

HEALTHY GROWTH

FOR YOUR FAMILY AGRIBUSINESS



FAMILY LEGACIES

BY TREVOR DICKINSON

HEALTHY GROWTH FOR YOUR FAMILY AGRIBUSINESS

Is a compilation of articles featured in Farmer's Weekly and ProGri publications over the past two years 2021 and 2022. The articles cover a range of topics pertinent to family agribusinesses including; Succession Planning, Strategic Planning, Estate Planning, Conflict Resolution, Family Meetings, Stewardship, Communication Issues, Risk Mitigation, Improving Family Relationships, Transitions and Attributes of Successful Family Agribusinesses.

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SUCCESSION PLANNING: THE TIME TO TALK IS NOW

The key to a profitable, long-lasting business is to start a family conversation about succession planning. And this needs to happen sooner rather than later.

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SUCCESSION PLANNING: GET EXPERT HELP AND UNDERSTAND YOUR OPTIONS

Even if succession seems straightforward, as when passing on operations to a single heir, several steps are needed to facilitate the transfer of the farm from one generation to the next.

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STRATEGIC PLANNING FOR FAMILIES IN BUSINESS

When carrying out estate planning, a family business owner may be concerned only with who will inherit the business and how it will be transferred. More is required, planning has to consider the family's desires and intentions for the business, as well as strategies for the future of the operation.

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WHY ESTATE PLANNING IS ESSENTIAL TO MINIMIZE FAMILY STRIFE

When business-owning parents leave their children equal shares, a battle can erupt between those who work for the business and those who don't. There are better ways to fairly distribute wealth to heirs.

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WHEN PARENTS AND CHILDREN CLASH

Parent and child can work together on the farm, love each other, state their needs, be heard and learn to negotiate their differences. It starts with respect and compromise.

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WHY YOU SHOULD CONSIDER A PRENUPTIAL AGREEMENT

Together with a restrictive shareholder agreement, a prenuptial agreement ensures that an ex-spouse will not automatically be a family business shareholder. If the subject is raised far in advance of marriage, or with children before they enter into serious relationships, it is less likely to result in arguments and hurt feelings.

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FAMILY MEETINGS: LEARNING TO PLAN PRODUCTIVELY TOGETHER

Give each person an opportunity to voice disagreements in your family business. Doing so will not only reduce resentment, but help define the role of the next generation.

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HOW TO PREVENT A FAMILY FEUD

Most volatile family agribusiness disputes have deep-rooted causes that stem from secrecy, distrust and avoidance. By confronting these issues early on, conflict can be avoided.

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THE RESPONSIBILITY OF STEWARDSHIP

The most successful agribusiness families understand that their enterprise is not a possession. It's a legacy they are obliged to take care of for future generations.

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BALANCING NEED WITH ABILITY TO PAY

A critical juncture in the life of the family agribusiness is the transition from one generation to the next. One of the reasons for this is that the capacity of the business to pay any form of remuneration has to be balanced with the requirements of the individuals who own and operate it.

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CAN YOUR AGRIBUSINESS AFFORD TO MEET YOUR FAMILY'S NEEDS?

The previous article in this series focused on the needs of the people who own and operate a family agribusiness, especially when ownership is passing from one generation to the next. This article discusses how the business can develop the capacity to meet these needs.

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ARE YOU A 'PEOPLE-PLEASER' OR A 'JUSTICE COLLECTOR'?

'People-pleasers' and 'injustice collectors' tend to suffer from the same basic problem: a lack of self-esteem. These different personality types and how they fit into the larger family business.

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LEAVING A FAMILY LEGACY

A legacy is much bigger than an estate plan that passes down tangible assets. It is the connections, the traditions and the opportunities transmitted to those who follow the current generation. It is what we have learnt from the past and what we hope for the future.

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LEGACY: THE IMPORTANCE OF FAMILY UNITY

Leading any business is tough. Leading a family business can be considerably more difficult. Family business leaders have to deal with relationships and emotions that simply are not present in an ordinary business set-up. And this is in addition to the normal stresses of running a company. Under these circumstances, establishing or continuing a legacy for generations to come can seem like an impossible dream.

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EDUCATION IS THE KEY TO SUCCESSION PREPAREDNESS

For too many families, succession planning seems too treacherous a journey to undertake, so they simply opt not to set off on it. As a result, they forgo a critical opportunity to shape their future for the better.

