land. The pathway provides a typology to categorise innovative practices' different modes of action.

WHO WE ARE

KULTURLAND COOPERATIVE

Kulturland is an intermediary between the farms and society, acting as a "legal tool", enabling community-funded purchases of land. The cooperative enables customers and supporters in the vicinity of the farm to invest money by buying shares in the cooperative. This money is used to buy the land, making it available to farms permanently for a moderate fee.

Learn more at: www.kulturland.de

ACCESS TO LAND NETWORK

The Access to land network brings together grassroots organisations from across Europe to share experiences and promote the significance of access to land for agroecological transition and generational renewal. Established in 2012, it functions as an informal network of about 15 organisations.

Learn more at: www.accesstoland.eu



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Learn more at : ruralization.eu

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