

Farm Family Businesses

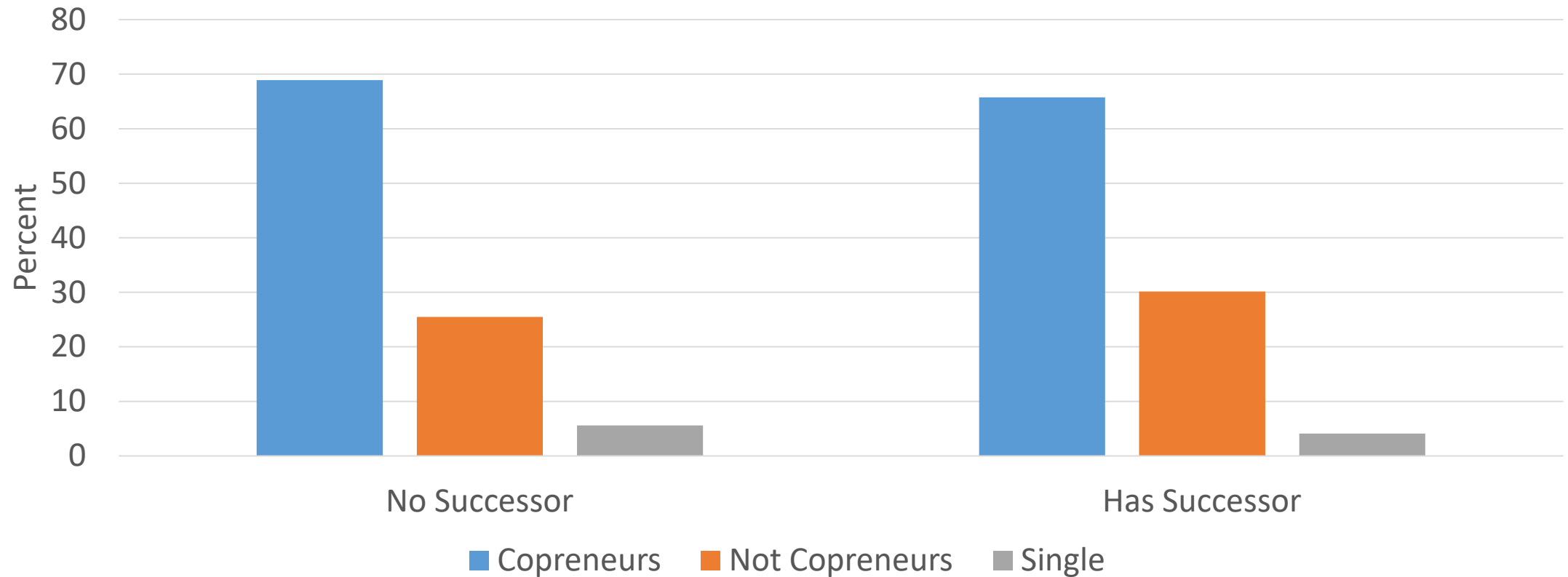
Are those that have a successor different
from those that do not?

