

Is the Next Generation Ready to Run the Farm?

By Darren Frye, Water Street Solutions

As the farm grows and with all the changes that have happened in ag, there's more at stake in every decision. The numbers are bigger. Decisions often have to be made quickly. Understanding the finances of the farm and making decisions accordingly will be a key skill for future farm leaders.

We've talked with some families who don't yet have a succession plan for the farm. Many families know they need to take action but are unsure of the best way to start getting the next generation involved in farm finances.

The first step might be realizing that a plan for how to do this is needed. In one family, the father was a very business-savvy farmer. Because he was so effective, he had been calling all the shots and single-handedly making financial decisions as he grew the operation.

His sons had been working in the operation but he wasn't involving them in any financial decisions. The father wasn't interested in discussing or showing them how he was making decisions. And the more that the sons asked to be involved in that part of the farm, the more he closed them out.

The closer he got to the time he was hoping to retire from farming, the more he became aware of the anxiety his sons were feeling. He began to realize he needed to catch his sons up to speed on the financial part of running the farm and let them in on his thinking. He began intentionally including them in meetings with the farm's lender. He had them sit down with him to review the operation's financial position each quarter.

Imagine what might have happened if the older generation hadn't decided to make this training a priority. What if something tragic happened to the farm leader? What if he had retired before transferring his knowledge? The next generation would have been forced to scramble to pick up the pieces.

The father was excited to work on this but felt there was so much 'catching up' to do before he would be able to transfer the operation. So the family decided to work with an advisor to build the financial and operational skills of the farm's next leaders.

Together they worked to get a plan in place that incorporates training for the next leaders in the knowledge and decision-making skills they will need as they transition to

farm leadership. Most importantly, both generations are on board and willing to invest the time and attention that's needed for a plan like this to be effective.

A succession plan that includes training for the next generation ensures that the knowledge the older generation has worked their whole lives to acquire doesn't disappear with them. It lives on through the next generation of farm leaders.

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