

# The Iowa Master Farmer Foundation

*"born out of financial necessity"*



1920's



1930's



1940's



1950's



1960's



1970's



1980's



1990's



2000's



2010's

The Iowa  
Master Farmer  
Tradition...

???

*will it continue?*

**WALLACES**  
FARMER

*Good Farming, Clear Thinking, Right Living*  
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# A Brief History of the Iowa Master Farmer Foundation

## An organization born out of financial necessity

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Roots of the Iowa Master Farmer Association reach back to 1926. Although no one knew it at the time, the seed for the Iowa Master Farmer Foundation was sown in 1999. Both organizations grew out of the Iowa Master Farmer Awards program.

About half of the current living Iowa Master Farmer Association members had not received the award when the Iowa Master Farmer Foundation was incorporated in 2002. Here we present a brief history of both organizations, plus explain the linkages between them. Iowa Master Farmer Award recipients automatically become members of both organizations when they receive the award.

Henry A. Wallace launched the Iowa Master Farmer Awards program in 1926. Wallace intended for the award to recognize farm families that were outstanding farmers and worked tirelessly to improve Iowa agriculture and their communities. From 1926 through 2014 *Wallaces Farmer* magazine has presented Iowa Master Farmer Awards and Exceptional Service Awards to 441 Iowa farm families and agricultural supporters. The Exceptional Service Award recognizes non-farmers who have significantly contributed to improve Iowa agriculture.

From 1926 through 1999 *Wallaces Farmer* magazine financed the awards and award presentation ceremony.

### Award Recipients Started the Master Farmer Club

Award recipients launched the Iowa Master Farmer Club. Its initial purpose was to foster camaraderie among Master Farmer families and provide a network for sharing ideas, innovations, concerns, etc. Many of the early award recipients had children at Iowa State University. The club began holding annual meetings in

the fall, typically in Ames.

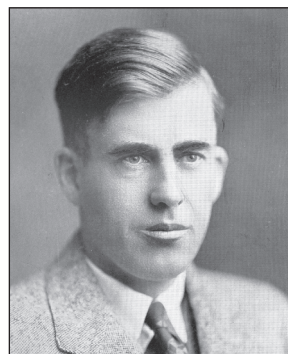
The club began sponsoring a journalism scholarship for an ISU student. Initially, scholarships were financed equally by *Wallaces Farmer* and the Master Farmer Club. Over the years the scholarship program expanded. In 2013, the group awarded:

- \* Two Journalism scholarships of \$1,250 each, funded \$1,250 by the Iowa Master Farmer Foundation and \$1,250 by *Wallaces Farmer*

- \* Two production scholarships of \$1,000 each funded entirely by the IMFF. Those scholarships are aimed at students who intend to go back to the farm.

The Iowa Master Farmer Foundation charges no dues. The Iowa Master Farmer Association charges dues, currently \$10 per year. Those funds are typically used to help cover expenses of the fall meeting. Those expenses include meals for special guests, such as speakers, ISU staff, and recipients and their families.

Both organizations have business meetings before the fall meeting luncheon.



Henry A. Wallace

### Program Faced Extinction

In 1999, Farm Progress Companies, the parent of *Wallaces Farmer*, directed the *Wallaces Farmer* staff to make the Iowa Master Farmer Awards program revenue neutral. Rod Swoboda and Frank Holdmeyer contacted Jean Wallace Douglas and H.B. Wallace, children of Henry A. Wallace and grandchildren of Henry C. Wallace, as to their interest in sponsoring the program. They did from 2000 into 2004. At the same time, previous award recipients began paying for their meals to attend the awards ceremony.

In 2002, Ralph and Joyce Neill recognized that the fragile funding situation of the Iowa Master Farmer awards presentation ceremony made continuation of the Iowa Master Farmer awards tenuous. They nurtured the seed for the foundation that Farm Progress planted in 1999 by requiring the awards program to become revenue neutral. The Neills spear-headed the effort to establish the Iowa Master Farmer Foundation. Its goal is to secure adequate funding to:

- Perpetuate the Iowa Master Awards program.
- Finance on-going Iowa Master Farmer Association scholarships in conjunction with *Wallaces Farmer*.
- Implement other projects that the Iowa Master Farmer Association might direct.