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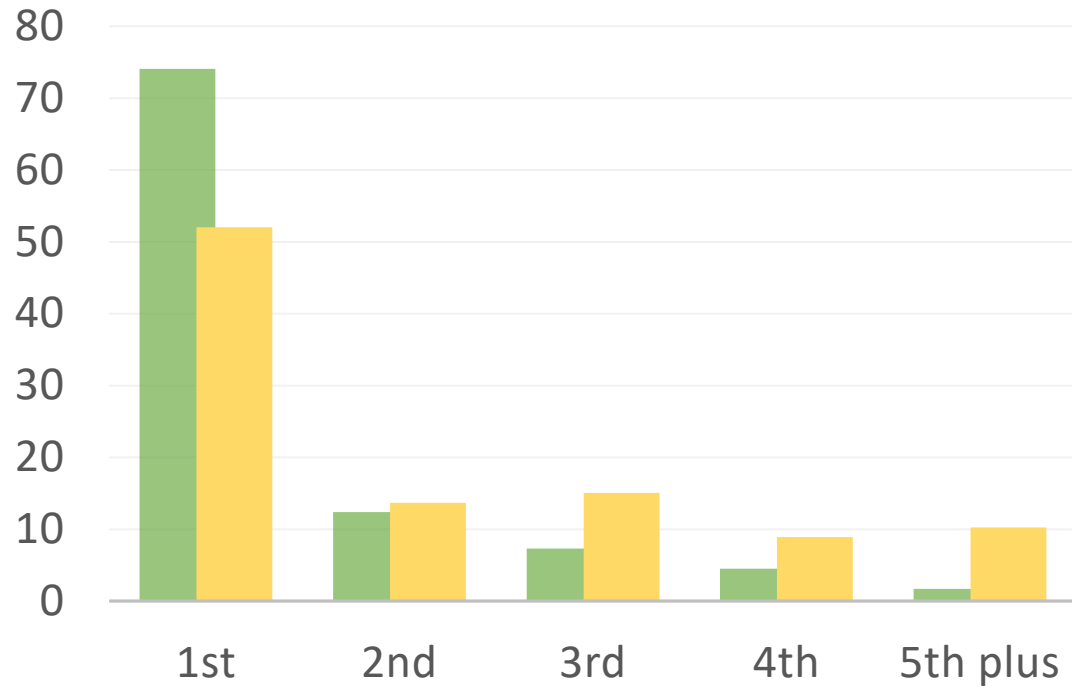
"This material is based upon work that is supported by the National Institute of Food and Agriculture, U.S. Department of Agriculture, under award number 2015-86006-22909."

