

This is the first few pages of the
book called:

“Farm Succession shouldn’t be
done at the Funeral Home”.

It is meant to give you a taste.

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Disclaimer

1. This *book is not meant to be chauvinistic*. In over 60% of cases related to farm succession, the farm is being passed down from father to son or to brothers. For this reason, the book was written in the context of a father/son relationship simply to *keep the language simplistic*. You can apply it to whatever situation you have on your farm. Successor/Succeedor sounded silly!
2. This book was *written for practical farmers not academics*. Thus I chose not to lace it with references to academic research. I wanted to keep things pragmatic.
3. This is not a humorous book and may be a difficult challenge to face. However, completing this book as a family will keep everyone *much happier* in the long run.
4. All farmers/situations mentioned are fictional. Kind of...

Opening thoughts for Fathers

What is more tragic?

- A 3 year old playing near a PTO shaft or a 40 year old seeing the farm's financial statements for the first time?
- A teenager quitting school or a farm not continually growing because the father is at retirement age?
- Driving to Alaska without a map or several siblings running a farm together without a business plan?
- A child getting a lump of coal on Christmas morning or family members not knowing what is in the will?
- 10 year olds fighting on a school yard without supervision or grown brothers fighting about the farm's future without a third party facilitator?

Any man can die and leave his farm to his sons through his will. However, few men succeed in passing off the farm to their successors in a successful manner. Look down your concession line. How many fathers who passed down their farms will have their great grandchildren taking over soon?

If your farm's patriarch died tomorrow:

- Would your family still get together for Christmas in 15 years time?
- Would your knowledge/wisdom be inherited just like your assets?
- Will the farm still have your family name on the mailbox in 50 years time?

If you answered yes, then seriously think again. The farmers who think they "have it looked after" often don't.

Opening thoughts for Sons

Where do you want to be in a decade? If everyone within your family shares the same goal and starts “pulling together” towards this goal, it is amazing the difference in farm profitability and congeniality that occurs. Once a plan is developed on how the family is going to realistically achieve this goal, then issues such as “how the pie is divided” both in terms of management and ownership becomes self evident.

Most farms don’t have a written business plan or realize the value in it. Farmers always point to their forehead when they tell me where their business strategy is. In Indian Poker you stick the cards on your forehead, with your opponents knowing what is there but not you. I liken this style of planning to Indian Poker except no one knows what is on your mind and most times you don’t really know either!

Mind Games played within farm families are deadly sports. If people are at each other’s throats, problems become exponential. It isn’t open feuds that are the problem. It is subtle actions such as showing up to work late or buying new equipment without consensus that quickly add up. *Sadly on many farms, few unpleasant words are stated but everyone is unhappy!* It’s an undiagnosed cancer affecting most families!

Farming has changed over the last 20 years and, like the evolution of machinery, the level of management sophistication required has changed as well. Yet often we are using the traditions of farm succession from the 1800s.

If everyone on your farm is not pulling together and mind games become an element of your farm’s business culture, your farm’s longevity is doomed. If this occurs, you might as well sell the farm now because soon, due to infighting, there will be nothing worth fighting for!

Intro

10% of Farm Succession is the transfer of assets and 90% is the transfer of management. Transferring assets is a simplistic process which involves a few meetings and pen strokes with lawyers & accountants. However, transferring management is an issue yet to be adequately addressed!

This book is NOT about estate planning. It is about getting farm families to start talking about the farm's future and thinking big picture before talking about "splitting the pie".

This book helps farm families figure out:

1. Why farm? What are our motivations and how can we improve what we enjoy in life?
2. What does the future of farming look like and how should your farm change to embrace future challenges?
3. How does your farm compare against neighbours and friends? What are your farm's strengths & weaknesses?
4. How does your farm make decisions and how must this change in order to be successful in 5 years time?
5. What is your ideal farm size? What changes should your farm focus on over the next 5 years?

It is not a novel filled with funny anecdotes. It is a workbook which requires everyone within the family to spend 10 minutes a day for 10 days to fill out their thoughts/ideas. It is written so that up to 6 people can partake. It was designed to be placed in the farm's main bathroom for farm families with "time management" issues. The book is a great way for families who have a hard time communicating about the farm's future to start the process. It is written so that the family can have a meeting thereafter and use the contents as a starting point for discussion.