Foundation organizers determined that Master Farmer Club members and others might be more willing to make financial contributions to support the awards and scholarships if those contributions were tax deductible. In February 2003 organizers applied to the Internal Revenue Service for 501(c)3 tax status to clarify tax deductibility of donations.

The IRS asked for more information in order to make their determination.

Organizers wisely pressed Neil Harl, Iowa State University ag law specialist and distinguished service award recipient, more or less voluntarily into service as the foundation's legal counsel. He suggested renaming

the Iowa Master Farmer Club to the Iowa Master Farmer Association to reduce the perception that the organization might be solely a social club. That move helped solidify the IMFF's application to be a 501(c)3 corporation. Achieving 501(c)3 status allows contributions to the IMFF to be tax deductible.

In December 2002, Frank Holdmeyer, who was named IMFF executive secretary, filed articles of incorporation for the IMFF with the Iowa Secretary of State. The IMFF started with an initial capitalization of \$1,500 financed by Ralph and Joyce Neill (\$1,000), John and Maria Otte (\$250), Frank and Patricia Holdmeyer (\$250).

The Iowa Master Farmer Foundation received official notice from the Internal Revenue Service of its 501(c)3 determination on July 30, 2003.

### Why Two Organizations?

Confusion persists, particularly among new members, regarding the functions of the Iowa Master Farmer Association and the Iowa Master Farmer Foundation.

Organizers view the IMFA as the policymaking body. Its officers and membership determine policies and direct projects. For example, the IMFA authorized development and publication of the Iowa Master Farmer History book in 2007. IMFA also expanded the scholarship program to include a Production Scholarship in 2004.

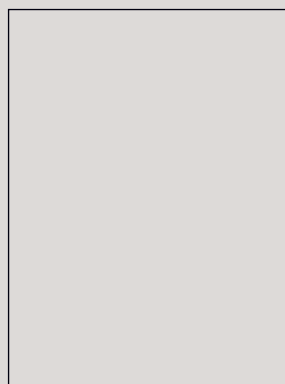
On several occasions the Iowa Master Farmer Association discussed connecting Master Farmers with beginning farmers in some sort of mentoring program. To date, no action has been taken.

Organizers view the IMFF as the financing body charged with:

- Ascertaining if projects the IMFA would like to carry out are financially feasible.
- Raising funds to carry out those projects.

### Roots of the Iowa Master Farmer Foundation go way back

In the early years, *Wallaces Farmer* presented Master Farmer award recipients with a watch fob. As vests and pocket watches lost popularity, *Wallaces Farmer* began presenting plaques. For years, Master Farmer Cliff Stille, a talented woodworker, made the plaques from walnut grown on his farm. Farm Progress now provides the plaques and medallions.



1926  
Master Farmer program begins.



1932-37  
Great Depression:  
no program.



1942-45  
World War II:  
no program.



1999  
Seeds sown for Iowa Master Farmer Foundation.



2002  
Iowa Master Farmer Foundation formed.

2014

### Initial Financial Support Was Tenuous

H.B. Wallace and Jean Wallace Douglas continued financial support to the IMFF through 2004.

In 2004, Ralph and Joyce Neill, using numerous documents prepared by Wallaces Farmer staff, launched a fund-raising effort that resulted in the IMFF securing a \$100,000 pledge from the Iowa Farm Bureau Federation. The pledge was received over 10 years. Farm Bureau paid the final installment on the pledge in December 2013.

In 2004, Frank Holdmeyer sought, and received, a commitment from Farm Progress Companies of \$5,000 to be paid at the rate of \$1,000 per year from 2004 through 2008.

IMFA members have been generous. In 2006 Norm and Ruth Barker donated \$2,346 of stock to IMFF. They did an in-kind transfer. Their stock was held at Edward D. Jones, which is how the IMFF came to hold mutual fund investments with Edward D. Jones.

### Legacy of Leadership Campaign

In 2005 Florine Swanson, who had served many years as executive director of the Iowa 4-H Foundation, helped the IMFF launch the Legacy of Leadership fund-raising campaign. It is aimed at members and other parties interested in continuing the awards program and scholarships. IMFF leaders chose to consider the Legacy of Leadership an on-going fund raising effort. As a result the individual donation category and Legacy of Leadership category were combined into one category on income statements.

