

RIGHTRISK™

RIGHTRISK NEWS

DATES TO REMEMBER

NAP Coverage
(Spring-planted crops)
- county specific deadlines

Spring crop acreage reporting deadline
- July 15

Margin Protection Program Dairy (MPP-D)
- 2019 crop year
July 1 - Sept. 30th, 2018

For more information see:
<http://www.rma.usda.gov>
<http://www.fsa.usda.gov>

Handing Over the Reins: Are You Ready?

So, you think you are ready to turn over the farm or ranch business to the next generation? The process of “handing over the reins” to the next generation is long, sometimes complicated, emotional, and seemingly risky. However, the transition will be more successful where there is good, open communication. Succession planning is the first stage of an efficient transition of ownership, leadership, and management to the next generation. Almost all family business owners want their business to transfer to the next generation.

While most business owners recognize the importance of a succession plan, less than 40 percent of agricultural businesses have one. So what’s the hold up? Logic would suggest that developing a succession plan would be an obvious requirement of business ownership. However, complex forces are at work and, despite recognizing the importance of a plan, most farm owners and managers decide to do nothing about succession.



Wikipedia Commons

Farm Businesses are Unique

Owning and operating a farm has unique differences when compared to most other occupations. The primary differences are rooted in emotional attachments to the land, having no plans to retire, farming as a combination of lifestyle and business, and having little or no retirement income. Few business owners find it easy to come to terms with the idea that the business could operate and survive without them. They are reluctant to give up control. Facing the reality that others may be able to run “their” business as well or better than they can is painful and threatening. The business defines them and surrendering power can be a huge sacrifice.

Fear of retirement can also be a powerful force. The thought of leaving day-to-day business activities and adapting a whole new life style can be scary. Succession planning forces business owners to think about the end of their lives and come to terms with their own mortality. These thoughts can evoke feelings of fear or regret. The inability to choose among children often discourages succession planning; a dilemma between choosing business values and family values. Should the selection be based on business competence or the family values of loving and treating all family members equally?

Where to Start?

A big challenge in succession planning is knowing where to start. One seven-step process describes not only how to begin, but also important actions to take throughout the entire transition:

Step 1 - Establish a timeline for succession The key is to start early. Succession is a process not an event. You don’t know what the future might bring, so it makes sense to have your plan ready in case something unexpected happens, such as injury, disability, death, or divorce. Rather than waiting until the issue is forced upon you, start the process while there is still time to discuss issues and come to agreement. This can prevent serious damage to family relationships and the business. It also allows potential successors to better prepare for the transition.

Step 2 – Decide who should be involved The transition planning team should consist of family members, business associates, and/or outside advisors. Ideally the elder generation should provide leadership while coaching and mentoring the younger generation. This will allow a shift of power in a controlled, predictable, and gradual manner.

How Much Risk is Right for You?

HIGHLIGHTED TOOL

A written marketing plan introduces discipline into the commodity marketing process. The *Risk Navigator Marketing Plan* tool is a series of Excel worksheets designed to create a road map for the producer outlining how much grain will be sold, when it will be sold, and how it will be sold. The Marketing Plan tool helps the producer develop a set of goals and objectives that create decision rules for the marketing of their grains.



For More Information on the *Marketing Plan* tool, see RightRisk.org > Products > Risk Navigator > Toolbox.
For more *Applied Risk Analytics*, see RightRisk.org > Resources > Applied Risk Analytics.

HANDING OVER THE REINS CONTINUED FROM PG. 1

Step 3 – Identify and select an appropriate successor It is important to make sure the process for selecting a successor is clear and understandable to everyone interested. Make sure the person selected is interested in the position, committed to the mission of the business, and has the right skills and experience to be successful.

Step 4 – Put the transition plan in writing A written plan should detail the steps for dealing with business and interpersonal aspects of the transition process. Having a written plan will significantly reduce the potential for doubts and misunderstandings within the family.

Step 5 – Communicate the plan Once the plan is written, communicate the details to family, employees, and others who have interest in the continuity and success of the business. The existence of a plan will typically reassure everyone involved and allow them to align their own future plans to ensure a smooth transition.

Step 6 – Plan for retirement Define what retirement means to you and your spouse in order to plan for retirement, including: estimate your financial needs; consider the length of retirement, living expenses, other sources of retirement income; and consider what you will do with your free time. Studies show that retirement is often different for farm families than for those who work for an employer. Many farmers believe there is no such thing as retirement. Retirement may mean scaling back rather than not working anymore.



Public Domain

Step 7 – Step back from the business and enjoy retirement The best laid plans will fail if you do not relinquish control and allow the successor to “take the reins.” The secret to success is making sure that your life in retirement is full and satisfying.

Transitioning a family farm business to the next generation may be thought of like taking a trip. The family needs to understand where it is today, where it wants to go, and how it can best get there. Progress can be evaluated more easily by formalizing the process, issues more efficiently addressed, and course corrections made as needed. This approach can help the family and farm more smoothly transition ownership and management responsibilities. A farm family can leave a legacy through the generations!

RIGHTRISK™

- Education
- Coaching
- Research

E-mail: information@RightRisk.org

Web: www.RightRisk.org

RightRisk helps decision-makers discover innovative and effective risk management solutions.

RightRisk News is brought to you by the RightRisk Team

Contributing authors:

John Hewlett, Ranch/Farm Management Specialist - University of Wyoming, hewlett@uwyo.edu

Jay Parsons, Risk Management Specialist - University of Nebraska-Lincoln, jparsons4@unl.edu

Jeff Tranel, Ag and Business Management Specialist - Colorado State University, Jeffrey.Tranel@ColoState.edu

Editing and Layout: John Hewlett, hewlett@uwyo.edu

Past issues of RightRisk News are available at: <http://RightRisk.org> > Resources > RightRisk News
To subscribe/unsubscribe, email information@RightRisk.org subject line “Subscribe/Unsubscribe RR News”

How much risk is right for you and your operation?

Colorado State University Extension

UNIVERSITY OF WYOMING EXTENSION

RED N EXTENSION