Future Farmers

Transitioning the farm or ranch to the next generation requires a few steps, a good attitude and a solid plan.

by ***Shelby Mettlen,*** *assistant editor*

If you're considering moving back to the family farm or ranch, you're about to join one of the most capable and progressive groups of young producers the agricultural industry has seen. With greater focus on a college education, quick access to markets and information via social media and technology, and perhaps the most steadfast and hardworking generation as our predecessors, we are the generation with the momentum to shift farming and ranching into an even higher gear. With that said, planning for the return is more important today than it's ever been.

The first step young, first-time farm and ranch managers need to take is managing risk, says Carl Horne, outreach manager for Farm Credit Services of America's Young, Beginning and Small Producer Program. The program focuses on providing financial services and creating opportunities for small or beginning farmers and ranchers 35 years old or younger, or who have been actively managing the operation for 10 years or less, or small operations with a gross annual income of $250,000 or less.

Pros and cons

Young producers face two significant challenges when considering the move back home, Horne says: A lack of experience and a lack of financial maturity.

However, he points out, this generation has a significant advantage over older generations in that we are tech-savvy to an extreme degree. The iPhone attachment is real, but it's not all bad.

"We've got access to information that helps us not only find solutions to our challenges, but also network with other people," he says. "We can network with cattle producers on the other side of the world and learn from them about what their best practices are."

After you've determined your goal and how to protect that goal, the next step to a successful operation is building a plan.

In light of today's economic turmoil, Horne says he continues to see more in-depth planning going into today's farms and ranches.

"Every decision matters," he says. "There are a lot of decisions where, if they don't get it right, that might affect their ability to ranch again next year, to have another crop, or to feed out another group. Planning really helps shore up success on a lot of operations."

While having your ducks (or cows, if you will) in a row is important to ensuring success, what Horne determines as perhaps most important is a good attitude. Even in challenging times, he says, there are a lot of reasons to be optimistic.

Focus on your strengths

In the 1980s, going back to the farm was discouraged. Interest was high, commodity prices were low and, in parts of farm country, the dust blew more than it did during the "Dirty '30s." Times were hard. So, even during hard times, should young people still be eyeing the farm as a way to make a living?

Absolutely.

"We need the best and brightest people in production agriculture," Horne says. "We all depend on that, the best managers, to get into farming and ranching."

One thing returning youngsters need to

focus on is thinking outside the box, he says.

"There are a lot of different ways, going back to the farm or ranch, that you can add value — and it's not just about increasing acres or increasing head count."

Focus on your specific talents, Horne urges. Maybe you have a business degree, maybe you are an effective communicator or maybe you have a background in marketing — whatever makes you unique, use it to make your operation better. As a farmer or rancher, you're not only the CEO of your business, you're the human resources department, the paralegal, the operations manager and the marketing executive, among other positions.

"I think we're getting better at understanding that you don't have to do it all," Horne says. "You can pick and choose what it is you like doing the most, what you're best at, and concentrate on getting even better in those areas while very carefully selecting partners to help you in those other areas."

Communicate

One thing Horne says he shares often with clients is the importance of sharing your plan with any business partners you have.

Communicating your plan to your partner or partners allows you to get feedback that can help you strengthen your plan. Additionally, you have the opportunity to assess that business partner's ability to provide customized solutions for you, Horne says. Clue in any and all partners, including your lender.

"Are they just going to give you a one-size-fits-all type of service, or are they adapting to the plan as it's communicated — are they receptive to the plan?" he asks. "A lot of people, when they go in and talk to a lender … come in and say, 'I need $50,000 to buy X number of head,' and I just encourage people to come in and start the conversation first about their plan."

In most industries, you can't even take a couple of steps forward without a plan, Horne points out, because we're "so dependent on partners."

To young farmers, he says, "Let's be the first generation that really embraces planning and strategic thinking about where we want to go."

Successful operations are dependent on one big thing, Horne says, and that is the operator's ability to make good decisions consistently over time. Real success depends on planning.

"If you want to be viable in this industry, you have to make good decisions, and if you want to give yourself a better chance to make good decisions, get yourself a plan."

AJ

Pass it on

Transitioning ownership of a family operation can be a daunting task. Conversations can be difficult. Questions can be uncomfortable to answer. Generations and sides of the family can be at odds. To keep blows to a minimum, Paige Pratt, co-owner of Johnson Farms LLC in Dwight, Kan., and District 1 administrator for Kansas Farm Bureau, suggests enlisting a transition facilitator.

Talk it out

The first step in transitioning the farm or ranch should be conversation, Pratt says. The older generation — the holder of the assets — should be willing to discuss transition of the business enterprise and ready to sit down with other family members and discuss the direction of the operation.

"Having a plan, putting things down on paper, and then also communicating that [plan] is very important to be certain that those involved in the transition, whether they're involved directly in the operation or not, have a good understanding of what the plan is for the future," Pratt says. "That will certainly help the next step when a generation does pass away. It will help make that transition smoother. We want to be sure we keep our family intact; it's very important to us."

Establish trust

Pratt says a facilitator can be particularly helpful when older generations want to remain active and involved in the operation. A facilitator can lead the conversation with different generations and help "advise them of their needs."

"I think the first step is to get all the players at the table," she says, "the oldest generation that still has assets to their name, as well as the generations farther down the line, to identify what everyone's values and what everyone's future goals are, and then to identify what their needs are at every level so that you can be able to design an operation that meets the needs of every generation and then try to develop some of that trust that goes along with passing things along.

"Once they trust and they feel secure that they will be taken care of and that you will take care of what they own, I think that transition goes much more smoothly and is done with less apprehension," she adds.

Know when to walk away

Sometimes, a generation may not be ready or willing to hand over the reins. In that case, Pratt says, it's okay to walk away — but, you should talk first.

"It is a difficult process," Pratt says, "if that older generation isn't wanting to have the discussion and they simply want you to be a labor force and pay you minimally, then you do need to walk away, because for the sake of your family you need to be able to build a legacy for your children."

However, you don't need to grab your things and head for a new opportunity, she points out. Getting a transition facilitator involved can help older generations understand the insecurities that come with not knowing what the future holds. This can help them understand what they need to do to help make the next generation comfortable.

Still, Pratt says, sometimes they just aren't willing to let go.

"In those situations, it doesn't mean that you need to cut ties and never speak with them again, but it does need to make certain that you go and seek opportunities that are best for your family."

Network

Pratt found her family's transition facilitator through her lending agency, which was able to provide Pratt with a list of names of experts they had worked with in the past who had offered successful services to clients.

Many universities, including Kansas State University (K-State), offer programs through their Extension services to help families transition their operations. K-State offers Kansas Agricultural Mediation Services available through K-State Research and Extension.

"I think just using your network and connections to be able to identify top-quality people who will get you what you need is very important," she said.

Pratt points out that if you're not happy with the service your facilitator is providing, it's okay to walk away.

"We utilized attorneys, in the very beginning, that our transition facilitator had used with other operations and, frankly, we weren't satisfied with what they were providing us," she explains, "so we fired them and hired new professionals that better fit our operation. If you're not happy with the services a CPA or an attorney is providing, find a new one that does meet those needs."

Talk to friends and fellow producers, Pratt says. Learn who they have worked with and who they recommend. Often, she says, the best working relationships will come from those connections.