

International Perspectives on Farm Transitions

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PERSPECTIVE

“We do not see things as they are. We see things as we are.”

Rabbi Shemuel ben Nachmani

Talmudic tractate Berakhot (55b.)



THE FARM

Owner's priority
Continuation of farm family business

SUCCESSION PLAN

Assets Money Management

RETIREMENT

BUSINESS
SUCCESSOR

Owner's priority
Continuation of family ownership of farmland

ESTATE PLAN

HEIRS

International Farm Transition Network



IFTN



Fostering the next generation of farmers

Business Succession Plan

The Transfer Stages

Testing



The Family Business

A family business conflates the family system and the business system.

The more closely family members work together the more difficult the conversation about the business becomes.

Expectation and assumptions are made and remain unspoken.



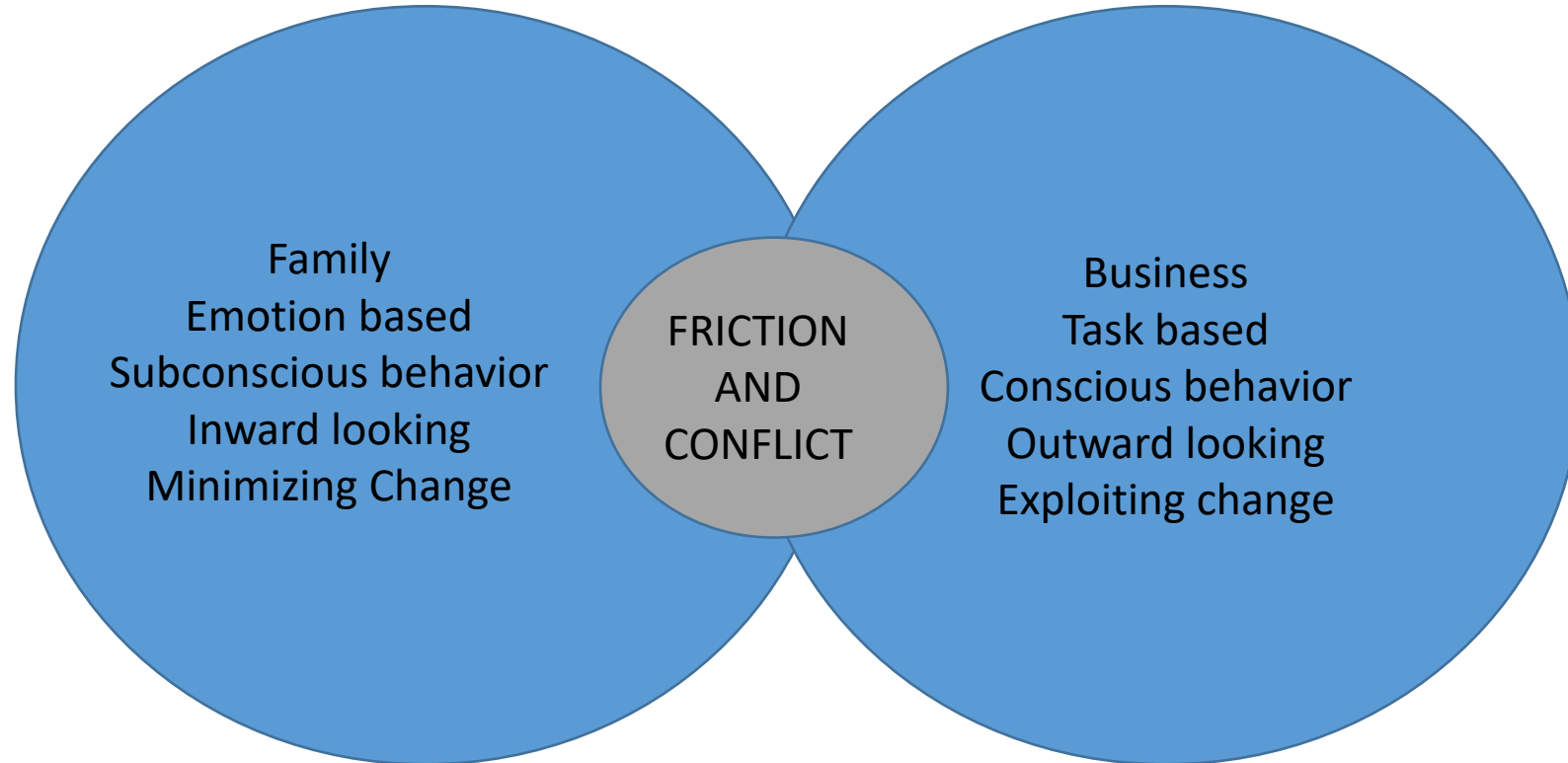
CLASH OF “STRUCTURES”

