



Starting the Conversation of Succession Planning



AgKansitions
Protecting Your Ag Legacy

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About Me



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About Kansas

- Avg. Age of Producers: 58.1 years old
- 66% of Kansas Principal Operators are over 55 years old
- 84.6% of Kansas Farms are Family Owned

Data from USDA-NASS and Kansas Department of Agriculture



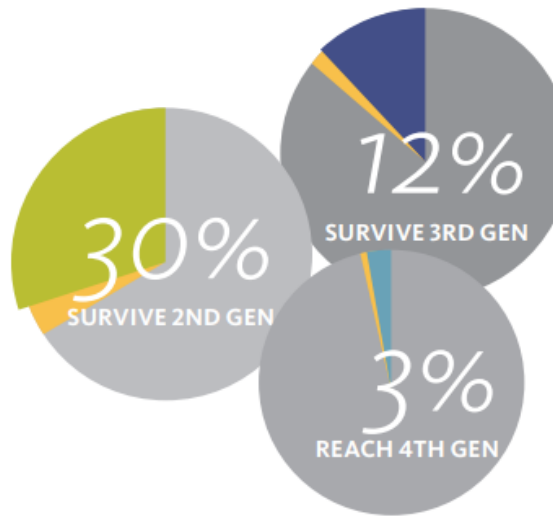
Statistics of Family-Owned Businesses

- 70% of family-owned businesses fail to transition successfully
 - 60% fail due to problems with **COMMUNICATION & TRUST**
 - 25% FAIL due to **LACK OF PREPARATION** of the next generation

Data from 2012 Harvard Business School Study



Statistics of Family-Owned Businesses



Data from 2012 Harvard Business School Study

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Objectives

- Differentiate Succession Planning from Estate Planning
- Provide questions for you to ask farm families when discussing succession
- Encouraging agricultural lenders to talk about financial implications of succession planning decisions

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Estate vs. Succession Planning

- Estate Planning: transfer of assets (everybody)
- Succession Planning: transfer of management (business owners)



Succession Planning Definition

A process of decision making:



Protects the ongoing viability of the agricultural operation.



Provides for the orderly transition of the agricultural operation to new ownership.



Preserves family harmony.



Why people fail to plan for succession?

- **“Creating a succession plan takes too much effort.”**
 - Succession planning is hard work. A significant investment in time and resources is required to properly plan for succession, and some farmers just aren’t willing to make the investment.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015



Why people fail to plan for succession?

- **“We’ll know the right person when we see them.”**
 - Some farmers believe succession planning will just happen. They think a successor will come to the fore at the appropriate time, so they don’t believe a systematic approach is really necessary.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015





Why people fail to plan for succession?

- **“We’re a family business, and a family member needs to be the successor.”**
 - Some family businesses automatically identify a family member as the successor, regardless of his or her capability. So, they feel there is no need to develop a program or properly plan for succession.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015



Why people fail to plan for succession?

- **“I don’t have time for that; my to-do list is already a mile long.”**
 - Farmer may be too busy working “in” the farm to spend time working “on” the farm. Owners are too engaged in the day-to-day management of the farm to spend time focusing on succession planning.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015





Why people fail to plan for succession?

- **“We’re a small business; we don’t need a succession plan.”**
 - Some farmers view themselves as being too small for a formalized succession plan. Plus, they feel there just aren’t enough resources in terms of time and people to reasonably work out a plan.

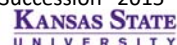
Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015



Why people fail to plan for succession?

- **“I’m years away from stepping away from the farm. I don’t need to worry about succession now.”**
 - Some farmers simply have immortality syndrome; they don’t want to deal with their own mortality.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015





Why people fail to plan for succession?

- **“Nobody knows the farm better than I do.”**
 - For some farmers, it is a matter of simple avoidance. They are not ready to give up control on the farm and cannot contemplate being replaced.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015



Why people fail to plan for succession?

- **“I’m just going to eventually sell. Why would I need a formal succession plan?”**
 - Sometimes a farmer views their “succession plan” in terms of a sale of the farm or its assets. They see no need to plan for succession; the assets will just be sold when ready.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015





Why people fail to plan for succession?

- **“Where would we even begin?”**
 - In some cases, the farmer understands the importance of planning, but simply does not know where to start.

Data from Center for Private Company Excellence “9 Reasons Companies Don’t Plan for Succession” 2015

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All the Excuses!!!

- How do I motivate my clients into planning?
- How can I bring it up delicately?
- Do you have some questions that can help guide an initial conversation?
- Let’s go through some ways to motivate.

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Legacy of the Farm

- How did you start into farming?
- What events has shaped the operation?
- What are some of the traditions that the farm holds dearly?
- What is the farm known for?
- What does this farm life mean to you?



Values of the Farm

- Identify the core values that lay the foundation for all the planning to follow
- For example:
 - Accountability, Ambition, Community, Curiosity, Determination, Efficiency, Faith, Generosity, Hard Work, Intelligence, Love, Preparedness, Reliability, Service, Thoughtfulness, Vision



Goals of the Farm

- What can you do today to get closer to one of your goals?
- Short Term Goals
 - Be profitable, pay off short term debt, find a hired man
- Long Term Goals
 - Retire, own all assets, improve soil health
- Goals should be SMART



Identify who needs to be involved

- Who is considered family?
- Who has the interest, willingness, and ability to own and operate the farm/ranch?
- What role will other family members play in the transition?



Begin family collaboration

- Initial discussion looks different for each family depending on relationships, dynamics and logistics.
 - Option 1: In person family meeting
 - Option 2: Individual reflection with questionnaires, followed by a family meeting



Focus on informing before deciding continued

- Share individual goals for operation and reinforce the importance of family relationships.
- How can we transfer the farm and also have family Christmas?



Identify the barriers to a successful transition

- Is there an alignment among all family members on mission, vision and values?
- Determine the strengths, weaknesses, opportunities and threats for the future of the operation.



Take Action

- As tasks are defined, assign responsibilities and deadlines to family members or advisors helping with the transition process.



Team of Professionals

- Lawyer
- Accountant
- Financial Planner
- Banker/Lender
- Insurance Agent
- Farm Consultant
- *Honorable Mentions:
Real Estate Agents and Appraisers

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AgKansitions

- Mission: Keep Kansas Families in Farming and Ranching
- Deliverables:
 1. Land-Link
 2. One-on-one consultations
 3. Beginning Farmer and Rancher Trainings

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Deliverables

- 1) Development of a land-link program to introduce exiting landowners with beginning farmers/ranchers through an application and curated matching process



Deliverables

- 2) Provide one-on-one technical services to facilitate transition of an existing farm/ranch operation



Deliverables

- 3) Develop an extensive training program for beginning farmers/ranchers to master critical financial and business skills.

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