

RICHARD CRESSMAN

A Family Business Primer

Articles for Succession Planning



Author Profile



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Richard Cressman has been a leader in the agribusiness community all his life. After operating a dairy and cash crop farm with his brother for fourteen years, Richard left that part of the family business to complete his MBA at the University of Guelph. While currently involved in the family seed business, Richard has also emerged as one of Canada's leading experts on agri-business succession. He is an active researcher, author, and consultant to family businesses, addressing numerous audiences each year both as a speaker and in his writings. With his inimitable wisdom and humour, Richard shares a story that does not skirt the difficult issues of working together as family. Yet his personal and professional experiences leave audiences with hope for the future and the practical knowledge to effect meaningful change.

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Farm Ownership Structures

The backbone of Ontario agriculture has been the family farm, traditionally owned and operated by one family. The single proprietor farm is being replaced by partnerships and family owned corporations where siblings frequently find themselves working together.

Initially these ownership structures work successfully and things go smoothly for the first few years. But the odds are stacked against true long-term success. Most people farm because they like being their own bosses, making their own decisions, and not having to take orders from anyone. In other words, they like to be in control. This personality style may find it difficult to work in a close business relationship with another like-minded individual.

There are many farm situations that look idyllic from the end of the lane. When you get up close, you see individuals who feel trapped with no other options than to stay where they are.

The following scenario highlights some of the problems that are encountered when siblings decide to operate their farm business inside a corporation and attempt to keep everything as equal as possible.

Robert, Bryce and Felix are three brothers who had started cash-crop farming together 17 years ago. Robert and his wife Sue live on the home farm, while Bryce and Felix, with their respective wives, live on two of the other seven farms. All assets with the exception of the three farms where the families live are owned inside one corporation. Each family draws equal wages. The brothers have kept everything equal right down to buying cars and pickup trucks of the same value.

Each spring an acre of sweet corn is planted at Robert and Sue's place. Sue and Robert were on holidays in July and got home the day before a large family reunion. Sue planned to harvest 15 to 20 dozen cobs of corn for this event. When she got to the field she found that someone had already been there harvesting corn. She asked Robert if he knew who had taken the sweet corn. It turned out Felix and his wife had a corn roast for a group of their friends the night before Sue and Robert got home. Sue was livid that her brother-in-law went into the patch and took the sweet corn. Her comment, "how dare he go into my patch and take my corn without my permission? Does nobody have any consideration for what is mine?" Upon questioning, Sue admitted that the corporation paid her and

Robert rent for that acre of land and had paid for the seed as well.

The issue at the core of the conflict stemmed from the fact that neither brother owned nor controlled anything that was actually 100 percent their own. Sue's comment that, "my husband and I don't own anything – we just own a third of everything" puts the issue into sharp focus. Owning shares for many people does not give the same degree of satisfaction that comes from tangible ownership of a specific piece of machinery or a barn full livestock.

With the demise of the single-family farm operation, farm families will need to be innovative and creative as they go about designing ownership structures that can be successful in the long term.

For starters, each individual needs to look at their long-term goals. Is pride of individual ownership and being your own boss two important reasons why you want to farm? Can you be happy as a farmer and share ownership with a partner? Can your spouse be happy working with your siblings? How you answer these questions can be pivotal for your success. Having your blood pressure rocket skyward over a few dozen cobs of corn makes no sense. Farming is stressful enough without having to go through an emotional roller coaster ride every time a trivial decision gets made such as who gets to pick the sweet corn.

Bringing the Next Generation into Farming

Getting the next generation started into the business of farming is a monumental challenge facing many rural families. The rapid rising of land prices, equipment, and facilities over the last 30 years has created new barriers for those wanting to enter farming.

Almost every agricultural sector today is facing the grim fact that if current asset values are used, it is virtually impossible to show a positive cash flow when doing a startup budget. The reality check is that parents who are now looking at turning over their farms to their children were able to start their farming careers with a total investment of a couple hundred thousand dollars. Today for one family to earn a living from farming requires the use of assets valued well in excess of one million dollars. Sacrifices undoubtedly will need to be made and somebody will need to subsidize the entry for the next generation.

A successful farm transfer can be problematic if the parents do not have a clear picture of their retirement: where they will live, vacation, what they will do with their time, and most importantly, what all of this will cost. For parents, particularly fathers, sitting down and talking about retirement can be a difficult task.

The younger generation wanting to take over the farm will also need to sincerely ask themselves, "is this really what I want to do for the next 20-25 years? Am I willing to pay 'the price' through sacrifices of time and emotional energy to make a farm business succeed?"

This whole process can be boiled down into three fundamental questions that need to be answered by parents and children. (1) What type of financial arrangement needs to be put in place so that mother and father can enjoy a peaceful night's sleep and not toss and turn wondering if they are making the right decision? (2) Is the dream of the younger generation big enough to continue to pull them out of bed every morning until the debt is paid? (3) Is it eventually possible to put together a deal that will satisfy the answers to questions one and two?

To help parents answer the first question, they will first need to determine if the farm business has the financial capacity to cash flow the debt that will need to be assumed by the children. Secondly, they must assess their confidence in their children: do they feel the next generation is capable of running a successful enterprise? Thirdly, they must determine how to treat each child fairly when it becomes time for the estate to be divided.

These three points can be summarized as: cash flow capabilities of the business, confidence in your children, and the capacity to be fair to everyone.

The younger generation must consider several points when answering their question about their desire to farm. How strong is your passion to be a farmer? Do you have the mental toughness that will be needed? Do you have the ability to work with and manage other people? Is your education extensive enough to help you see the 'big picture'?

Putting the financial deal together is much easier if everyone has first sorted through the answers to their respective questions. Most farming operations already have access to excellent accounting and legal resources. If you are not confident in your advisers you should seek out individuals whom you deem to be competent.

Farming can provide a wonderful lifestyle. Transferring this lifestyle to the next generation can be done relatively stress-free through meticulous planning. This process takes time and requires patience on everyone's part to ensure a happy ending.

The Daughter-in-Law

Becoming a daughter-in-law for most women means their lives will change – new husband, new home, in-laws, and possibly a partial new identity through a change of surname. The stories of the late Princess Diana and Sarah Ferguson (daughter-in-laws in the royal family) highlight the difficulty some women experience as they try to fit into their husbands' family.

