
Farm Succession: Improving Your Odds of Success

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Our previous articles in this series explored the four quadrants of farm succession planning, including why every operation needs two distinct succession plans and the surprising reasons why most plans fail. In this article, we'll explore proven strategies to improve your odds.

We've found that the greatest stress point in farm succession planning is communication. Fortunately, you can minimize conflicts and the breakdown of trust by having:

1. A written Family Mission and Values Statement
2. A written Farm Employment, Management and Ownership plan
3. And regularly scheduled meetings

Let's explore each of these in more detail.

Family Mission and Values Statement

The Mission and Values Statement defines the "why" of your operation. When developed with the input and consent of the entire family, this statement can provide many benefits. A good policy:

1. Clarifies your organization's purpose and goals. Why do you farm? What are your objectives? How do you define success?
2. Reminds the family members (and in-laws!) what's important, and how the members should conduct themselves in reaching common goals.
3. Enhances decision-making, particularly when tough choices elicit differences of opinion.
4. Improves culture, by creating a strong organizational structure with clear expectations, and helps the family work as a team to reach their goals.

A strong written agreement is your first line of defense against family conflict providing needed direction and reassuring family members that a given decision isn't capricious, but in line with the long-established policy for the operation.

Family Employment, Management and Ownership Plan

Most farm families we work with have children on the farm and off the farm. What happens when an off-farm child wishes to enter (or re-enter) the operation? Is there an established process to follow? Disagreements between family members on this issue can fracture family relationships, sometimes irreparably.

An effective, written Employment, Management and Ownership Policy should be communicated early and often, and address topics such as:

1. How does an off-farm relative enter the operation? Are there pre-requisites like X number of years of educational study (university or trade school), or a requirement to be employed for Y number of years elsewhere to gain experience and perspective?
2. Will there be a probationary period?
3. Will the new employee rotate among different areas of the operation (field, shop, office, and perhaps the packing shed or the transportation arm) to understand the “big picture”?
4. What are the expectations for working hours, compensation, vacations and benefits?
5. What ongoing professional development will be required? What is the involvement with state and national crop associations?
6. What steps are required to advance to a management position?
7. What is required to become an equity owner? For example, some operations require a pre- or post-nuptial agreement to be in place to prevent ownership flowing outside the family. Others require the family member to successfully farm a portion of the operation before becoming a co-owner of the entire operation.

When conflict arises (sometimes starting with a child’s spouse) over employment, management or ownership, the written Mission and Values Statement can reassure the family member and spouse that “This isn’t personal. It’s the policy we agreed to as a family.”

Regularly Scheduled Meetings

Many farmers can be described as “rugged individuals.” Sometimes that means they don’t communicate as well as they should. We frequently have younger members of the family tell us, “We have no idea what Dad’s plans may be!” Sadly, this lack of communication can dampen the next generation’s enthusiasm and allow misconceptions and conflict to fester.

Regularly scheduled, mandatory meetings are a great tool to nip these issues in the bud. Best practices to improve your succession plans include:

- **Weekly Operational Meetings.** These provide an update on what is happening across the operation, the tasks and priorities, that need to be addressed this week, and who is responsible for completing them. *Life gets in the way of a good plan every day, so resources need to be allocated to the items that did not get completed the prior week.* They should also address how farm labor will be allocated, so different managers know the resources they will have available.
- **Quarterly Planning Meetings.** These will address longer term issues, such as crop planting plans, land acquisition and financing, Irrigation and fertigation, manpower needs, equipment purchases, and tax planning. All family members should attend these meetings to help avoid misconceptions about the operation’s direction.
- **Annual Review Meetings.** Each family member (and maybe non-family managers) should understand the farm’s operational and financial results. Which parts of the operation performed well? Which need work? Were you profitable? If so, what will be done with those profits? What changes are recommended for the coming year?

These meetings build trust among the family members and managers, and that trust is essential for a successful transition plan. Meeting minutes need to be recorded to help define an operation schedule, giving the family a record of what was done, when it was done, and why it was done. This roadmap of the operation will prove invaluable in the event of a member’s death or incapacity.

Succession planning is a process, not an event. Engaging the entire family, the attorney and CPA along with a succession advisor will increase your chances for a successful succession plan that can last for generations.

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