- The Structure Of A Family Does Not Change The Family Tree.
 - The Structure Of A Business Must Change The Organization Chart.
- Succession Planning Is The Planned Change Of The Organization Chart.

A CRITICAL DIFFERENCE

How we define “family”, the priorities, expectations, relationships, and measures of success in a family are, and should, be different than the priorities, expectations, relationships and measures of success in a family owned business.

Clash Of The “Systems”



THE ANCESTERIAL IMPERATIVE

“Ghostscripts”. The impact on the present of those who are not present.

The expectation the future generations will maintain the “family farm”.

The “demands” of the dead to maintain the “family farm”.

Business Succession Plan

The Transfer Stages

Testing



Rank order of managerial authority retained by the owner/operator

| Decision | Iowa 2006 | Australia 2004 | Virginia 2001 | Japan 2001 | Ontario 1997 | Quebec 1997 | England 1997 |
|--|--------------|-------------------|------------------|---------------|-----------------|----------------|-----------------|
| Decides when to pay bills | 1 | 1 | 1 | 2 | 1 | 1 | 1 |
| Identify sources & negotiate loans & finances | 2 | 2 | 2 | 1 | 2 | 2 | 2 |
| Negotiate sales of crops/ livestock | 3 | 7= | 4 | 6= | 3 | 3 | 3 |
| Decide when to sell crops/ livestock | 4 | 6 | 5= | 6= | 4 | 5 | 4 |
| Level of inputs used | 5 | 8 | 3 | 5 | 11 | 6 | 13 |

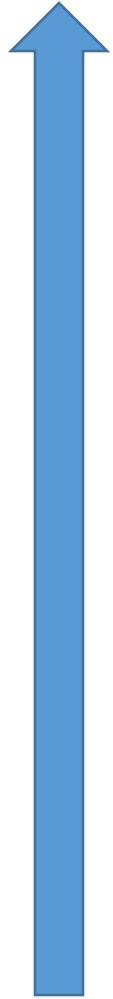
“I’ve spent my entire life
paying off my uncles. Now
I’ll spend the rest of my life
paying off my brothers.”