A daughter-in-law in a farm family can also find herself automatically becoming a business partner. Despite great attempts to make her feel welcome, she may still feel like an outsider. The old saying that, "there is nothing thicker than blood" can ring true for a young woman joining a farm family.

Why is being a daughter-in-law challenging for so many women marrying into a farm family? First of all, no two families are alike. Each family has a culture that is somewhat unique. Cultural differences between families can be significant. For example, which parent was the key decision maker in your family – mother or father? How does this compare to your new husband's family? What about males doing household tasks in each respective family? How many siblings do you each have? Where in the family hierarchy were you born? While these may seem to be subtle differences, they shape the patterns of an individual's perception of how family members relate to each other.

When a woman gets married and becomes a member of a new family, she is marrying more than just her new husband. In most cases she is going to be sharing this person with the rest of his farm family.

A daughter-in-law needs to be aware of how she is perceived by her new family. Very few families want to have radical changes forced upon them. If you are seen as an instrument of change trouble could be brewing around the corner for both you and your husband. Immersing yourself in your husband's family culture helps to bridge many gaps, yet at the same time caution must be taken not to lose your own personal identity.

For example, in your family birthday celebrations may have been a big event – cake, candles, gifts, flowers, cards, and possibly even an evening out with dinner. But in your husband's family birthdays were possibly just

another day – maybe a cake but no gifts, cards or flowers. Gifts and flowers may seem like minor cultural differences on the surface, but to a newly married daughter-in-law, this may feel like a mountain that is beginning to form between you and your new family. Your husband may have tried to impress you with special treatment on your birthday when you were dating, but somehow the magic of celebrating your big day is now getting lost in the day-to-day routines. Over time, hurt, anger and frustration can start to build.

How can a young woman successfully make the transition into the role of daughter-in-law in a farm family business? Continue to be true to yourself – don't lose your identity. Try to differentiate between farm business and family issues. Become aware of the differences between your family's culture and your husband's, and try to understand and appreciate the different traditions. You and your husband have the opportunity to create new traditions that are unique to you – be creative. Team up with a good mentor. Ideally the best mentor should be your mother-in-law. She probably was also a daughter-in-law. On top of this, she knows your father-in-law and has been a mother to your husband. If anyone should know how to get along with these individuals it is she.

Family Communication

Gone are the days when a farmer can work in isolation. Cellphones, fax machines, pagers, e-mail, FM radios, and PalmPilots put many farmers in positions where they are required to communicate regularly with people all day long. Using technology to communicate with business colleagues is simple and easy compared to maintaining an effective communication dialogue with family – the people you love and care about.

Some days it can be almost impossible for farm family members to talk with each other without yelling.

Over the past few years, I have been privileged to work with farm family businesses that have wanted to improve their communication patterns. More bluntly put: these families were tired of the yelling, the slamming doors, the pouting, the cold shoulder treatment, and the awkward silence that prevailed at mealtimes and family get-togethers. I frequently heard comments like, “we can’t agree on things anymore, we don’t seem to like or even respect each other anymore. Are we the only family with these problems?” If you are reading this and are thinking, “this sounds like us” rest assured you are normal. Working with the ones you are supposed to love is a daunting challenge.

Managing a farm today presents unique challenges compared to most other businesses as the labour pool and management are usually one and the same. To further complicate things, everyone usually lives on the job site.

The communication dilemmas most frequently experienced on farms are firstly, the father’s inability to communicate with his children (usually his sons), and secondly lack of communication between siblings.

A classic example of ineffective communication is illustrated in the following story.

Friday evening Father was in the milking parlor finishing the milking when his newly licensed 17-year-old son came rushing into the barn to ask for the farm pickup to go into town with his buddies. Father being a somewhat quiet fellow, had his head half buried under a cow’s belly. As he

listened to his son's request he rolled his eyes skyward and let out a grunt. Pulling his head out from under the cow to address his son's request, he turned to see the milkhouse door slamming shut as the youngster ran for the house. Five minutes later while washing the milking equipment, Father looks out the window to see the tailgate of the new diesel pickup truck disappear down the laneway in a cloud of dust—the son had obviously interpreted the grunt to mean “yes”.

Father was still fuming and muttering as he stomped in the back door of the house. Upon seeing his wife he bellowed, “that kid of yours just took the pickup without asking for my permission”. Mother using her carefully honed maternal skills asked father what actually had happened. Questioned and prodded, Father reluctantly admitted that he had not said yes or no, but had in fact just uttered a grunt. The mother knew their son had learned how to take advantage of his father's communication weaknesses. Farm women seem blessed with the ability to know what is going on between their husband and sons without actually being present at times of disagreement.

To be an effective communicator takes practice and patience. It is vitally important to listen to every member of the family so that when you do speak others will understand what you are saying and not tune you out. Old communication habits die slowly but they can be improved. Searching out more productive ways to communicate with family members has immediate benefits. Reduced stress levels and happier people can frequently translate into a more profitable business.

Mother in the “Middle”

There’s an old school yard game called “piggy in the middle” where two people try to keep the ball away from a third person. It still gets played across the rural countryside on many farms today, but with a twist: the person in the middle, in most cases, is Mother. Farm mothers frequently find themselves trapped “in the middle” as the go-between for family members who cannot communicate rationally with each other.

As one farm mother vividly explained, “after acting as the go-between and refereeing these sessions, I feel as if I’ve just been plastered by the slurry slinger they use to haul that brown stuff from the barnyard to the field. Being caught in the middle just plain stinks”. Mothers so often unwillingly find themselves as communication peacemakers when the warring parties cannot speak civilly and directly with each other.

One of the most common scenarios is when Mother finds herself trapped between Father and Son. The game usually starts when the Son enters the mid to late teen years. Father asks the Son to do a few jobs around the farm, but the youngster pretends he doesn’t hear or ignores his father and does something different. The next time Father asks the Son to do something the Son gets a not too gentle a reminder that the work better get done this time or else. Again, the youngster does not take his father’s commands too seriously and shrugs and walks away.

