



Kansas Agricultural Mediation Services

Farm and Ranch Succession Planning: Concepts and 12 Steps to Succeed

Presented by

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For

“Conservation Conversations”
NRCS / Douglas County Conservation District
November 10, 2015

KAMS Farm Family Transition Mediation

- Kansas Agricultural Mediation Services.
- Farm Family Transition Mediation
- Role of Mediators.
- Financial/Legal Resource Persons.
- Explanation of Process.
- Costs

“Conservation”

“A careful preservation and protection of something.

Planned management of a natural resource to prevent exploitation, destruction, or neglect.”

“Conversation”

“An informal talk involving two people or a small group of people.

The act of talking in an informal way.”

Merriam Webster Online Dictionary

Family Business Succession Statistics

- **30%** of family businesses make it to the **2nd** generation
- **15%** make it to the **3rd**
- Only **5%** make it to the **4th**

Why?

- 1) Lack of communication
- 2) Goal inconsistency
- 3) Unwillingness to sacrifice for the common goal
- 4) Lack of planning

Dr. Brian Schurle, KSU Ag Econ

Estate Planning & Succession Planning

- **ESTATE PLANNING** is about how assets will be transferred to heirs
- **SUCCESSION PLANNING** involves discussing so much more:
 - Estate planning
 - Establishing the business plan and philosophy
 - Management and workload rights
 - Determining how the partners will work and communicate together
 - Succession feasibility

Dr. Gregg Hadley,

Assistant Dir. KSRE & KSU Ag Econ

Succession Steps

Succession Participants' Perspective

Concern	Step
Estate Plan	1
Financial Feasibility	2
Business Plan	3
Dealing with Emotional Roadblocks	4
Learning how to Communicate	5

Succession Steps

Succession Facilitators' Perspective

Concern	Step
Estate Plan	5
Financial Feasibility	4
Business Plan	3
Dealing with Emotional Roadblocks	2
Learning how to Communicate	1

“Transition Planning: 12 Steps to Keep the Family Farming”

- KSRE and KSU Ag Econ publication MF-3074
- “Keep the Family Farming” workshops, 2009-11
- KSRE Farm Analyst Program-
Duane Hund, Director
785-636-5477
dhund@ksu.edu

Grandma and Grandpa
(The Past Generation)

The Brothers'
and Sisters' Kids
(The Future)

Mom and Dad
(The Current
Generation)



The Brothers'
and Sisters'
Spouses

Farming Brother
and Sister (The
Next Generation)

Non-Farming
Brother and Sister

STEP #1

WHAT MATTERS MOST

- Values
- Sacrifices
- Desire to maintain Legacy
- Core values

STEP #2

IDENTIFY WANTS, NEEDS, HOPES AND FEARS

- Communication
- Explore concerns
- Everyone Participates
- Facilitation
- <http://www.k-state.edu/kams/succession/communication/>

STEP #3

ESTABLISH VISION & MISSION STATEMENTS, OBJECTIVES, AND GOALS

- Vision & Mission are critical
- Guiding Philosophy
- Goals should be SMART:
Specific, Measurable, Attainable, Rewarding, and Timed
- Deadlines must be met
- Conflict is common when partners have differing ideas
- Vision leads to the mission forming objectives for our goals

STEP #4

HUMAN RESOURCE EVALUATION

- People positions
- Successor may have different strengths
- Communicating desires and skills of the successor
- Hired Help

STEP #5

WHO'S IN CHARGE

- Retiring generation hates mistakes
- Hard to let go of the reins
- Tuition
- Organizational Chart Now & in the Future

STEP #6

WHERE DO WE STAND FINANCIALLY

- Is the business currently profitable?
- Is there room for another partner?
- Full Disclosure
- Risk management of potential Hazards
- The five D's: Death, Disability, Divorce, Disaster, Disease

STEP #7

DO WE HAVE WHAT WE NEED

- Inventory resources, land, buildings
- Can a new business venture be created
- Retiring generation may have to retire to create room for succession
- Investments may be required to add income

STEP #8

SWOT ANALYSIS OF INTERNAL/EXTERNAL FACTORS

- Strengths
- Weaknesses
- Opportunities
- Threats
- When building a farm game plan analyze your opponent