English farmer, Devon, UK 2002

The Question

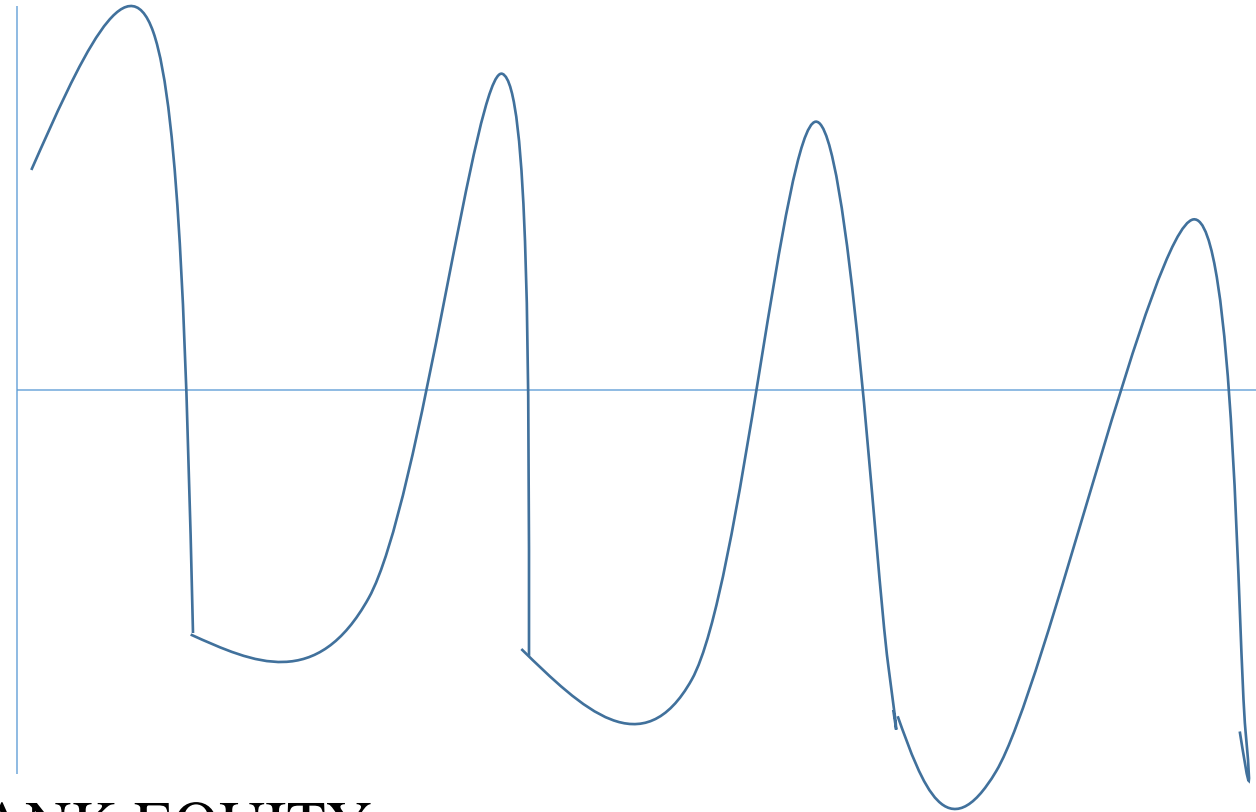
- How many times should a family buy the a farm?
- Buying the business every generation limits the ability of the business to react to change.
- Buying the business every generation puts it on a trajectory for oblivion.

Net Worth



EQUITY

BANK EQUITY
(aka DEBT)



TIME

Dad and Mom have asked Sarah to come back and eventually take over the farm family business. They have offered Sarah an annual salary of \$52,000 per year.

Sarah has one sister and two brothers. None are interested in taking over the farm family business.

Dad and Mom have always said that they will treat all their children equally.

After the first week Mom and Dad tell Sarah that she will receive \$250 per week and that each of her sibling will receive \$250. Mom and Dad say they are treating all their children equally.

Does this sound fair?

If it is not fair during the life of the owner then what makes an equal division fair after the death of the owner?

KEY CONCEPT

Compensation = Contribution

The Three Essential Skills

COMMUNICATION

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COMMUNICATION “DIFFICULTIES”

1. TIMING
2. LOCATION
3. ROLE
4. VOCABULARY
5. CONFLICT

•Timing

- When will the conversation be held? Usually it is during a holiday meal when every one is present. The family is operating in the family system and attempting to discuss issues that are in the business system.

- Location

- Where does the conversation take place?
Usually at the largest table in the parents house. Dad sits where he always sits and each child sits where they always sit. Mom is in the kitchen arranging coffee and cookies. The family system overlays the business conversation.

•Role

- What is the role of the individuals involved in the conversation? A conversation about the farm family business requires the individuals to assume the role of business principles and not the role of Dad or Mom or Son or Daughter or In-law or Brother or Sister or Niece or Nephew or Cousin or Grandchild or Grandparent.

• VOCABULARY

- What is the appropriate vocabulary for the conversation? A conversation about business requires the use of a business vocabulary. A conversation about family allows the use of a family vocabulary. “The limits of my language are the limits of my mind. All I know is what I have words for.”

Ludwig Wittgenstein (Austrian philosopher 1889 -1951)

• CONFLICT

- What happens when a conflict arises? In a conflict communication is fractured, the participants are at impasse, they avoid one another and emotions are heightened. The participants lapse into their respective family system roles and the family system vocabulary is employed.

The art of ship building is not in
the wood.

If it were we would have ships by
nature.

Aristotle (384 BC – 322 BC)

The art of farm business succession is
not in the land.

If it were we would farm businesses
by nature.

John R. Baker (1947 - ????)

International Farm Transition Network

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