After numerous episodes like this, dad really gets steamed up. Finally, after not knowing what to do, he begins to dump his frustrations on Mother pleading with her to “set that kid straight because he just won’t listen to me anymore”. Mother then has a talk with her son and tries to temper her husband’s words while still trying to convey the urgent message that Father must be listened to, and yes, the work must be done.

As the years go by and these communication patterns persist, Mother finds herself being trampled deeper and deeper into this communication rut. Eventually, both husband and son are yelling at her.

Mothers can also find themselves as the go-between for children – usually the sons. This is extremely frustrating because intuitively Mother feels that she made mistakes raising the kids, and guilt sets in. Sadly, there are

mothers who are still refereeing communication battles for sons who are in their 30s and even 40s. Old habits do not die easily.

What does a mother do when she finds herself caught up in this communication maze? The best solution is a straightforward approach. Sometimes it takes a real wake-up call to get warriors to change. Step aside and insist each of the disagreeing parties deal directly with each other. Yes, this has the potential to cause an explosion in the family. And yes, the fallout can be disastrous – but you will get their attention. It is a tough call for a mother to choose between her own sanity and keeping the lid on the family pressure cooker.

Changing old ineffective communication patterns is a very difficult challenge. Occasionally, combatants can learn new communication strategies, but this is very rare.

Usually the most effective way to implement change is to involve a neutral third party. This gets Mother out of the line of fire.

I have observed very successful farming operations where all it took was the involvement of a neutral individual who was able to successfully help facilitate some of the difficult conversations to get the family back on track. The secret is to take action before irreparable damage has been done to family relationships.

CBC Editorial

How Big a Deal is Succession Planning?

Everyone agrees that it's important to make the basic arrangements for passing on the farm to the next generation. But many farm families don't treat succession planning as that big a deal - after all, farmers have been handing down their farms to their kids since agriculture began.

But times have changed a lot. There probably isn't any other business today where so much capital is invested per meal ticket.

A carpenter may have to buy a van full of tools and a trucker, a rig worth \$150,000. But on the average farm in Ontario today, one income is going to require capitalization of anywhere from \$500,000 to \$2 million.

And when you go into a farm partnership with a family member, it's not for a season or two. You're going to look at a 25-year plan.

This is true even if only one of the children is going to be actively farming. Farms are so highly capitalized that very few parents will have enough assets outside the farm business to give their other children even a semblance of an inheritance. In other words, even if only one child farms, his or her siblings are almost certainly going to end up as partners.

Setting up that partnership so that everyone is happy isn't easy. Creating a partnership that will endure is even harder.

For example, say you have two brothers who undertake a major expansion and it works out great. A few years later, one brother is all set to expand again, but his sibling shocks him by saying that he wants out. It turns out the other brother nearly got an ulcer worrying about the first expansion and it put his marriage under a lot of stress. The second expansion is a great idea, he says, but there's no way he's going through that again.

Or maybe the farm's not going well and the off-farm sibling is so concerned about his brother's well being that he starts pushing to sell the farm. Then there's all the disagreements that start over whether to buy a new tractor, or add a new crop to the rotation, or who gets to build a new home and who stays in the old place.

That's why I believe that succession planning should begin when the kids reach school age. As parents, you have to teach your children how to get along and how to keep getting along when something changes. Because changes will come, and keep on coming.

The way they farm will certainly change greatly over the coming decades. The financial situation will probably go full circle a couple of times. And your children will change their views, their priorities, and the way they relate to each other won't stay the same forever.

There are three elements in succession planning:

- The first one is communication, the second one is communication, and the third one is also communication.

So start the conversation as soon as you can by asking the most fundamental questions. Why do you want to farm? What do you expect to get out of it? What are you prepared to put in?

And teach them to keep asking those questions of themselves and their family partners because, as the years go on, the answers will keep changing.

Farm Succession 1-2-3

In the past 15 years the term Farm Succession has been tossed around in many farm circles. Government programs have been spawned to address this topic. Consultants have written articles and held seminars on the topic.

Farm families have been confused and many have tried to ignore the topic of transition. Some farm families have moved forward and addressed the legal, financial, and emotional issues in a positive way. On these farms the transition from one generation to the next has been virtually seamless. It just seemed a natural extension of the day-to-day operations of the farming business. On other farms it becomes a tug-of-war between the generations with much emotional and mental energy expended.

To get a handle on this complex topic distilling the Farm Succession process into three basic questions can be helpful.

- "Is the farm business profitable and can the cash flow support the additional income for those who want to join the business?"
- "Is the dream of the younger generation powerful enough to get them out of bed each and every workday for the next 20-25 years?"
- "Can a financial deal be put together that will allow mother and father to sleep peacefully each and every night for the rest of their lives?"

Regardless of how difficult or complex the transition process is, it always seems to come back to these three questions.

The answer to the first question is obvious. You must start with a financially viable business or be able to expand it in a profitable manner to support all the individuals who are going to be a part of it.

The second question addresses the passion that the younger generation has – do they have what it takes (passion, desire, ability, and know-how) and be willing to get out of bed each morning and make it happen? Running a business takes more than just a dream. It takes the dedication to block out the distractions and forge forward.

The third question is the most challenging to address. Far too many times when the cash flow is tight, mother and father will under estimate or lower their retirement dreams and expectations to allow the younger generation to carry on the business.

The other part of this question is whether the parents are totally confident in the ability of the children to make the business a success. It is not uncommon when parents are confronted with the question, "do you have any doubts whatsoever that your children can make this go" to hesitate before answering. It is this doubt that can cause parents to lie awake at night hoping and praying they have made the right decision in passing on the farm versus selling and having a very comfortable financial retirement for themselves -- and providing a substantial inheritance for the children.

Yes, it is simplistic to distill the transition of a farm business into just three questions, but these questions do drive home the key points many families tend to skirt around when addressing this massive topic.

From my experience sitting at kitchen tables I do believe the most important question is the third one, "can a financial deal be put together that will allow mother and father to sleep peacefully each and every night for the rest of their lives?"

The Parallel Tracks of Farm Succession

Starting to build a Farm Succession plan can be an overwhelming topic at first. If the process is broken down into two components or parallel tracks it can be easier to get a grasp of what needs to be done. Track #1 is the operational side of the business (managing the business and ensuring the work is done appropriately). Track #2 is the ownership side of the business (who controls the equity and who is responsible for the liabilities.)