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THE FINANCIAL IMPLICATIONS OF A FAMILY AGRIBUSINESS TRANSITION

Handing a family agribusiness over to the next generation involves financial as well as personal decisions. And personal decisions with financial implications are the most difficult of all!

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BREAK DOWN THE SILENCE

Communication is the key to success in maintaining a successful family agribusiness. Yet many families never get to first base in addressing in communication issues, even those who realise how important it is to the outcome of ensuring the sustainability of their businesses.

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DIVERSIFY YOUR FAMILY BUSINESS TO INSULATE IT FROM RISKS

Your family business leadership must have a clear, compelling, and objective framework to ensure that good long-term decisions are made in the best interest of current and future shareholders.

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FACING REALITY CAN PREVENT A NIGHTMARE SCENARIO

Neglect succession planning for your family farm, and you could leave your loved ones with a financial and emotional disaster. Carry it out properly, and you'll earn their lasting love, respect and gratitude.

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HOW TO IMPROVE FATHER-SON RELATIONSHIPS

Conflict between fathers and sons relates to traditional male roles. Once men understand the underlying issues, they can work to transcend their competitive instincts.

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THE 10 KEY ATTRIBUTES OF A SUCCESSFUL FAMILY AGRIBUSINESSES

All companies face growing competition, unpredictable market changes, and the vulnerabilities of globalising industries. On top of these challenges, family agribusinesses must address family rivalry, later generations' indifference, variable family-member competence and rocky succession. Older, successful business families must deal with estate taxes, growing membership and the need to teach younger generations about responsible wealth management.

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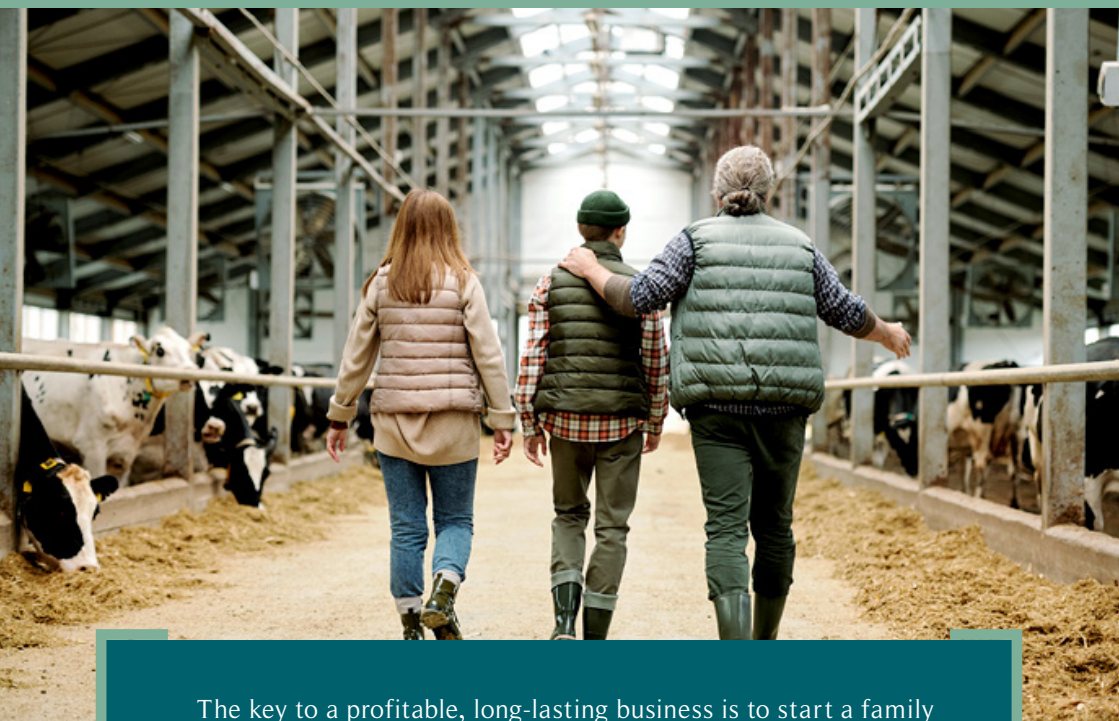
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OBSTACLES TO SUCCESSION PLANNING, AND HOW TO OVERCOME THEM

To be successful family agribusinesses need to confront or deal with the obstacles inherent in family agribusiness succession planning. These obstacles become stumbling blocks that obstruct family-owned businesses to move from their current state to successfully navigate the succession planning process.