Copreneurial farm business

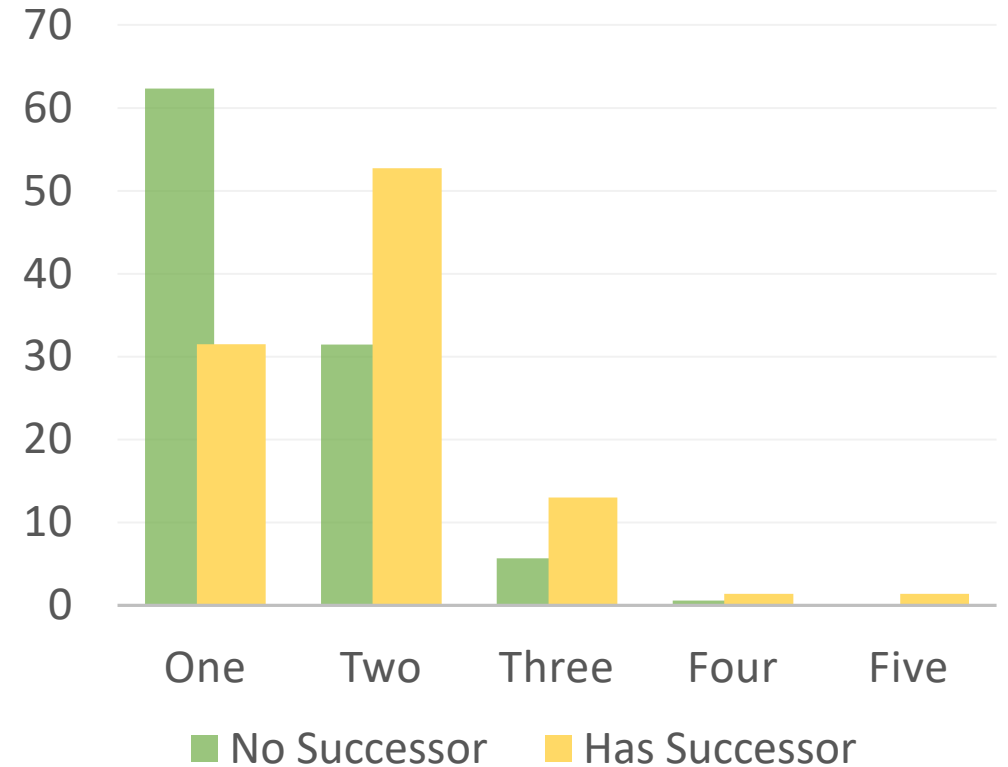


Generations

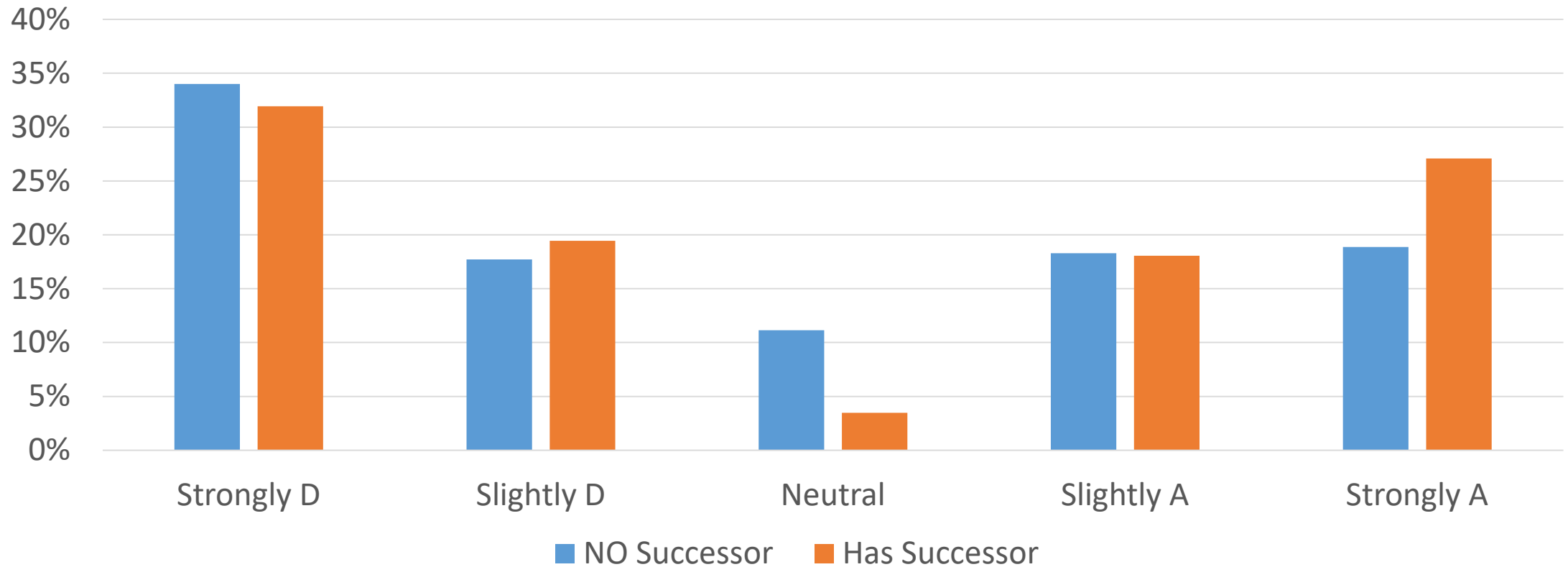
Respondent



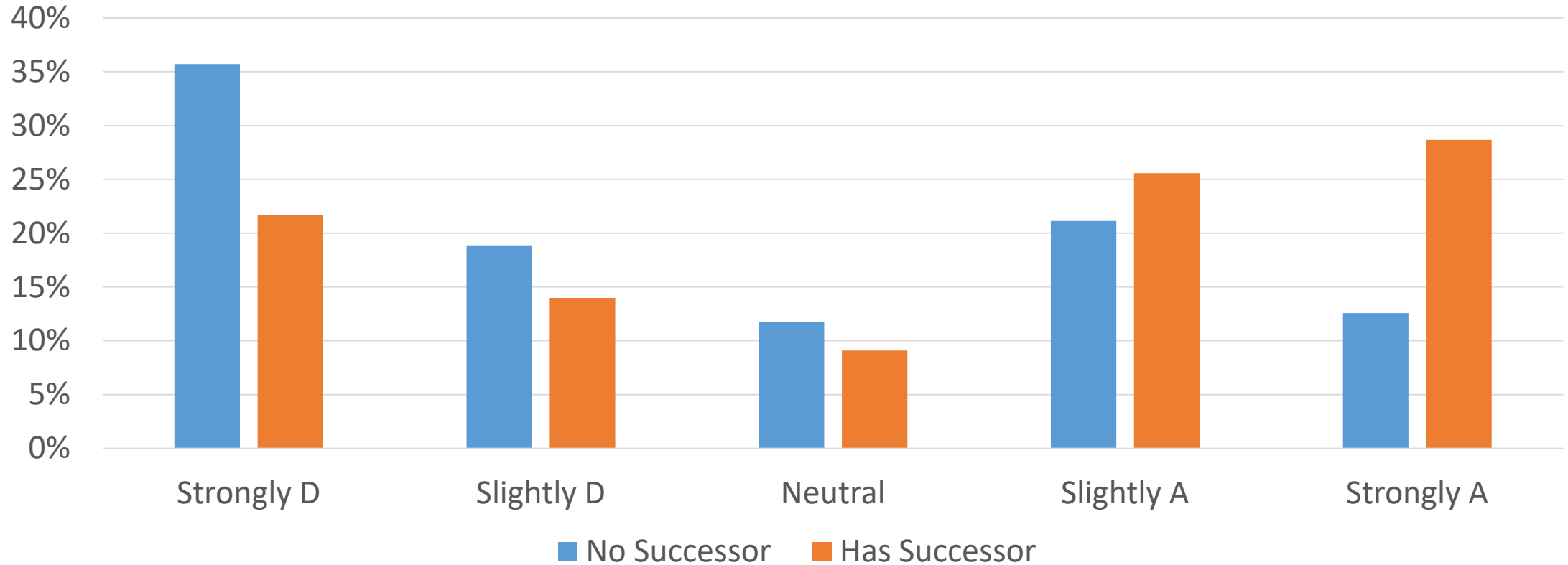
In Management



Worry about heirs affording to buy in

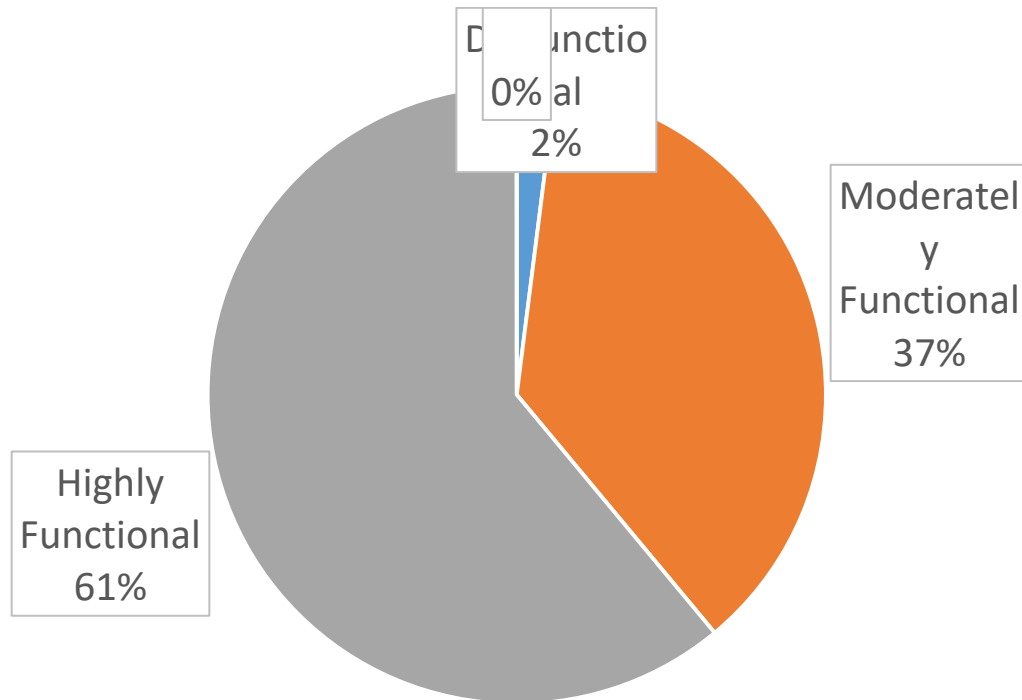


Plan to transfer even if own wealth is at risk

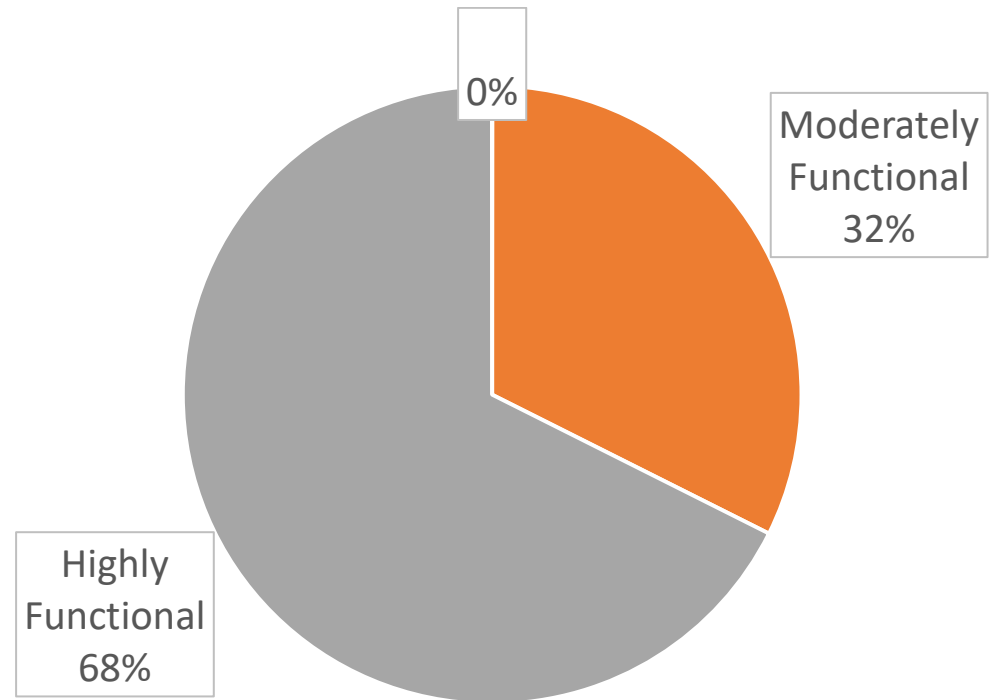


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No Successor



Has Successor



*What the data says about
succession and naming a
successor*

Family Business Characteristics	No Identified Successor (n=288)	Identified Successor (n=121)
Business income over \$100,000 annually	34.03%	52.89%
Owner wants to sell or give the business to the next generation (instead of liquidating the business)	54.51%	86.78%
There is enough capital or money to implement a business transfer	61.46%	79.34%
The primary family business goal is business survival, keeping the business in the family, or having the opportunity to work with family members	36.11%	50.41%
Family discusses business goals at least quarterly	50.69%	71.90%
Family has discussed an estate plan with an accountant, financial planner, lawyer, or business consultant	53.13%	75.21%
Senior generation is prepared to give up control of the family business by delegating management to heirs or successors	21.53%	42.98%

Income and Profits

	No Identified Successor	Identified a Successor
Profit	\$63,284	\$107,415
Income	\$206,365	\$428,178

Probit Model and Marginal Effects
(Predicting whether or not a successor was identified in the family business)

