

Welcome



TRANSFERRING THE FARM WORKSHOP
February 12, 2019 • Berlin, Vermont
Make informed decisions for transferring your farm to the next generation or a non-family successor.

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Acknowledging the late Bob Parsons, UVM Extension 1953-2018



Who is here today?

- From the Older Generation? The Younger Generation?
- Farmers without identified successors?
- Have a business to Transfer?
- Have real estate to Transfer?
- Been working on this for a while?
- Just getting started?



What do we call this?

- Transfer?
- Succession?
- Transition?

What do we need to address?

The Farm Transfer Process

Passing a farm from one generation or owner to another.

A Farm Transfer Plan consists of an *action plan*, a *timeline* and the *documents* needed to accomplish the transfer.



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Transfers Can be Complicated

- Each Farm and each family are different
- The needs are different
- The timeline is different...
...But, the timeline is often glacial
- It can be hard to define when its complete...**It's a process, not an event.**
- This workshop can only scratch the surface...Take action.



Resources: Print and People

- Numerous Print, Video and Web Resources--See List in Packet
- Land For Good 1:1 Short Consultation
- VT Farm and Forest Viability-2+ Years of Services
- Other Farmers



Everyone Needs A Team

- Transfer Advisors
- Business Advisors
- Attorney(s)
- Accountant
- Lender
- Insurance Agent
- Appraiser(s)
- Facilitators and Counselors



Getting Started

**This is
IMPOSSIBLE!!!**



Getting Started

- Don't get overwhelmed, take a bite
- Start now, Start Yesterday— optimally at least 5-10 years before you think you want to transfer. Don't wait for a crisis!
- Keep it on the agenda—make time for this.
- Start the Conversation
 - Successor(s) (if identified—may not be family)
 - Children and other family members
 - Assemble advisors



Family Business v Business Family?

- **Family System:
emotion-oriented**

- Emotion-based
- Mission to nurture relationships
- Equality
- Unconditional acceptance
- Relationships are permanent
- Power tied to generation/birth order

- **Business System:
results-oriented**

- Task-based
- Mission to produce profitable goods/services
- Competency
- Acceptance based on performance
- Relationships are contractual
- Power based on authority & influence

Hard vs Soft Issues

Hard Issues

- Business/financial
- Legal
- Taxes
- Estate
- Retirement \$
- Management Control

Soft Issues

- Family Communications
- Vision (unclear?)
- Conflicting Personal Goals (or unclear?)
- Fair v. Equal
- Management Abilities
- Legacy
- Identity/Retirement
- Management Control

Start with Your Goals and Vision

- Both Generations need to have clear goals
- Both Generations need to freely share their goals and vision with each other
- Both Generations need to be able to work through Differences
- Its good to involve non-farming family members, but the people who are running and stewarding farm need priority in decisions.



Communications can be Challenging

- Plan Meetings to Focus on these issues
- Consider the Timing and Location
- Consider an Outside Facilitator or Advisor
- When communications get particularly challenging consider:
 - VT Agricultural Mediation
 - Farm First

Common Concerns

- Financial Viability
- Debt
- Funding for Retirement & Health Care
- Trying to help farming children build equity
- Fair Treatment of off-farm heirs
- Taxes

**Important to not let any one issue dominate,
or prevent you from planning and taking
actions!**



Common Obstacles/Concerns



Financial Viability

Biggest Challenges:

- Current Business not profitable
- Current Business not big enough for multiple generations
- Too much debt
- Capital Needed for infrastructure improvements (RAPS, FSMA/GAPs)
- Insufficient Social Security and Retirement
- Younger Generation No Equity and No Cash



Financial Viability

Often a new business plan is
needed

Sometimes an entire new business
is needed



The Transition

- Typically done in Stages over multiple years:
 - Transfer of Management
Skills and Responsibilities
 - Transfer of Decision-Making Power
includes the Checkbook
 - Transfer of Intermediate Business Assets
 - Transfer of Real Estate

The Transition

Important that the Next Generation develops the skills necessary to run the business.

Typical Deficits:

Financial Management Skills

Business Management Skills

Marketing



Typical Scenario

- Younger Generation gets education and works elsewhere
- Come back as an employee for defined period
- Build Skills and Responsibilities—may be in charge of an aspect or a new enterprise
- Transfer of Intermediate Assets—either full buyout or gradual transfer through a partnership/LLC—Lease real estate at first

Variations

- Younger and older are partners for a period until the younger has enough equity for to acquire financing for a buyout.
- Younger generation remains an employee while building a new business or venture
- Older Generation sells business entirely and the successor starts a new business or brings their business to the farm.

Farmers without Successors

- Can Recruit Successors
- Could be an employee or a new farmer
- Incorporate into your business or a new business on the farm
- Could lease or sell land to next farmer
- VT Land Trust Farmland Access Program
- Vermont Land Link



Real Estate Transfer

Typically the last thing to transfer

- Through the estate plan
 - In interim should have lease bearing on heirs, agents, assigns...
- Through Gifting (Partial or All)
- Through an legal entity and gradual transfer of equity over time
- Through sale—often with a conservation easement

Need to consider taxes, debt, equity, control, retirement housing, and long-term health care



A Written Plan

- **A written plan provides accountability!**
 - Needs to include the who, what, when, where and why
 - **Specific**
 - **Measurable**
 - **Assignable**
 - **Relevant**
 - **Time-based, Clear timeline**
- ...helpful, but only if you use it and refer to it.



Thank You

This workshop is being brought to you
through the support of:



Gaining ground for farmers



Funding provided by Vermont Housing & Conservation Board and Land For Good grants from the USDA National Institute of Food and Agriculture through its Beginning Farmer and Rancher Development Program.