A strategy isn't the end result of this book but this is the **first stage in creating one.**

Why I created this book

Farm Succession for most families is the “white elephant” in the room which no one wants to acknowledge or deal with!

Too often, this issue is something that is “looked after” when the father has one foot in the grave. Rational decisions become emotional and no one is satisfied with the results.

Often this indecisiveness has a large impact on the farm’s bottom line and long term growth. Most importantly, the impact this has on family’s relationships is often detrimental.

During the decade of management transition, most farms have **subtle** “Mind Games” being played due to control fears and indecisive strategies. Mind games played between family members not only negatively affect family dynamics but also the farm’s bottom line and strategic growth.

A focus group of agricultural bankers agreed that over 50% of their clients were losing at least 30% potential profit due to intergenerational mind games. Fixing this industry problem would at least double most farms’ Return on Investment. I have had clients who improved farm profit by >20% within 1 year by “getting everyone pulling in the same direction”.

This past year I have seen too many grown men cry in my office due to the emotional buildup and stress caused by dysfunctional succession. I am proud of the miracles I have worked as a mediator. However, most situations are train wrecks, which should never have happened to begin with. The problem is that farmers don’t come into my office for help until it is too late and, by then, it is hard to fix things!

This book’s purpose is to get your family *started* on the path of open communication for successful farm succession.

It’s meant to kill that damn white elephant in the room.

Succession planning: the root of all evil

The problem with farm succession planning is that folks put the cart before the horse.

Tax mitigation seems to be everyone's primary concern going into succession planning but, in retrospect, it should be the last issue to think about. Sitting down with an accountant/lawyer to transfer assets is an afternoon process.

The problems in succession aren't usually "how the pie is divided" or tax mitigation. It's the decade long process whereby management is gradually transferred from father to son(s). During this period of time:

1. Everyone has a different vision for the farm's future and thus everyone is working against each other.
2. There are no defined roles/responsibilities, thus decision making is dysfunctional and unprofitable.
3. Most sons are employees, not farm managers, until it's too late to teach them differently.

I was 21 when I first went to the patent office. Retaining control to the rights of valuable information is power. Yet Intellectual Property is only good if it is used. The Intellectual Property in the father's head is of no value if it's 6 feet under!

Any man can die and leave his farm to his sons. Few are successful in 20 years after his death having both his sons get together for Christmas and, more importantly, having the farm still viably operating. This can all be traced back to the success of his succession planning. Only 15% of viable farms get passed onto the 3rd generation, mostly for this reason.

Think about the farms that you have bought and why they were sold. Most can be traced back to these succession issues. Who is going to own you farms in 20 years time?

Rules of Engagement

Humpty Dumpty sat on the wall. Humpty Dumpty had a big fall. All of the King's horses & all of the Kings men couldn't put Humpty Dumpty back together again...

Every family thinks that they are immune to family feuds. One Agriculture College grad wrote to me, "My Dad and I get along great, thus I won't *ever* need your succession services".

Almost every farm boy got along decent (if not awesome) with his father in high school. That positive experience is why most children choose to go into farming after school. The problem is in the years thereafter. Sons become men and form their own opinions. Farms need to expand. Regardless of the farm, the need for growth and change is necessary.

Unfortunately most families don't have a constructive way to deal with change. Sadly, it is often a destructive rather than a constructive element. As a result farms families fall apart!

As a Mediator, I have seen some very sad situations whereby great families fall into bad situations. The problem is not the individuals, but their lack of change management procedures.

Thus it is my preference to work with families **proactively** as a facilitator to setup processes which prevent feuds from ever occurring. Having *predefined* management procedures – regarding how changes are going to be decided upon as a family is critical. Setting policies and procedures prior to problems occurring, prevents big problems from becoming exponential! The last thing required is arguing about how disputes are going to be resolved. An ounce of prevention beats a pound of cure!

Whether you admit it to yourself or not, your family is sitting on the wall. Statistics simply don't lie! The probability of successful succession is extremely low (<30%)! The question is what are you going to do to prevent common problems from occurring on your farm? When the family has disagreements, how are these issues going to get resolved?