Variable	Probit Coefficients (n=409)	Robust Standard Errors	Marginal Effects
<i>Income \$50,000 to \$99,000</i>	0.1678	0.2104	0.0541
<i>Income Over \$100,000</i>	0.2251	0.1782	0.0711
<i>Successful Business</i>	0.2394	0.3152	0.0691
<i>Sell or Give Business to Family</i>	0.8555***	0.1779	0.2405***
<i>Capital</i>	0.3661**	0.1605	0.1087**
<i>Goal of Family as a Priority</i>	0.2172	0.1485	0.0685
<i>LLC, Corporation, or Trust</i>	-0.1175	0.1562	-0.0361
<i>Regularly Discuss Goals</i>	0.4658***	0.1572	0.1411***
<i>Estate Plan Discussion</i>	0.3713**	0.1581	0.1123**
<i>Senior Generation Ready</i>	0.2750*	0.1634	0.0890
<i>Generations in Management</i>	0.2521**	0.1104	0.0785**
<i>Modified APGAR</i>	0.0039	0.0380	0.0012
<i>Experience</i>	0.0155**	0.0063	0.0048**
<i>Female</i>	0.0675	0.1554	0.0211
<i>Married</i>	0.0266	0.2417	0.0082
<i>Constant</i>	-3.6370***	0.6677	-----

Note: Single, double, and triple asterisks (*, **, ***) denote statistical significance at the 10%, 5%, and 1% levels; respectively.

Family Business Succession Survey Facts

- There is a lack of planning among family businesses.
 - Only 43% of family business owners responded that their family was prepared for a management succession if it were to happen today but 63% of business owners responded that there is enough capital or money to implement the transfer of the business.



Family Business Succession Survey Facts

- Passing on the family business is no easy task.
 - Thirty-eight percent (38%) of business owners worry about their heirs being able to afford to purchase the family business.
 - Even though they worry, 47% of owners plan to transfer the family business to a family successor even if it puts their own personal wealth and livelihood at increased risk.

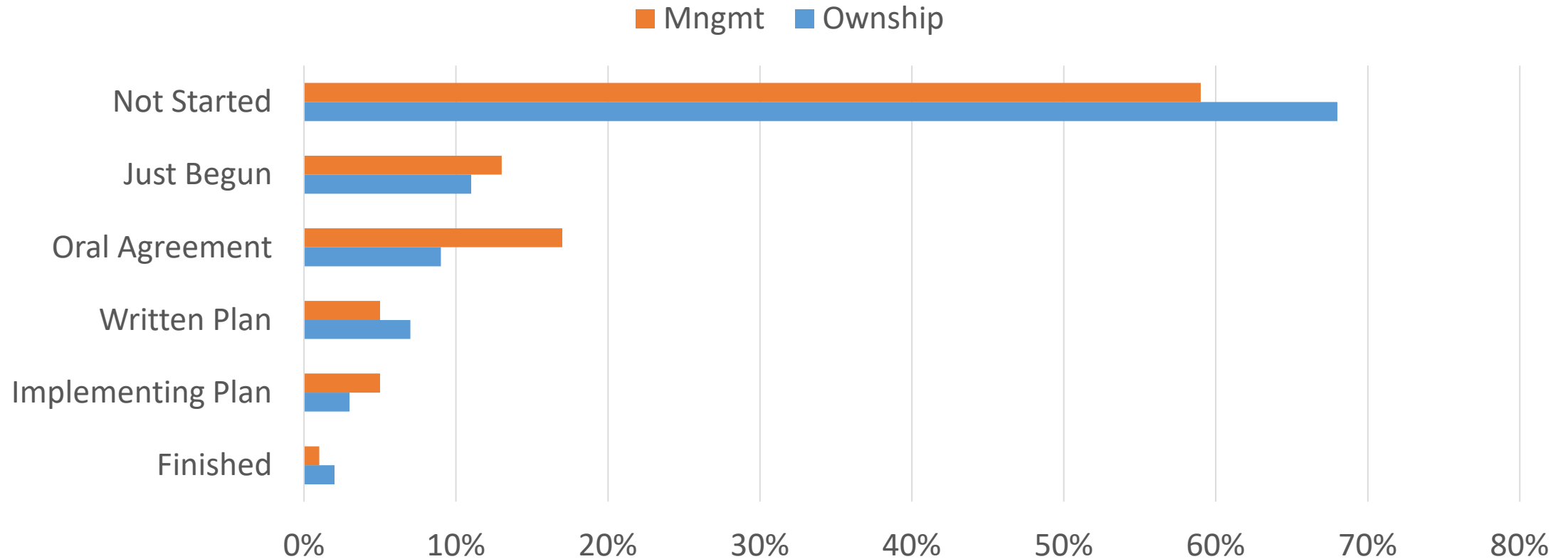
Family Business Succession Survey Facts

- Communication between generations is often lacking.
 - Twenty-five percent (25%) of the senior generation had not at all attempted to explore or discover the preferences of the heirs as part of the planning process.
 - Only 28% of the senior generation are prepared to give up control of the family business by delegating management to heirs or successors.
 - Only 53% of owners reported they actively engaged heirs or successors in a discussion of possible transfer plan alternatives.

