

# Cure for the Family Feud

A conference room beats the courtroom

Siblings and spouses squirm and often won't even look each other. But when a family dispute threatens the operation of the farm, mediation is often the simplest way to ease acrimony and settle the finances of the operation.

"Getting them to the table is usually the biggest hurdle," says Lance Woodbury, a family business mediator/facilitator with the consulting firm of Kennedy and Coe in Goodland, Kan. "Then I have them come in and, even though they are sitting next to each other, they talk to me and want me to relay the information to the other person."

While the incongruity is wrenching—traditionally close-to-the-vest farm families airing out their differences in front of a complete stranger—mediation is often the simplest way to overcome misunderstandings. Consultants say the process can resolve friction over salary, career expectations and operational goals, like reinvesting in the farm or paying a dividend.

And it sure beats attorney fees and a court date.

**Paper profits.** One common irritant is when a farm shows income or losses on paper, yet off-farm operators face a tax liability. Non-operators may also lose patience when they need money and have not received any cash from the business they "own."

Off-farm heirs often interpret this as a rather unbalanced proposition, especially when other family members are drawing a salary, car expense account and other perceived perks, mediators say.

"Of course, they don't see the days when a cattle truck pulls in at 3 a.m. and the operators have to get out of bed and take that call," Woodbury says.

One of Woodbury's clients was a

father caught in the middle of arguments between his sons and daughters. "Finally, the father turned to me and asked how much I would charge to help them work through the issues.

"I said, 'What would it be worth to solve this?'"

"He kind of got a grin on his face and said, 'Well, I'm not going to pay you that much money.'"

**Salary referee.** In another case, a family-owned vineyard in California sought mediation when the father passed away several years ago. The off-farm siblings objected to the salaries proposed by the two brothers who took over the farm. They hired a me-

dervalued their services, also walked away with a pay increase.

Besides salary squabbles, the death of a farm owner or operator can trigger emotional issues. One child may believe they deserve a discount if they buy the family homestead. Establishing market value for used farm machinery can be a sore point. Operators may not have the liquidity to buy out non-farmers.

Many of these conflicts can be resolved through more diligent estate planning, notes Don Jonovic, a Cleveland-based adviser to family businesses and farms.

"Very seldom is this kind of thing corrected in the planning stage when



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diator to research market rates for similar management jobs.

"We went into it with confidence in whatever the appraisal would be," says one of the operating sons, who is chief financial officer of the 2,000-acre vineyard. "And we all agreed that whatever the mediator's decision was, we would all abide by it. That was very important to everyone going in."

He stresses that the acrimony that existed going into the process was only on the business side and did not extend to family relationships.

"We were not in personal conflict at all," he says. "And when the decision came, we all agreed that it was based on science and there was no bias of any kind. We all walked away satisfied." The two brothers, who had un-

a lot of the potential conflict could be addressed," Jonovic says.

To avoid mediation, he advises a plan that allows the on-farm heirs to buy out the off-farm heirs, or the establishment of a structure that allows for transfer of ownership.

**Togetherness.** Once the farm is in the hands of the heirs, both sides should get together at least once a year, he says. That will help thwart a possible divide that could land the family in the uncomfortable conference room of a stranger.

"I tell people to treat it like General Motors," Jonovic says. "Have an annual meeting of shareholders. It sure beats going through problems that often get ignored until it's too late." ■