Understanding the distinction and differences of these parallel tracks can help demystify the process of building your Succession Plan. In the past when the younger generation started to farm the typical news up and down the concession was that they, "took over, or are taking over the farm from mom and dad". Today's farm operations are much too complex to just "take over".

The Succession Plan, when put together properly, is a roadmap that provides a path to follow for the transitioning of one generation into farming and the senior generation out of farming. It is crucial to view the plan for what it is: It is NOT the process – it gives you the step by step instructions in how to go about the process in the future.

Timelines are the cornerstones of a great Succession Plan: using the above model of parallel tracks, the responsibilities for the operational side of the business can be transferred to the beginning generation over a period of three to five years. For example, the goal may be that the beginning generation works for the first year under the direction of the senior generation without decision making responsibilities. Over the next four years, the Succession Plan could call for an increasing level of responsibilities be assumed by the younger generation each year with the ultimate goal that full responsibility is on their shoulders for the day-to-day operation of the farm (this is just an example of time lines)

Capital purchases etc. would still need to be discussed with the senior generation. This graduated approach allows both generations to adjust

gradually versus trying to deal with abrupt changes. It also allows the senior generation to establish their confidence in the beginning generation that the business will be managed with competence. However, it is in this transition phase of management that disagreements and frustration can set in. For the generation entering the business, it feels the process is going too slow. For the senior generation, the process seems to be going too fast. This is where planning and talking is so important! If you are the younger generation and you think Dad is not giving you the responsibilities you expected, refer back to your plan. What did you agree to? Are you on track?

The ownership transfer can start off at a much slower pace and continue to build over time. For some families, the beginning generation may work for a salary for the first one to two years. Depending upon the age of the parents, and what level of income they may have from off-farm sources will depend upon how fast they want to transfer their equity in the business. In some cases the beginning generation will need to out-right purchase the farm, and in other cases there will be a combination of purchase/gifting. Either way it is critical to create a plan that shows the younger generation that they are able to build equity at a pace that equals their input and contribution to the business. Working for a promise doesn't cut it. Carrots are to be eaten – not for dangling in front of some ones nose. It is not fair and it makes the younger generation feel that they are under their parents thumb.

The key points to keep in mind:

- Management of the business should not be confused with ownership of the business. They are parallel tracks in a Succession Plan. Viewing management and ownership as separate but intertwined entities when designing this Succession Plan will make it easier to address all of the issues.
- In the past it was a fairly common assumption to believe that each generation was going to end their farming career with a debt-free farm. That is changing. It is becoming more common for parents to plan their retirements using cash flow from their equity versus living off of the equity. Key distinction.

- As the beginning generation enters their farming career the parents may still be in an expansion mode of their own. Hearing of a 70-plus-year-old farmer thinking of buying another farm in the past turned heads - usually in disbelief, but not anymore. Thankfully age and gender perceptions of who should be farming are rapidly being destroyed.
- The Succession Plan is a roadmap. It is complete with dates and descriptions of how the succession process is to unfold.

Hearing a Father say "Thank-you" or "You Did a Good Job"

Hearing a father say, "thank-you", or "you've done a good job" is music to the ears of their son or daughter. Regardless of age, hearing your father say you have done good work is an uplifting and rewarding experience. I recently listened to young farmers under the age of 30 say how they would dearly love to hear their father tell them they were appreciated or have done a good job.

Tom's story is typical. He grew up on a dairy farm helping his parents while going to school. After university, Tom spent four years working away from home. He had just been offered a promotion at work when his father approached him about returning to the farm. Tom's father was approaching 63 years of age and wanted to start slowing down after having built the operation up to 185 cows.

It was agreed that Tom would work for wages for two years before they would start talking about an ownership transition.

The farm had two long-term employees who Tom had enjoyed working with when he was home for holidays or helping out on weekends. Each Monday morning the employees, Tom, and his father would meet for a half-hour meeting in the barn office. Details for the week were sorted out. Tom enjoyed the challenges of being involved in the farm but after six months he was feeling frustrated to the point of quitting and asking his former boss for his old job back.

The point of frustration was that not once had Tom heard his father tell him he had done a good job or say thank you. In the weekly meetings his father seemed to be always telling both employees how great a job they were doing. Even throughout the week he would often over hear his father praising them for what they did.

Tom's frustration intensified after running into a neighbor at the machinery dealership. The neighbour said it must be great to be back home working with his father, as Father has been telling everyone what a great job Tom is doing.

Tom stood in stunned silence. Jumping into the pickup Tom sped home. Thoughts roared through his head so loud the diesel engine seemed quiet in comparison. Angry, frustrated, and not knowing what to do, Tom headed for his parent's house – hoping mother would be at home. She answered the door as he burst into the kitchen. Words exploded out of his mouth, "why will he never tell me I am doing a good job? He has never said thank you for anything I have ever done -- yet he is always thanking the other guys." Mother listened quietly. She said that soon after Tom's father and herself were married, she realized he had a difficult time expressing his appreciation to family members.

To compensate for father's weakness, she took it upon herself to always thank and compliment the children.

The next day alone in the barn office Tom point-blank asked his father why he could congratulate the employees and even share with neighbours his appreciation for what Tom was doing on the farm, but could not say thank you to his own son. Father's voice faltered as he said, "I find it very difficult to tell my family I appreciate what they do. Your grandfather never told me I did a good job. I can say thanks to the employees, but when it comes to my family I guess I have not been able to break that tradition of just assuming your family knows you appreciate them."

The words, "thank you" and "you've done a good job" provide the lubricant to make family and business relationships flow smoothly. Tom's father had mastered the art of expressing gratitude and appreciation with his employees, but the relationship with his son and the future of the farm was almost put in jeopardy by his inability to say simple thank-you to his son.

Fathers in particular are in a position to validate and encourage their children regardless of age. By not providing positive and constructive feedback, a father is reinforcing the fact that, "you will only hear from me when you have done something wrong and need correction".

A simple, "**thank you**" or "**you've done a good job**" can have a lasting impression. Is there someone on your farm who needs to hear these words?

The Secret of Working together in a Farm Family Business

Leaving a farm meeting one evening a young farmer and her husband asked me, "What is the secret to working together long-term with family members in a farming business?"