The other major category of individual donations is recognition and memorials. A few members routinely make donations to the IMFF in recognition of new members. Those same individuals, and a few others, periodically donate memorials to the IMFF, typically in memory of deceased Master Farmers or their spouses.

### Breakdown of Donations

Most contributions are between \$25 and \$250. The bulk of the contributions in the \$250 to \$999 category are either \$250 or \$300.

From a bit of a different angle, since inception the IMFF has received donations from 142 individuals and organizations. Two donors, Iowa Farm Bureau and H.B. Wallace have blessed IMFF with more than \$10,000. Fifteen donors have donated between \$1,000 and \$9,999. Twenty-three donors have given \$500 to \$999. One hundred two donors have given up to \$500.

From a third angle, the foundation received \$190,821 in donations from inception through Dec. 31, 2013. Of that total, the top six donors have contributed \$140,577 (74% of the total). Contributions from the remaining 136 donors total \$50,244 (26% of the total).

### Profit and Loss Observations

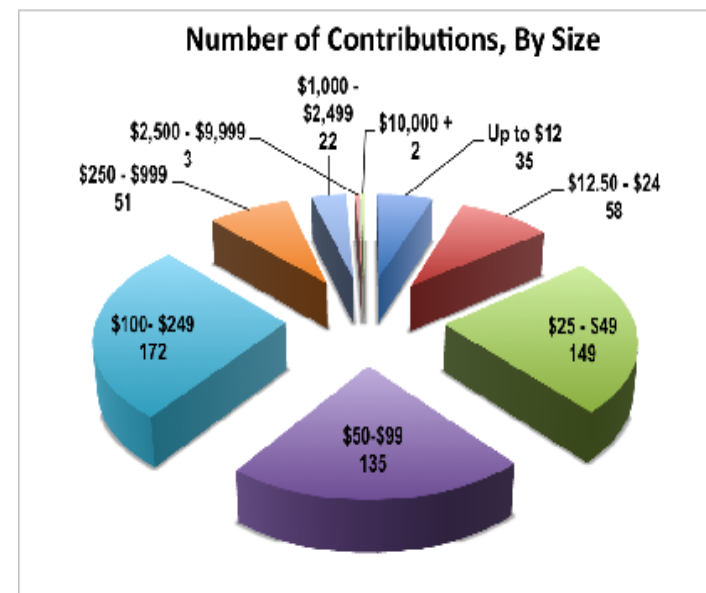
The 2008 through 2013 six-year average income to the IMFF is \$8,641 per year.

Scholarships, including Iowa State University donation fees, averaged \$3,408.

Expenses for the spring awards presentation ceremony ran from \$4,427 to \$7,357, with a six-year average of \$5,822. Meal ticket sales for the spring meeting averaged \$3,013. As a result, spring meeting ticket sales fell \$2,809 short of covering spring meeting expenses.

Scholarships and the spring awards presentation revenue shortfall are two of the three forces resulting in the six-year net ordinary income being minus \$3,154. The other force is the write down in value of the Master History Book.

Cash needed for scholarships is projected to continue at the current rate. Cash needed to cover the awards presentation revenue shortfall may rise with inflation. The history book inventory value has been written down to zero on the balance sheet.



