

Woodbury: Farm Family Business

Storm Clouds Hit Succession Plans



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Bio

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Almost everyone admits that family business succession is no easy task. Transitioning from a single leader to a team of siblings, or from a seasoned operator to a less experienced family member, or from a parent to a child, presents a multitude of leadership, management and emotional challenges. Now, add to that an economic challenge. With crops selling for less than the cost of production for multiple years, and livestock markets struggling, generational transitions face an even tougher time. Here are some suggestions to handle the stress.

GET YOUR EGO OUT OF THE WAY

If your business model isn't working, and you don't have the working capital to sustain the losses, get all options on the table. Consider becoming smaller. Evaluate letting go of the most unprofitable acres. Explore a merger with a neighbor. Be open and creative with land owners. Negotiate with family members to whom you owe buyout payments and who might be open to a longer repayment plan. All of these actions provide potential ways to stay in the business during the downturn. Sure, you may be the topic of gossip at the coffee shop, but if it keeps you doing what you love, so what?



Harsh economics may force rethinking of some farm business plans.

It's better to find a way to continue in business at a smaller scale or with others, than to be forced by the bank or creditors to liquidate or to default on your payments to others. (Then you'll really be the talk of the town!) The business is cyclical, and while it's hard to predict when, it will turn around and you may be in a position to capitalize on better times. Some of the most successful operators I know threw their egos aside in the 1980s and did what it took to survive. Worry less about what others might think, and more about how to preserve the assets and capital you've built.

EXPLORE OFF-FARM EMPLOYMENT

In many rural communities, good help is hard to find. Service businesses, professional firms, and manufacturing companies often value the work ethic of farm and ranch-trained family members. In a number of towns or nearby communities, the unemployment rate is at historic lows. In some cases, just the benefits provided by an off-farm job can provide significant savings to the farm business.

Several days ago I received an email from someone in a good paying job who was considering returning to the farm. I encouraged him to help out during the evenings, weekends and on vacations, but to essentially stay out the family business full-time for a couple of years while getting some valuable experience and collecting a better paycheck than what he could get at home. He would also get the benefit of supervisory training, the chance to build a network, other professional development opportunities, and he could build his savings and retirement plan for a few years before returning. He'll have

much more to offer when he returns.

TALK EARLY AND OFTEN ABOUT FINANCIAL CHANGES

Perhaps the most important strategy is to open up communication about the financial picture, and brainstorm how you might make it through. I often say that in the absence of a good story, people make one up. In the case of financial challenges, if you aren't talking as a family about your situation, family members may be assuming -- for better or for worse -- where you stand as a business. Include spouses in the conversation so they don't have to hear about the challenges second-hand.

Be sure to enlist your accountant in that discussion and brainstorming, as they often have a chance to see how other business owners are making it through tough times, and they can offer helpful suggestions. While you may be cutting back on some expenses, don't be penny-wise and pound-foolish when it comes to those who can provide the most strategic help at this point in time.

In addition to talking about the family business and wealth passing from one generation to the next, we often talk about the lessons and the legacy that are handed down. Those lessons are most often learned during the trials -- not the parties. Enduring legacies and values are shaped by how families respond to challenges. We're in a time where your response to such economic tests can be the silver lining in an otherwise ominous cloud.

See a related discussion on this topic on DTN's Minding Ag's Business blog.

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Editor's note: Lance Woodbury writes family business columns for both DTN and our sister magazine, "The Progressive Farmer." He is a Garden City, Kansas, author, consultant and professional mediator with more than 20 years' experience specializing in agriculture and closely-held businesses. Email questions for this column tolance@agprogress.com.

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