The answer is complex yet the core reason is that successful families do a better job of communicating with each other. Basic communication involves listening and speaking, but it's far more than just words. The appropriate tone of voice and body language can convey as much or more meaning than the words spoken. Few people enjoy being yelled at. And most people enjoy being listened to. Knowing when to speak and when to listen is extremely important.

The following are examples of how three families have learned to successfully manage their communication system in each of their farming operations.

The Smith family farm business is comprised of six partners, mom and dad, and four brothers who are in their 40's. They crop just over 1500 acres of land and operate two dairy farms plus a hog finishing operation. Each brother owns his own farm. All other farming assets are owned by the family corporation. Five days a week from Monday to Friday after eating breakfast at their homes with their respective families, the four brothers meet at mom and dad's house from 8:30 a.m. to 9:00 a.m. Mom serves coffee and the day's activities are mapped out and decisions are made. Everyone is expected to show up regardless of how busy things are. In-laws are not involved in farming decisions.

The Masterson family farm operation is owned by two brothers who are in their early 30's. Their father still works full-time on the farm. They also have a sister who is a silent business partner. They have a grain drying business, a custom farming business and crop 1750 acres. There is one employee. All farming assets are owned inside one corporation. Each Monday morning at 7:00 a.m. dad, and both brothers meet in the farm

office where they have a formal meeting and sort out what activities need to be accomplished during the week. Then twice a year they have a business meeting at their accountant's office where all family members are present including each brother and his wife, their sister and her husband, and mom and dad. Their accountant chairs that meeting.

The Applegate family runs a 1900 acre cash crop operation and finishes 11000 hogs each year. The full time personnel are father and his two children, a 31-year-old daughter and a 27-year-old son. The daughter's husband helps out part-time in spring and fall. The three partners have established an interesting routine for communicating. Each morning from Monday to Friday at 7:30 a.m. the daughter calls her brother with her cell phone and then sets up a three-way conference call with father. The daughter is often in the hog barn and her brother can be in the shop, fields, or pickup truck. Dad is usually just getting his day started at his home in town. They have also established a tradition of having a family breakfast at mom and dad's place one Saturday morning a month. Both children and their spouses attend this breakfast meeting.

Family farming businesses in which family members work well together have mastered seven basic rules for managing an effective communication system.

Strict guidelines are followed regarding frequency of meetings and who attends. There is a clear distinction as to who has input into decision making. Some families exclude in-laws, other families include in-laws. Employees may attend or may be excluded.

Agendas. For families who meet at least once a week formal written agendas usually are not needed.

Disagreements will happen. Someone may leave a meeting in a huff. That will happen from time to time. However, they are expected to come back to the next meeting willing to participate. Adherence to this principle is possibly the most important attribute of successful families.

Fight fair. Do not solicit support from one family member behind the back of another. Keep all discussions transparent.

Respect confidentiality. Hearing from a neighbour or a friend what was talked about at a family meeting rapidly destroys trust, which can be difficult to re-establish.

Regardless of how often you meet, it is important to cultivate an attitude that your meetings are an integral part of the future success of the business. The more people you have involved in the business the more frequent meetings need to be held.

Taking time to talk when you are busy may feel like a waste of time. The families you have just read about all have developed a communication system that is adaptable. Flexibility is also needed at times, but never for the sake of being too busy to take time for the family business meeting. The trap many families find themselves in is that they have tried to have some type of regular meetings, but other things get in the way and the meetings stop. Frustration grows and it is difficult to get the process started again. If there is stress and conflict in your family, it will almost inevitably trace its roots back to a lack of effective communication at some point in the family system.

As the father of the Smith clan said, "we are going to take time for a coffee after breakfast anyway so we may as well spend it talking with each other. Our meetings are probably the most productive time we spend in our farming business". The youngest Smith brother summed it up another way, "we have had regular meetings now for over 10 years. Before that we met but not on a regular schedule. I can't prove that meetings help us make more money, but each of our wives tell us we are easier to live with since we meet five days a week. We just don't need to drag our farm problems home with us anymore."

Unhappily retired 83 year old farmer

I was talking to a friend of mine who is getting ready to retire from farming. He is 60 years old. His 83 year old father-in-law was also involved in our conversation.

This gentleman had farmed all of his life and now at the age of 83 he said that it is extremely difficult to deal with retirement. His health is reasonable -- he has had joint replacements etc., but his main complaint -- he does not have enough to do.

In his words, "I never started any hobbies when I was working, and I kept working on the farm right up until my back became too sore to continue to drive tractors and now I have nothing to do to occupy my time."

He went on to add one other thing. "When I was busy farming, I used to envy people who were retired because they could get up each morning and do exactly what they wanted to do. After you read so many books, what is there to do the rest of the day?"

There is a powerful lesson in this. Retirement must be planned for. If you have excellent health then you have all kinds of opportunities. If you have compromised health then planning for what you are going to do after you finish your working career is incredibly important.

What this gentleman was running into was a lack of purpose for getting out of bed in the morning. Life boiled down into its simplest components starts off with a purpose and a desire to get yourself out of bed and on with your day. If you lack that purpose there is no passion and there is no desire to move forward. What happens then is that our health starts to become compromised because it is our passion that pulls us forward and keeps our bodies positively charged from an emotional perspective.

Life's big question:

What is it that you would love to do if you had all the time in the world? Retirement could give you that opportunity.

To incorporate or not to incorporate

My question for Richard

We have been talking with our accountant about incorporating the farm. My parents own everything. I work for wages and my brother who still has one year of school left plans on coming home when he is finished. I have been married for two years and my wife has a job off the farm but would like to be more involved in the day-to-day operation. We have also talked about a partnership. That is what my father had with my grandfather.

Richard's Reply

There is no correct answer to this question. There are advantages to incorporating and there are going to be disadvantages as well. Sit down with both your accountant and your lawyer and have them discuss both the advantages and disadvantages with you, your wife, your parents and your brother. Literally sit there and write down all the points talked about. Also, it might be advantageous to search out other farmers who are incorporated and others who are not and get their opinions; particularly individuals who have been operating as a corporation or partnership for more than 15 years. Consider all of these opinions. Consider where you and your brother see the business in 10 or 20 years; how you intend to grow the business. All of these considerations and advice will lead you to a well researched and sound business decision. But farming is more than a business so there is another side to incorporating or operating as a partnership that does not have direct legal and financial implications. It is a side of the incorporation decision that often goes unacknowledged until we are looking back, when it is too late. It is the emotional side of ownership that can cause much angst within the business and the family, years after the decision to incorporate or operate as a partnership was made.