SUCCESSION PLANNING: THE TIME TO TALK IS NOW

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The key to a profitable, long-lasting business is to start a family conversation about succession planning. And this needs to happen sooner rather than later.

Succession planning is crucial to the long-term success of a farming business, and should therefore be a major component of the operation's strategic plans. Yet all too often it is not. One reason for this is that it can be overwhelming to get started, so many farmers end up failing to clearly identify a successor or create a properly thought-out handover to the next generation.

LOGICAL STEPS

Think of succession planning like producing a crop: it does not happen overnight and requires many small steps from seed to sale. Here's a plan of action to get you going:

SCHEDULE A FAMILY MEETING

Succession planning requires input from the entire family, including current farm partners, as well as your children and their spouses. The process should get under way with a series of conversations, and during these you should talk about your target retirement date (even if it is a decade or more down the road), as well as your goals for the future of the farm. Understanding how each stakeholder feels about passing the farm on to the next generation is an essential first step in succession planning.

ASSEMBLE YOUR TEAM

It is always best to use experts to facilitate the process. They will also offer advice on the legal and tax implications of various decisions. One of the many advantages of having such a team is that you will gain access to the different options available and the best ideas. Make sure to choose advisers you like and respect, and who work well together, and prepare to have them involved throughout the process.

ESTABLISH GOALS FOR SUCCESSION

Set a target date for retirement and the steps that need to take place between now and then. These might include the phased transfer of labour, management and assets; training/mentoring the next generation; a financial plan (to fund retirement); and plans for contingencies that might arise between the establishment and execution of the succession plan.

If you want your farm to continue operating after you retire, it is important to consider your ultimate goals for the operation. To begin with, though, you will need to make sure that such a transition is possible and has a good chance of success.

MAKE A LIST OF ASSETS

As part of the transfer of ownership from one generation to the next, it is important to know which assets need to be accounted for as part of the purchase/sale, or included in the trust or gift. In addition to listing assets, include a note on whether you own 100% of these assets, or whether any partners or shareholders own a portion of them. This information should be shared with the advisory team, who will use it to create a plan for transferring assets to the next generation.

Your list should also include non-farm assets, including retirement accounts, rental/vacation properties, and insurance and investment vehicles not tied to the farm. Most farms are asset-rich and cash-poor, and you therefore need to know what you own, both on and off the farm, in order to plan for the future.

MAKE A LIST OF DEBTS

Debt is an important element of succession planning. If assets are still being financed, you will need to put a plan in place to pay them off or establish financing agreements for the next generation to take over the debt. There is another good reason for assessing the overall financial health of the farm. In a debt position or depressed market, the farm may be a liability to the next generation, rather than an opportunity. If the debts are worth more than the assets, you will have to ask whether the farm is worth passing on.

GATHER EXISTING DOCUMENTS

To obtain a complete picture of the farming operation, your advisers will want to know which documents exist as a starting point for succession planning. Assemble the documents of any shareholder agreements, life insurance policies, wills or trusts, powers of attorney and healthcare directives for the team to review and update if needed. If you have a previous and/or outdated succession plan, include it as well; this may need to be reviewed. Your updated plan will also need to be reviewed regularly to reflect your current goals or regulations.

AGREE ON A TIMELINE

Transfer of ownership and assets from one generation to the next doesn't happen overnight. As part of the planning process, agree on a tentative timeline for succession. It can take as long as a year to get a succession plan in place and up to a decade to fully execute the plan! So, it makes sense to start early. Establish a realistic timeline, and plan to do a little at a time in conjunction with your

advisers, who will help make recommendations for the optimal transfer of assets and operations. Rushing to complete a succession plan can lead to financial loss, or worse, family conflict and crisis.

TAKE ACTION

Once all the pieces are in place, work with the team of experts to begin implementing your succession plan. This can be one of the most difficult steps to take; people get stuck at the implementation phase. To prevent the succession plan from continually being placed on the back-burner, allow the most passionate member of the family to take the lead and help drive the process.

