

Farm Business Succession Planning

This article is the first of four articles by the MSU Extension Farm Management Educators and Extension Dairy Educators to assist producers in becoming familiar with issues surrounding business succession planning.

Communication is Key

Transferring a dairy farm from one generation to the next can happen via different methods. Some will develop a plan and process for each generation to move out at a point in time while bringing the next generation into the management and ownership role. Some do nothing until the senior generation dies. Then they scramble to try to put all the pieces quickly back together. This often results in costly mistakes to the farm business and family relations. The first method has the greatest opportunity for success of the farm, and thus the family and individuals engaged in the farming business.

Effective communication is an important key to success in farm businesses. Failure to communicate between family members can be the downfall of an entire business. This can lead to missed opportunities, unrealized financial gains and a situation where all will not understand the direction being taken with the farm. In any of these situations, family members often give up and become unmotivated because they are now employees rather than owners and decision makers with responsibility to help determine the direction of the business.

What do you need to communicate?

In the life of the farm, it is important to make sure that individual family members are aware of the senior generation's goals for the future of the farm business.

Conversely, junior members need to discuss hopes, dreams, and desires with the senior generation. Through input from both sides, optimal decisions can be made as to how active family members can become engaged in the management and ownership in the farm business.

When do you need to communicate?

Members of a farm's business management team need to touch base on a regular basis and confirm the focus that they will direct at the goals and vision of the farm. Having individuals beyond the senior members of the farm business focused on what is important allow them to be active in achievement of the goals and take pride in the farm's overall success.

In any family operation, it is vital that good communications exist between all parties. It is important to include the spouses of family members actively involved in the day-to-day management of the farm. Building and maintaining good communications throughout the initiation, implementation and completion stages of a farm business transfer is fundamental. Loss of communication leads to lack of trust and eventually can lead to extremely bitter consequences.

Suggestions to improve communications

- When you are speaking, be brief and be specific to keep on track.

- Don't accuse, insult or blame, it will only turn off a listener.

- Seek to understand, and view situations from their points of view. Don't label, lecture or judge your business associates.

- Try to be positive, productive and willing to compromise when needed to ensure everyone's points are considered.

- When listening, listen intently, focus, try to understand what is being said and try to interpret it as the speaker intends. You can make more progress by listening than trying to make your own point.

- Turn negative situations into positive by paraphrasing what you hear and find points of agreement and state them.

- Explain your motives honestly and truthfully, apologize when needed and admit mistakes. Putting your motive on the table gives others the opportunity to join with you in making a success.

Hold a meeting

One of the best ways to foster better communications may be to hold a meeting; it is recommended that the farming partners meet often to discuss operations and issues. Here are a few examples of meetings held:

- Each morning at 6:30 a.m. partners meet for 15 minutes to lay out plans and responsibilities for the day's work.

- Each 1st Monday of the month at 7:30 a.m. partners and spouses meet for half an hour to discuss progress, problems, op-

portunities, and other issues as presented. For spouses working off the farm, evening meetings may be necessary.

- Quarterly meetings are sometimes held to review progress toward goals, finances, and working arrangements.

- Annually, partners and spouses meet for an afternoon to review finances, establish goals, review operation, establish hours, payment rates, rents, vacation schedules, and other pertinent issues. To help facilitate the process a third party can be used to lead the group and make sure that a record of the meeting is kept to help avoid misunderstandings later.

The process of farming together with family members and several generations requires good communications, a willingness to give and take and a lot of "biting the tongue" on everyone's part. It probably is the most stressful part of farming yet it can help to insure current and future success of your farming venture.

For farms that have the potential or desire to bring the next generation into the management and ownership of the family business, you will want to take part in a special seminar that MMPA and MSU Extension will offer in several locations across the state next February and March. Keep watching future issues of the *Michigan Milk Messenger* for details on locations and dates of the seminars.

BSE Concerns To Lead To Tighter Feeding Restrictions

One of the U.S. safeguards against mad cow disease – a ban on using cattle parts in cattle feed – will be expanded "in the next month or two," according to USDA.

The USDA formally closed its investigation of the first native U.S. case of mad cow disease, which surfaced in late June. It concluded that the Texas animal was infected from contaminated feed manufactured before the 1997 federal ban on feeding mammalian tissues to ruminant animals.

The Food and Drug Administration, which oversees animal feed, said it is aiming to refine

the livestock feed ban with an additional rule soon. FDA has said it was considering a broader ban on use of poultry litter, table scraps and cattle blood in feed as well as more restrictions on use of items thought to carry the highest risk of spreading mad cow.

"We hope a rule will be forthcoming in the next month or two," said Stephen Sundlof, director of FDA's Center for Veterinary Medicine.

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