The first question to ask is where will each of the business partners live? I would recommend if at all possible that each partner in the business attempt to own the house or farm where they each live. I will repeat that last statement, "I would recommend if at all possible that each partner in the business attempt to own the house or farm where they each live." I cannot emphasize this enough. You mentioned that your wife works off farm and I am assuming that her income helps to support both of you.

It probably allows you to take out a smaller draw or reinvest what you do take as salary or wages back into the farm. Or it may just allow you and your wife some luxuries that are not available to your parents or your brother.

Let's consider a story of two brothers who had been working together for approximately 20 years. They had started out working with their father right out of high school. Everything - four farms, machinery, quota, and vehicles - was owned inside one corporation (it could just have easily been a partnership). They eventually bought out their father. Each of them with their respective wives controlled 50% of the shares in the corporation. The structure that their accountant had put together for them years earlier was textbook perfect.

However, the working relationship was far from perfect and they were on the brink of breaking up the business. I was sitting at the kitchen table with the one of the brothers and his wife. She said that she was very tired of living in a house where all she owned were the clothes in the closets and the dishes in the cupboard. She said everything else including the car was owned by the company. In her mind what she actually owned did not seem like very much. She felt that she had very little control over her life. Simple decisions like redecorating a room had to be approved by all members of the corporation as the corporation owned the house. Years earlier she had wanted new cupboards for the kitchen but the decision at that time was to not spend money on houses, rather it was better spent on milk quota and buying yet another farm. This decision although financially profitable was emotionally damaging. This was only one example of how lack of ownership caused deeper and deeper rifts between the brothers' families. If each family had owned their own home, allowing the women to feel more control and independence of their own domains the likelihood of keeping this business alive would have been much greater.

Ownership is not just about dollars and cents. Ownership can be a very emotional issue. There is a particular attachment to the home that you will share with your wife and raise your family in. Don't underestimate this attachment especially for your wife who is striving to build a new family with you while you are striving to also manage changing business and family dynamics with your family of origin. It all really comes down to respecting the financial need to work together and the emotional need to be independent.

Your brother is still single, but there could come a day when he will want to get married and there will be another young woman entering into this family. Taking the time now to plan how you are going to handle the ownership of your home/farm and where your brother and his future wife may want to live can save you a tremendous amount of angst down the road. Oftentimes frustration similar to what I have mentioned in the story above does not show up early on. It may go unnoticed until an unavoidable explosion occurs causing irreparable damage to the business and your extended family. Sometimes the stress can build for 10 to 20 years before it comes to a head.

Regardless of which type of ownership you choose -- corporate or partnership, do not under estimate the emotional and psychological aspects of what each person feels they have ownership control over. When considering how to structure your business relationship think about situations like: If the home needs renovations who is going to decide how much money gets put into renovations? (kitchens are the emotional hotspots and commonly on the renovation wish list for farm wives). Or what happens if the spouse of one partner has a very high paying off farm job and wants to upgrade their home? If this is owned inside a corporation how do you go about providing that person ownership that equals their investment?

Here is another thought. What happens if you and your wife are content today to live in the house that you have, but down the road your brother gets married and a farm comes up for sale close by that has an extremely nice house on it in comparison to where you are living? Your wife who has been part of the family for more years than this new bride will find herself living in a house that does not have near the upgrades of this new purchase. How are you going to handle that potential situation?

After you have addressed some of the questions mentioned above please seek the advice of an account and lawyer as how to setup your ownership structure.

Dad won't talk

My question for Richard

After finishing college seven years ago, I came home to work on the farm with my father and mother. Two years ago my younger brother joined the business. Both of us have been given shares in the company. My brother and I get along okay. We get the work done without a lot of talking, but the problem is that our father does not want to sit down and talk about day-to-day decisions or even long-term planning. We have tried meetings but dad gets frustrated and says it is a waste of time. Both my brother and I feel we need to do this. We have talked to our mother about this and she is as frustrated with him as we are.

Richard's Reply

Why some individuals resist talking about business is complex. It sounds like you and your father were able to communicate reasonably well in the early days of you returning to the farm. It could be that your father sees you and your brother getting along quite well and has decided to step back from the decision-making. There is also the possibility that he does not want to see his role diminished so he wants to avoid any discussions that could see you and your brother taking on more control and more decision-making. Your father sounds like a person who prefers to just "get the work done" versus "talking about it". Try and appreciate that point of view if you can for a moment. The big question is, what can you do to get father to just sit down. Coffee time for some families has been the vehicle to do this. This does not sound like something your family does.

I will share what one family has done successfully. This was a situation much like what you are experiencing where the brothers were getting along quite well, but there was a significant rift between dad and the one of sons. They tried meetings but it did not work well at all. In this case the father took the initiative and each Monday morning he went into town and purchased three take-out breakfasts and brought them back to the barn office. He invited both of sons to sit down for breakfast. There was no agenda -- he just wanted to buy the guys breakfast. After a couple of weeks of sitting there eating breakfast and just shooting the breeze they slowly started to talk about issues concerning the farm.

Now the Monday morning breakfast meeting has become something that they will not miss. It took about six months to get it entrenched as a habit and now even when they get into busy planting or harvesting seasons they still take time to eat breakfast together on Monday morning. They also conveniently have a whiteboard on the office wall where they will list out some of the things that need to be done over the next week.

See if you can get your father to sit down with you and your brother over some take-out food, whether in the barn office or your parent's kitchen or you and your brother may want to take him out for lunch some place. Step two is to not rush the process. Even though he is your father and business partner, you will need to develop a trusting environment where your father is willing to talk about the things that you would like to talk about. This can take time and effort. Be gentle and patient.