STEP #9

EVALUATING FINANCIAL FEASIBILITY

- Financial Statements
- Budgeting each enterprise
- Cash flow planning
- Finpack – Financial Roadmap

www.cffm.umn.edu

STEP #10

DEVELOPING A BUSINESS PLAN

- Effectively communicates plan to lenders, partners and family
- Documents viability
- Demonstrates Purpose
- AgPlan
www.agplan.umn.edu
- www.k-state.edu/kams/succession/financial/videos.html

STEP #11

ESTATE PLANNING, RETIREMENT PLANNING & BUSINESS ENTITY BUFFET

- Estate planning a must
- Minimizing taxes
- Know what the Future Holds
- Security for all parties
- Minimizing Conflict between heirs on & off the Farm
- Entity Choices

STEP #12

PUTTING THE PLAN INTO ACTION

- Timeline
- Promises must be kept
- Respect for retiring generation
- Allow management to be passed on to next generation

SUMMARY

Transitions will happen,
one way or another.
If accomplished with
effective
communication and
formal business
planning, the result can
be an operation that is
highly competitive and
will enable another
generation to come on
board.



Planning for Farm and Ranch Succession

Website created by:

K-State Research and Extension, and
Kansas Agricultural Mediation Services

<http://www.k-state.edu/kams/succession/>

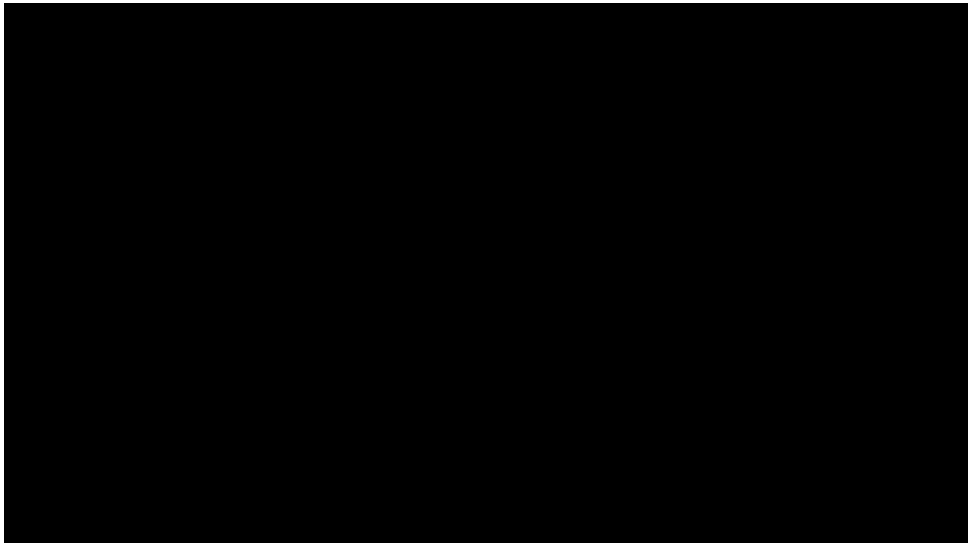
Conference Videos/ Presentations/ Documents:

- ❖ Succession Basics
- ❖ Communication and Family Dynamics
- ❖ Financial – Business and Feasibility Planning
- ❖ Transfer of Power
- ❖ Legal – Estate and Entity Planning

Succession Planning Facilitation

Dr. Gregg Hadley – Video

<http://www.ksre.k-state.edu/kams/succession/basics/videos.html>



Farm and Ranch Succession Can Be A Lengthy Process

Succession Planning Meeting	Meetings Required (1/2 Day Meeting)
Team building	1 to 2 Meetings
Communications	1 Meeting
Conflict management	1 Meeting
Business philosophy and strategy Issues	1 to 3 Meetings
Operational issues	1 to 3 Meetings
Financial issues	1 to 2 Meetings
Decision making and work responsibility transition map	1 to 2 Meetings
Estate planning	1 to 4 Meetings
Plan finalization	1 to 2 Meetings

KAMS Succession Facilitation Services

- **Role of the Facilitator**
- **Expert Advice**
- **Confidentiality**
- **Charges for the Facilitator's Services**
- **Additional Services**
 - **Farm Financial Analysis**
 - **Mediation Services**
 - **Extension Specialists**



Kansas Agricultural Mediation Services

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