The Analogy of Succession Planning

You don't need a map to drive to town to buy groceries. You have been there, done that many times in your life. You could almost drive there blindfolded. However, you wouldn't drive to Alaska without a map. You could, but you might end up in Arizona or in Quebec. You could eventually get there, but you would have a lot of wasted fuel, time and frustration.

Farm succession planning is a lot like this analogy. It's a once in a lifetime event and it's taking you to uncharted territories to which you have never been before. A few key analogies:

1. Most people think it is a five minute drive, when it is a significant multi-year journey.
2. Everyone thinks they are a NASCAR caliber driver, when they are doing something that they have never done before. It's similar to an eight year old behind the wheel.
3. Most fathers refuse to ask for directions.
4. A lot of sons ditch their cars (farms) because their fathers never taught them how to drive. Their fathers were driving the car until the day they died and assumed the son, by observation, would learn how to drive. If your son isn't making decisions in his 20s...
5. Farming is faster paced now than 30 years ago. One bad decision in the mid winter can put anyone in the ditch.
6. Every trip has its detours. The problem is that most families don't have the previously agreed upon mediation process to deal with these challenges and end up getting lost. Many never find their way home again!
7. Backseat drivers are annoying yet their insight is sometimes critical. There is a need for a time/place for opinions to be voiced and then shut up.
8. You've got to pick your end destination and the route, or else driving is useless.

Talent grooming

“I don’t know what is going on in Dad’s head” was a comment which stated everything wrong about a 33 year old dairy farmer who was taking over the operation. His older brother had already left the farming operation, leaving the younger son both with an extremely heavy workload and even bigger shoes to fill. His older brother had been “the businessman” of the operation whereas he had always envisioned himself working as “the herdsman”. His father had flipped the farm financials in his face a couple of times but, with no accounting background, they meant nothing to him. The dad had just had a mild heart attack. The son was soon going to have a heart attack if his father didn’t soon start teaching him “what was going on behind the scenes”.

The father had a “go, go, go” type of personality and had little patience to teach his son “what he should already know by now”. What was more concerning, yet common in most families was that as the father aged, he became more secretive about the farm’s financials because he wanted to retain his power within the farm, by controlling “know how”.

Any man can die and leave his farm to his sons in the will. Few men succeed in passing on their “business smarts”. Most successful farmers are “doers” not “teachers”. It is easy to teach a teenager to plough straight but difficult to train a “thirty something” to make wise business decisions. It is not something that is learned by osmosis or trained by a professor. Talent grooming is a decade long process which needs to be formally planned. This is why I advocate having Quarterly formal family business meetings whereby the father is forced to make decisions in front of his sons rather than behind closed doors. It gives the sons the opportunity to give constructive feedback and learn why things are done that way. This constructive feedback helps brainstorm improvements and, at the same time, teaches wisdom.

How to use this book

This book is meant to be read by families while they are in the washroom or a common place on the farm. It is meant to be read for 10 min/day max and to be completed over a month.

This book is designed for up to six different partners in the farming operation to participate. We have assumed a fictional operation with five different partners named: Jesse, Luke, Beau, Daisy, Cooter & Ennis. Each partner within your family must chose one character and on the opposite page “claim the name”. Then throughout the book, **wherever your character’s name is on the top of the page** fill it out.

It is structured as a quasi family game. Beau has already gone through and wrote answers/ideas on the first page of each section. This is meant to be an example and not meant to be your answers. **Fill in your ideas in the pages under your character’s name.**

Only fools think they have all the answers. Many questions asked in this book may stump you and require some thought. We encourage you to answer what you can and come back to those tough questions later. Time spent out on the farm doing manual labour can often help you come up with the answers you need. What is key is having these answers figured out by the deadline and, if you don’t know, simply put down a question mark. Admitting what you don’t know is the first step to a process of self discovery and finding the answers together as a family.

The final and most critical thing is to **not discuss each individual’s answers until your family meeting.** Snide comments or arguments before this meeting can ruin your family. Respect each person’s statements/space.

Name your stakeholders

List below the key Stakeholders on your farm:

Fictional		Signature	
Character	Family Member Name	Start Date	Finish Date
Beau	Example		
Luke			
Jesse			
Daisy			
Cooter			
Ennis			

Throughout this book, the Character Beau has already filled in his thoughts as an example. Follow his lead. Thus, if you are Daisy, throughout this book, wherever it says Daisy at the top of the page, place your thoughts. Leave the pages marked “Facilitator” empty until your facilitated family meeting.