Not yet an owner

My question for Richard

My husband has been working for his parents since high school. We live in a house on the second farm. His parents own everything. My husband is 44. His dad is 65 and has no desire to slow down. They milk 48 cows and his father keeps telling him that both of the farms, cows, and machinery will be his someday. My husband has an older sister and a younger brother who have nothing to do with the farm. His mother does the bookkeeping. My husband has never stood up to his father but complains to me all the time. Nothing seems to be happening about us becoming owners. Years ago I was told to keep my nose out of the farm business so I have had a job working off the farm for the past 11 years. Our son is now graduating from high school and wants to do a two-year program in college and then come back to farm. I am very reluctant to encourage him to come home to farm until this ownership thing is sorted out. How do I go about getting my husband to talk to his parents?

Richard's Reply

A quick answer to your question is to get outside help and confront your husband's parents about the future of the farm. Before proceeding, please consider the following. To avoid a nasty confrontation it is imperative that you try and understand some of the reasons why your in-laws have not wanted to take your husband into the business as a partner. The first question to ask is, does your father-in-law have confidence in your husband that he will be able to make the tough management decisions to keep the farm running successfully when your father-in-law steps aside? It is possible that your father-in-law feels your husband is a great worker and gets the work done, but may not have what it takes to manage the business. A second possibility is that mother and father are trying to avoid the decision as to how to treat their other two children regarding inheritances. Most parents feel they need to give some type of inheritance to each of their children. When parents don't know what to do they often do nothing.

A third possibility could be that your father-in-law is struggling to accept the reality that he is not going to live forever. He keeps working hard and won't slow down. This allows him to deny the fact he is closer to the end of his

working career than he is to the beginning. If this is the case, future discussions must be gentle and sensitive. Denial is a tough thing to confront when you are the person in denial. It can be a very explosive topic to talk about. Go easy here.

Keeping your "nose out of the farm business" has no doubt been difficult. Your son's interest in a farming career is your opportunity to step forward and help your husband find enough stamina to ask his parents what the bottom line really is and who is going to own the farm and when. Discouraging your son to think of farming if there is no possibility of ownership for him is one thing, but to discourage him at this stage when the possibility may be there in a couple of years would be a travesty.

If your husband will not bring up the topic with his parents, suggest that the two of you go to the accountant responsible for the farm books. Ask for suggestions. Failing that, is there a lawyer who your in-laws have used in the past who could possibly give you suggestions about how to address the farm ownership issue? You can also search out a neutral third-party adviser. If your in-laws are receptive to talking about succession, this could be an excellent venue to keep the ball rolling forward. It may feel like you are walking on egg shells, but please keep moving forward – if only for the sake of your son.

Daughter-in-laws don't work the same

My question for Richard

I am the mother of a farming family and both of our sons have gotten married in the last two years. Each son manages a separate part of the business and at this point in time it is not possible to split up the business. The concern I have involves both our daughter-in-law's. One of the young women works off farm in a well-paying job. When she comes home she continues to put in long hours working in the barn. She loves what she does. She comes from a farm background.

Our second son's wife quit her job soon after they got married and helps around the barn when necessary. She was raised in the city and has no farming experience. Her lack of drive to help her husband is a concern and we are not certain how to handle this issue.

Each daughter-in-law receives a set salary per month. They both get the same amount.

Richard's Reply

I am assuming that you have an expectation that wives should work in the barn in your farming business. You are correct in attempting to address the disparity between the two daughter-in-law's before it does get out of hand. It sounds like the second son whose wife puts in a small amount of time is not concerned about his wife's lack of interest in the farm.

The most direct way to circumvent problems is to **establish an hourly pay schedule** and have each daughter-in-law record the amount of time they are working. Coming up with the hourly rate may be challenging. Typically, farmers shy away from paying high wages. In your particular case it would be advantages to set up a schedule that is at the higher end of what individuals would make if they were working on a farm. By doing this you allow each young woman to feel that they are being remunerated fairly for every hour they put in.

From your comments there is opportunity for working lots of hours if each of them would choose to. If one decides she is not going to put in more

than a few hours per week it is her choice and she and her husband will forgo that income. On the other hand the daughter-in-law who is working in town and wants to come home and put in more hours on the farm is going to see her bank account grow significantly.

By taking the approach of a higher than average hourly rate, you eliminate the possibility of the one daughter-in-law feeling she is putting more into the business from a sacrificial standpoint than her counterpart.

Lack of Respect for Father

My question for Richard

My brother and I want to take over the farm from our father. We cash crop about 900 acres and also milk 110 cows. I get along well with my brother. He is three years older than I am. I get along reasonably well with my father. The issue is, my brother and my dad seem to be at each other's throats all the time. My brother does not have respect for our father. We have tried to hold family meetings but after two or three meetings they will not sit down to talk anymore. Where do I go from here?

Richard's Reply

You have identified a power struggle between your father and your brother as a key component that needs to be resolved for you and your brother want to farm. The reasons why these two do not get along is complex. The issue of respect is difficult to define, but when you ask parents how they interpret respect from the children, it comes down to the issue of the child acknowledging that the parent has done as good job as possible in raising the children and giving them opportunities. It sounds like your brother is not acknowledging that your father has tried to do his best.

The difficult part for you in this situation is that it sounds like your father is not willing to turn control over to your brother until your dad is confident that your brother can indeed make good decisions. Your father probably interprets your brother's lack of respect as an inability to make good business decisions. Your brother may be an excellent farmer already, but until he is willing to acknowledge that for him to farm he needs acknowledge that your dad has done the best that he could in raising his children and in building his business.

There are very few parents who would not do things differently if given the opportunity to go back and raise their children again.

Your brother has some issues that he needs to resolve. You can possibly help. For starters, ask him if he will sit down with you and write out the times he has felt cheated, or left out, or not listen to by your father. Something will come up while he is making this list that will give him a clue as to why he feels like he does towards your dad.

If you can talk to your father about this, have him list the situations where he could have paid more attention to your brother's input. If you can get the two of them to sit down and talk about their differences after they have done some of this homework you may have discovered the key to resolving these two warriors being at each other's throats.

When to split the business?

My question for Richard

My brother and I are in our late 40s and have been farming together in a partnership for 23 years. We get along great and have created a fairly large business throughout these years. Each of us has two sons who are starting to get involved in the business. The cousins get along fairly well. However my oldest nephew just got married and things are not quite the same anymore.