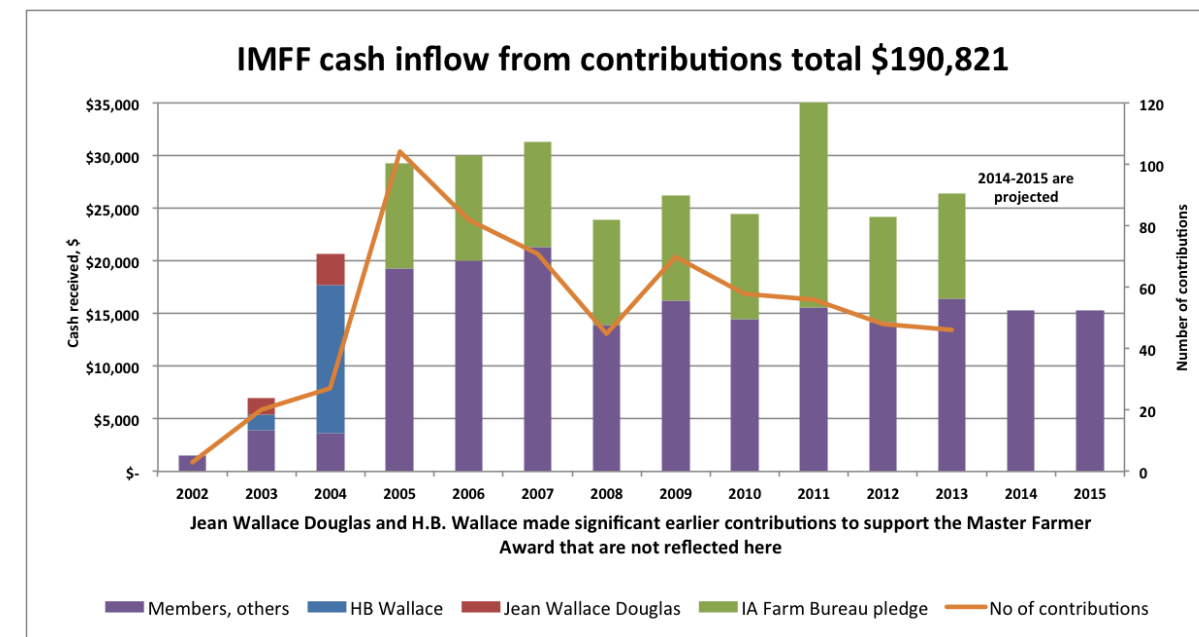
The single largest cause of year-to-year variation in Master Farmer Foundation net income is unrealized gains or losses on securities invested at Edward D. Jones.

### Why the Write-Down?

In 2007, the Iowa Master Farmer Association launched the Iowa Master Farmer History book project. The objective was to compile stories and other information on all award recipients in one place.

Farmers are outstanding producers. Over the years, *Wallaces Farmer* editors have written countless stories on why farmers need outstanding marketing plans to complement their outstanding production programs.

Looking back, failure to develop a marketing plan



proved to be the weakness in the history book project.

Early on the intended market audience was identified as:

- Existing living Master Farmers and their immediate family members.
- Corporate supporters.
- Iowa libraries and schools.
- FFA chapters.

Figuring active Master Farmers at 50 plus four immediate family member gives a base market of five books per active Master Farmer or about 250 books. Roughly 500 books have gone to buyers in this category.

Pioneer and Iowa Farm Bureau each contributed \$2,500 to the history book project. About two dozen books went to these supporters and others on a complimentary basis.

Iowa libraries, FFA chapters and schools were believed to be viable markets. Unfortunately, no one from either the IMFA or the *Wallaces Farmer* staff stepped

forward to mount a coordinated marketing effort to these groups. Perpetual optimist, LaVon Griffieon, made some marketing attempts. They met limited success.

Lagging sales prompted a discount in the book price. The Association also began giving books to new Master Farmer Award recipients. Those moves triggered a write down in

value of the history book on the balance sheet. From 2009 to 2012, the inventory value of the books was written down to zero. As of Dec. 31, 2013, the



*Wallaces Farmer* office still had around 400 books in physical inventory. That's a little less than half of the 1,019 book press run.

Why did IMFA leaders choose to print so many? Two reasons. One is all farmers like to capture volume economies. At decision time the IMFF had \$6,920 in labor and incidentals in the book. Estimate to print 500 copies was \$8,465. Printing 1,000 would boost cost by \$1,747 to \$10,212. That's a marginal cost of \$3.50 a book.

Second, leaders anticipated that a magical marketing plan and surge of demand would occur once customers feasted their eyes on the book. That expectation, much like the expectation that corn prices would resurge to their drought-induced September 2012 high of \$8, proved to be unjustified.