This program only works if everyone participates, and getting team commitment is critical to success. We suggest that your family goes out to a restaurant as a reward! It is important to have a family reward for everyone’s participation.

These dinners can then act as a time/place to discuss next steps for the succession process in a neutral, distraction free environment. You may want to invite a family friend to chair this meeting or use a professional facilitator (recommended).

State a date for expected completion: _____ & a restaurant the family will go to as reward: _____.

The person who completes this book the last (last to sign under finish date) is the person who buys the dinner!

Q1. Why do you farm?

Before setting profit goals, it is important to understand **why you do what you do**. Farming is fun but it is critical to set up other fun things in your life or else what you love doing quickly will become unproductive and unprofitable.

It is critical to have something to look forward to beyond work so that work gets done and done well.

I had a 32 year old farmer whose parents were proud of the hours their son worked in his 20s but didn't realize the long term impact it would have on the dairy. They had raised the son on the principles of frugality and controlled the purse strings to an extreme. In his 20s he had to humbly ask for cash to go out socializing and, due to the lectures on frugality he got, he gave up on going out. He had a nice girlfriend but she dumped him because he was a "workaholic". Because he worked all the time and had no off farm interests, his hard work ethic got out of whack. He started doing activities at irregular hours and the milking didn't start until 9am. By the time I met with the father, the farm's profitability had slipped by 20%. The son simply needed a few off farm hobbies so that he could reprioritize his time and get things done.

This past year I have dealt with numerous farm families which had been profitable farms but the farmers had no balance and had gotten burnt out. As a result these families & farms fell apart rapidly after being very successful.

Farming a large operation may not be for everyone and it is essential to critically examine this end goal. Having a large successful farm is great but if you aren't accomplishing the real things that matter to you (ex. time with family) then what does it matter? In the end, what is the sense of making an extra \$300K a year if your wife leaves you because you work too much and don't have a good family life together? You'll have to sell your farms to settle the divorce anyways!

Understanding Your Partners

Getting personal goals on paper sounds dorky but it makes a night/day difference to a farm's overall work culture.

Each person is going to have his own motivators and, whatever they might be, it is key for family members to support them. It is critical to write out on a piece of paper what your motivators are, figuring out how much time away from chores you are taking and how much it is costing the farm. By sitting down annually to announce your goals, you can objectively measure whether time/money spent on hobbies balances out between family members over the long run. It should be equal and fiscally reasonable over the course of the year (Fair & Reasonable). As long as it balances out, then everyone should support each other's motivators and do everything possible to accommodate them.

For a father it might be buying a Harley and occasionally going out on an afternoon tour during fair weather. For a brother it might be spending three weeks of holidays with his young family throughout the year. For another brother it might be taking ten weekends off to party with friends.

I have often seen family members not understand each other's lifestyles and scorn each other for wasting time/money. From this misunderstanding either a "pissing match" wasting farm resources starts or neither party "gets a life", thus burning out as a result.

It is also critical to understand/respect religious difference between family members, like any professional workplace.

More brothers have split farms because they didn't spend 10 minutes doing this exercise than there are brothers farming together altogether. This has not only created problems with family harmony but also farm viability (economies of scale)!

Personal Goals

Beau

Answer each question with your thoughts

What Do You Love About Farming The Most?

Love the challenge of growing a family business.

Beyond Farming/Family, What Do You Like Doing The Most? What is your Passion/Hobby?

Love curling and spending winter holidays in Florida with my kids.

**Do you have a good: work/family/hobby balance?
What prevents your ideal lifestyle?**

*No sundays off. No
Time for Kids.*

Personally, what is one thing you don't do now that you would like to try?

I would like to do an Online Agriculture MBA at Kansas State.

Personal Concerns Beau

Answer each question with your thoughts

What do you Hate about Farming the Most?

The stress of family drama.

During busy days in peak season, what wastes your time?

Fixing other people's mistakes.

If you had an extra hour/day, what would you invest it in doing that would improve farm profit?

Spend more time with fresh cows.

What keeps you up at night worrying?

Who owns what in 10 years time.

What is the biggest thing that frustrates you?

Don't have any ownership stake in the farm after 11 years.

Where are you losing the most money?

Spending money on cash crop "toys".