If we split the business it is going to impact profitability, but we are wondering if it may help the family relationship stuff. How do we move forward?

Richard's Reply

First of all you need to be congratulated on being able to work successfully with your brother for over 20 years. You obviously have developed working habits that have served you very well regarding the interpersonal relationship issues which has translated into a profitable business.

Your observation about the slight change in how the cousins get along with each other since the first one got married is normal. Every time a new individual comes into what I refer to as, "the circle of influence" in a family business there is bound to be some changes in the relationships. In this case the young woman brings her ideas to the marriage which frequently will have a ripple effect and can change how her husband (your nephew) views things. This is not necessarily good or bad, it just is what happens. The same thing probably happened when you and your brother each got married as well.

If you can create two financial entities out of the one, this probably has the greatest potential to keep these four young men in the farming industry. The experience that you and your brother have gained from working together puts both of you into a great position to coach and mentor the next generation.

With two sons each you will be able to virtually replicate the same opportunities that you had with your brother. It is also important to convey

to your two sons and your unmarried nephew, that if there are elements of conflict starting to develop amongst the younger generation that the blame should never be put on the young woman who has recently married into the family. As mentioned above, every time a new person comes into the picture the dynamic changes because others are changing and evolving as well.

Congratulations on being so astute in recognizing the family issues and being proactive in your planning.

I don't work hard enough in their opinion

My question for Richard

My husband and I have been married for two years. He farms with his father and his brother who got married a year after we did. My sister-in-law comes from a farm background and loves farming. She could be in the barn or in the tractors all day long if given the opportunity. She has taken a job off the farm on a part-time basis. I had worked off the farm prior to getting married but have decided to stay at home and help as much as possible around the farm.

The problem is that both my mother-in-law and father-in-law do not seem to think I do enough. It does not seem to matter how many hours I put in or how hard my husband works, we always seem to feel that they are looking down on us compared to the other son and his wife. It's particularly starting to cause friction between me and my father-in-law.

Richard's Reply

You are experiencing what can commonly be called the "daughter-in-law syndrome" you are moving into a family environment where no doubt the culture of the family is somewhat different than yours.

You are being compared to your sister-in-law even though your mother and father-in-law would probably not admit that they are doing that. You are also probably competing with a mother-in-law who was very active in doing farm work and possibly still is.

Some families can be very critical of the newcomers. It's unfortunate, but in many cases respect is proportioned out to newcomers in relationship to how hard they can work.

Coming from a non-farm background and putting in a 10 hour day may seem like a full day's work, but on a farm a 10 hour day may seem quite short. Your mother-in-law probably cooks and keeps the house tidy and still

works probably five or six hours in the barn six days a week. This is a pretty hard act to follow and if you try to win their respect strictly on hard work it may take a long time. If you start to work on trying to understand where they are coming from with their expectations rather than feel criticized you may get some inkling about how to deal with the situation.

Mother-in-law talks behind my back

My question for Richard

My husband and I started to farm with his parents seven years ago when we first got married. We are in the process of working through the final details of buying their share of the business.

There has been a considerable amount of strain between myself and my mother-in-law. I get along great with my father-in-law and my husband gets along very well with his father but does have considerable differences with his mother. His mother seems to continually talk about us behind our backs. I find it very frustrating and at times embarrassing to be asked questions or hear comments from friends of mine who have picked up this gossip in the community.

How do I go about approaching her because every time we do talk she gets angry and we end up fighting?

Richard's Reply

It appears that you have a chronic communication problem that just does not want to go away. It can be embarrassing as you mentioned to hear from a friend or neighbour about what is going on in your family.

Frequently, individuals who struggle in dealing with their own emotions and in particular taking responsibility for their emotions and feelings, tend to project the blame onto others.

Here is the nuts and bolts of your situation. Your mother-in-law is going to be a part of your life for as long as she lives.

It sounds like your husband enjoys farming with his father and it sounds like his father enjoys farming with his son. You are caught between a rock and a rock. If you start discussions with your mother-in-law things will probably erupt. Undoubtedly this will cause more stress on your husband and your father-in-law.

You have a couple of options. You can try and sit down and talk with her which has not worked in the past. The second option is to try and design

your life to have as little interaction with her as possible. This gets complicated if there are grandchildren involved. It also gets complicated if the family gets together socially on a frequent basis.

The third option is to somehow come to grips with the 'fact' that your mother-in-law has probably lived the majority of her life being critical of others and changing for her will be a monumental struggle.

Here is a suggestion. Who are your mother-in-law's friends? If you know some of her friends well enough to sit down and talk, ask them what suggestions they would have so you can try and live as peacefully as possible with your mother-in-law in your life. It will come down to you deciding what attitude you will bring to the table in how you deal with your mother-in-law.

Dad won't let go

My question for Richard

I have been working with my parents full time for 12 years. I have been married for three years and my wife works off the farm full-time.

The farm business is financially successful and we have gone through a significant expansion in the past three years. Over the past five to six years I have taken on full responsibility for making sure all the work gets completed, but my father will not let go of the control because he has to be involved in all of the decisions.

He is almost 65 years old and in declining health but when it comes to talking about my future in the business he refuses to talk. I love farming but I am not sure how much longer I can tolerate not knowing what the future is.

Richard's Reply

For what it's worth, you are not alone. Letting go of control can sometimes be the most difficult thing particularly for fathers to do. You mentioned that your father is almost 65 years old.

This indicates that he has probably been farming for close to 45 years and there is an excellent chance that he was making serious management decisions at a very young age. If your father and possibly mother will not sit down to discuss the future, you ultimately will have to make a decision.

Do you confront them with an ultimatum (this is a very extreme undertaking) that things need to be addressed and that you cannot continue on the way things are going? If you do elect to take this route, there can be serious ramifications.

Father might feel you are challenging his authority and dig in his heels even further. On the other hand it is possible that he is waiting for you to really challenge him.

Another option that may work for you is to sit down with father and ask him about what it was like when he was starting to farm and how he and your grandfather worked out the transition.

You may discover he went through a struggle to get control and has an embedded belief that says a young person needs to stand up to the older generation and give an ultimatum. This may be the proof your father needs to show him you have what it takes to make the tough financial and management decisions.