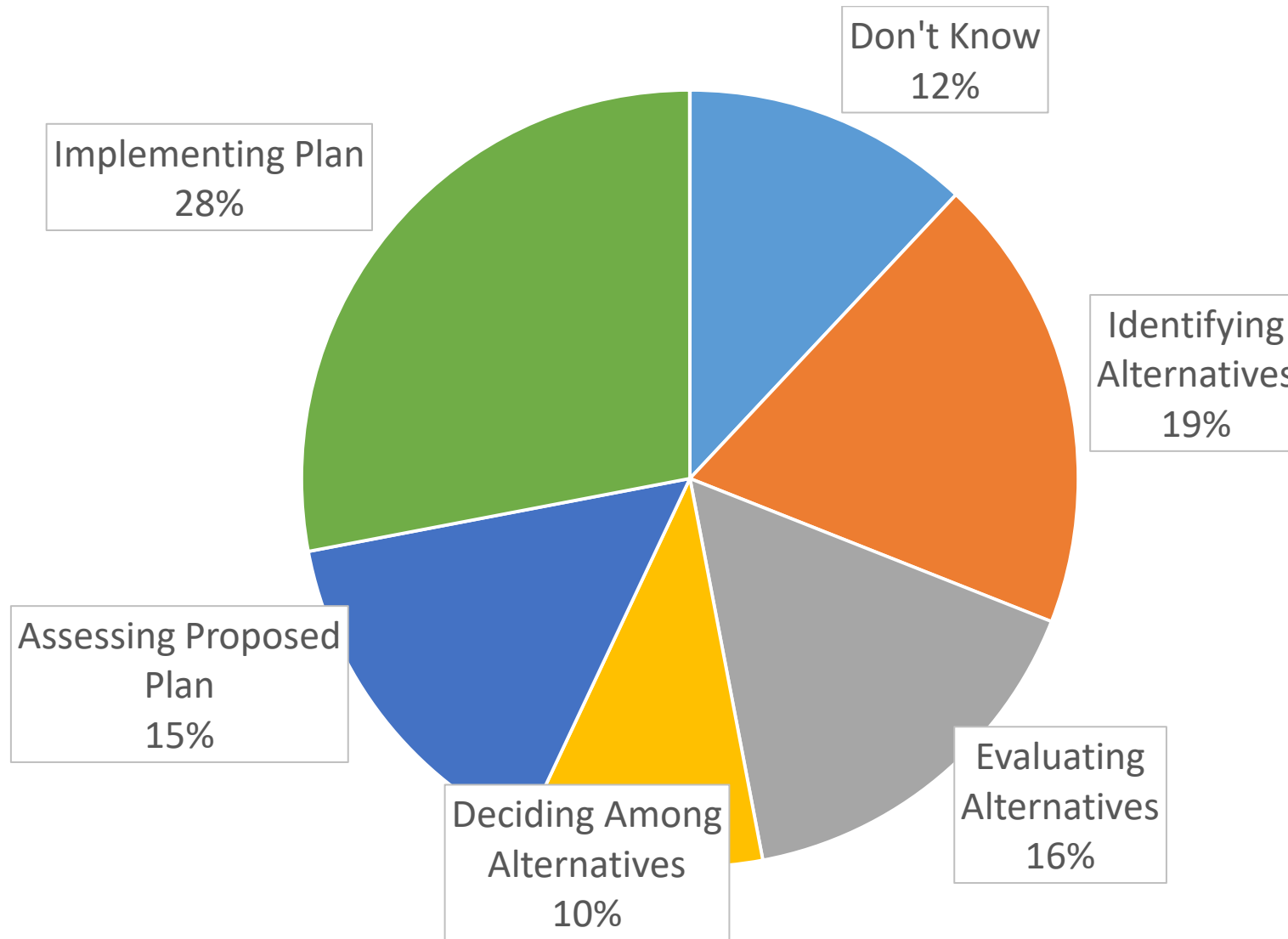
Farmers with NO Successor



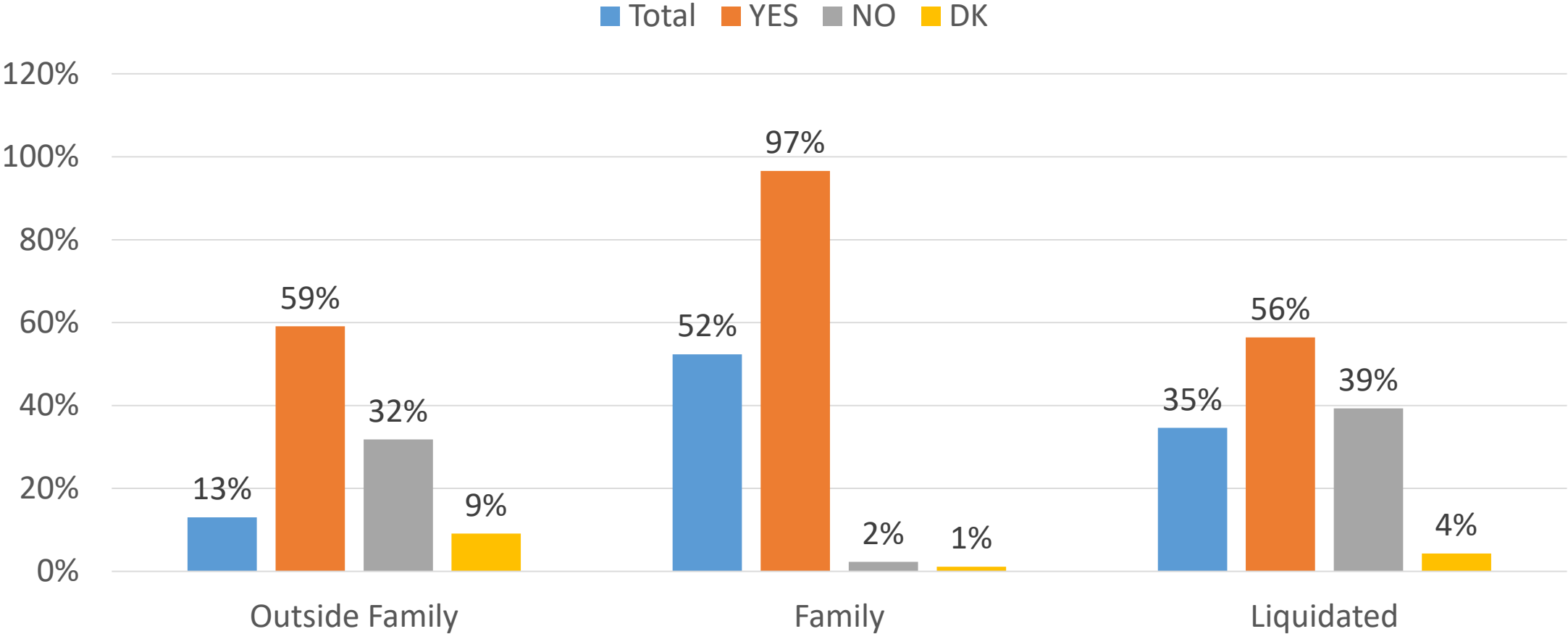
Stages of management and ownership transfer



Most critical outside help



Distribution of family business expected outcome vs desired outcome



PIFF

Purdue Initiative
for Family Firms



PIFF

Purdue Initiative
for Family Firms

PURDUETM
AGRICULTURE

AGRICULTURAL
ECONOMICS

Purdue Initiative for Family Firms

www.purdue.ag/piff

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