### Where to From Here? -- Challenges Going Forward

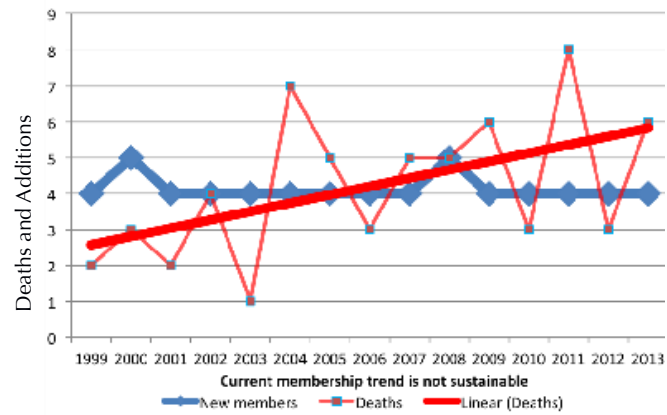
Receiving the final installment of the 10-year Iowa Farm Bureau pledge provides an opportune environment for the IMFA and IMFF to plan for the next 10 years.

Four topics to address immediately come to mind:

- Financing and funding.
- Leadership of both organizations.
- Possibility of merging the two organizations into a single body.
- Future of the Iowa Master Farmer Awards program when the current members of the *Wallaces Farmer* staff retire.

Amount of funding needed depends on what activities and programs leadership chooses to support. As examples, the association could launch the frequently discussed mentoring program. It could also choose to

**IMFA is losing membership at an accelerating rate**



provide more financial support to Iowa State University's beginning farmer program. Those moves would require more money.

Leaders could choose to only continue the awards program and scholarships. Round figures, recent net ordinary income has been minus \$3,154. Given the \$174,410 net worth on the Dec. 31, 2013 balance sheet, the IMFF could sustain a \$3,154 cash flow drain for quite a while. The two biggest variables in projecting how long foundation funds could last are inflation and change in market value of securities.

Membership of the IMFA and IMFF is comprised of individuals who have held leadership positions in a broad swath of Iowa farm organizations. Yet some outside observers sense that both organizations are currently adrift with little effective leadership. One reason is age. Achieving the characteristics and track record needed to become a Master Farmer takes a career. As a result, by the time many recipients receive the Master

Farmer award, their most energetic leadership years are behind them.

In addition to age, the organizations are losing more members than they're gaining through award recipients. A possible solution is to present the award to more recipients each year. Doing so would extend the length of the awards presentation ceremony. Some members think the awards ceremony takes too much time already. Age may be a factor there as well. Some concern exists that presenting more awards might dilute the value of the award.

In reviewing this article, Florine Swanson pointed out, "More and more organizations are moving strictly to one organization under the 501(c)3 umbrella. Thus dues are deductible unless used for advocacy/lobbying purposes which is not the case for Master Farmers."

In 2012 Farm Progress, parent of *Wallaces Farmer*, was bought by Penton. The new owners know little of the history and tradition of the Master Farmer Awards program. All of the editors on the current *Wallaces Farmer* staff will retire within the next five years, possibly sooner. In-kind support from *Wallaces Farmer* is tenuous.

The Iowa Master Farmer awards program, Iowa Master Farmer Association and Iowa Master Farmer Foundation all have rich histories. What the next 10 years will bring depends on how leaders who step forward now choose to mold the future of both organizations.

