

Think Differently about Farm's Transition

By Darren Frye, Water Street Solutions

With the growth and change that many farms have seen – especially in the past decade – farm families are needing to think differently about how the farm will transition to the next generation.

Think about this: Why do some farming operations grow and prosper while others remain the same? Who is driving the changes on those farms? In families where the next generation has played a major role in the growth effort, it may be helpful to consider the farm's transition in a new light – especially if the older generation hopes for the farm to stay in the family.

In a growing operation like what I just described, the situation might look like this. The farming child or children chose to work on the farm. They brought innovative ideas and plans to drive growth in the operation. Their siblings, on the other hand, chose off-farm jobs and weren't involved in the farm.

Because of the efforts, drive and new ideas of the farming children, the operation grew substantially. The farm has been able to participate in new opportunities that might not have otherwise been possible. The farming children created a measurable impact on the operation. They are shaping the future potential of the family farm by what they have done to build it.

But sometimes the farming children can begin to feel anxious if they aren't sure how the older generation is planning to account for these contributions. Yet it's the older generation's choice when it comes to what they want their legacy to be. They don't 'owe' the younger generation – farming or otherwise – anything.

Something that can help as they consider what they want their legacy to be is to ask themselves: What do we want for the future of our family farm? What do we want to happen to this operation that we've worked in our whole lives?

One family worked with a farm business coach and a legacy advisor to discuss the future of their operation. They realized that they needed to talk about the younger generation's efforts. The farming children had grown the operation substantially – through their own efforts – since Dad's retirement.

The family used the concept of the farming children's sweat equity in their discussions and considered what the farm would have been like if the two children hadn't grown it to its current size and potential.

Both generations – including *all* the children – felt that the operation would look very different if the on-farm children hadn't decided to drive the growth and improvement of the operation. Everyone said they wanted the farm to stay intact and to continue to be a family farming operation.

And so they decided together that there would be some accounting for that fact in the older generation's estate plan. They are working with their legacy advisor and attorney to accomplish that now.

Is your family in a situation like this – but hasn't addressed it together yet? It can be a tough topic to approach, especially if family members have very different ideas about what 'should' happen.

What will you do to think differently about the transition of your family farm? Find more resources and information on transitioning the farm to the next generation at www.waterstreet.org.

Darren Frye is President and CEO of Water Street Solutions, a farm consulting firm that helps farmers with the challenges they face in growing and improving their farms – including the challenge of transitioning the farming operation to the next generation. Contact Darren at waterstreet@waterstreet.org or call (866) 249-2528.