Respectfully submitted,  
John Otte and Frank Holdmeyer

**Iowa Master Farmer Foundation Profit and Loss comparisons**

Income	01/01/08 to 12/31/08	01/01/09 to 12/31/09	01/01/10 to 12/31/10	01/01/11 to 12/31/11	01/01/12 to 12/31/12	01/01/13 to 12/31/13	Six-year average
Individual Contributions	255	250	0				84
Living Legacy	2435	3760	3,260	2,755	4,165	3,785	3,360
Memorials recog	185	2340	1,320	2,940	1,375	1,450	1,602
History book sales	2475	790	335	38	90	70	633
Meal tickets	2800	2470	2,200	2,975	4,240	3,395	3,013
<b>Total income</b>	<b>8150</b>	<b>9610</b>	<b>7,115</b>	<b>8,708</b>	<b>9,870</b>	<b>8,700</b>	8,692
Cost of Goods sold							
Shipping	187	64	28	0	5	0	47
Cost of books sold	1,913	536	280	24	0	0	459
<b>Tot COGS</b>	<b>2,100</b>	<b>601</b>	<b>308</b>	<b>24</b>	<b>5</b>	<b>0</b>	506
<b>Gross Profit</b>	<b>6,050</b>	<b>9,009</b>	<b>6,807</b>	<b>8,684</b>	<b>9,865</b>	<b>8,700</b>	8,186
Expenses							
Journalism scholarship	1,250	1,281	1,969	1,313	1,316	1,316	1,408
Prdcn scholarship	2,000	2,000	2,000	2,000	2,000	2,000	2,000
<b>Total scholarships</b>	<b>3,250</b>	<b>3,281</b>	<b>3,969</b>	<b>3,313</b>	<b>3,316</b>	<b>3,316</b>	3,408
Contract services	4,708	4,196	4,427	6,017	7,284	5,952	5,431
Plaques	558	393	0	542	73	64	272
Misc mtng exp	421	244	0	50	0	0	119
Book Inventory write down	0	268	5,909	4,074	2,372	0	2,104
Xfr to IMFA	0	0	10	0	10	30	8
<b>Total expense</b>	<b>8,937</b>	<b>8,382</b>	<b>14,315</b>	<b>13,996</b>	<b>13,045</b>	<b>9,362</b>	11,340
<b>Net ordinary income</b>	<b>-2,887</b>	<b>627</b>	<b>-7,508</b>	<b>-5,312</b>	<b>-3,180</b>	<b>-662</b>	-3,154
Other income/exp							
Unrealized gain or loss	-4,121	-1,108	2,464	11,624	9,001	15,199	5,510
Interest earned	2,319	3,086	2,058	2,190	2,089	3,158	2,483
<b>Total other income</b>	<b>-1,802</b>	<b>1,978</b>	<b>4,522</b>	<b>13,814</b>	<b>11,090</b>	<b>18,357</b>	7,993
Other exp, Print checks	0	0	0	43	0	0	7
<b>Net income</b>	<b>-4,689</b>	<b>2,605</b>	<b>-2,986</b>	<b>8,459</b>	<b>7,910</b>	<b>17,695</b>	4,832
Net Inc excluding mkt val securities	-568	3,713	-5,450	-3,165	-1,091	2,496	-677

	12/31/08	12/31/2009	12/31/10	12/31/11	12/31/12	10/31/13
Net worth	140,727	143,330	140,345	148,804	156,715	174,410

Quickbooks treats FarmBureau pledge as income when pledge was received, thus annual payments are installments on account receivable, not income.

Last installment on Farm Bureau pledge was received in December 2013.

In 2003 Farm Progress Company, parent of *Wallaces Farmer*, pledged \$5,000.

Financials, originally kept in excel, treated Farm Progress payments as income when received.

Total four-year book inventory write down is \$12,263.

2013 living legacy total includes \$420 from 2013 annual meeting auction.

The IMFA, not the IMFF, finances the fall meeting.

Prepared by John Otte, IMFF CFO

Iowa Master Farmer Foundation Net Worth History												
	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13
Cash	1,500	11,028	25,761	11,036	11,231	23,875	18,410	22,927	12,036	13,969	25,251	37,747
FB Pledge			100,000	90,000	80,000	70,000	60,000	50,000	40,000	20,000	10,000	0
Farm Progress pledge			4,000	3,000	2,000	1,000	0	0	0	0	0	0
CDs			0	30,000	40,599	26,250	43,000	43,000	0	0	0	0
Other securities			0	0	2,346	0	5,853	14,744	81,839	112,463	121,464	136,662
History book inventory			0	0	0	17,900	13,464	12,659	6,470	2,372	0	0
<b>Net worth</b>	<b>1,500</b>	<b>11,028</b>	<b>129,761</b>	<b>134,036</b>	<b>136,176</b>	<b>139,025</b>	<b>140,727</b>	<b>143,330</b>	<b>140,345</b>	<b>148,804</b>	<b>156,715</b>	<b>174,410</b>
IMFF received two installments on Iowa Farm Bureau pledge in calendar year 2011												
Final payment on IFB pledge was received in December 2013.												
Physical inventory of Master Farmer history books is about 400, currently valued at zero.												
The Foundation has no liabilities.												
Prepared by John Otte, IMFF CFO												

