Farm Business Succession/Transition Planning

Dennis Stein
MSU Extension Senior Educator

Overview

Understanding each other
- Communication
- Vision and Mission
- Goals - short & long (individual, family & farm)

Setting up a plan for successful transition

Inventory what you are and have

Is there a Successor?

- Member of family
- Member of farm management team
- Someone not yet identified

What to do with the Farm?

Do you want to transfer the farm as a “business” or simply as a “group of assets”?

A. Transfer Plan
B. Estate Plan
**Business Plan**

- Farm Mission
- Annual Goal Statements
- Business Description
- Regional Farming Trends
- Resource Inventory of the Farm
  Land, Buildings, Machinery & Equipment, Management, Human Resource
- Marketing Plan
- Major Changes and Improvements
- Crop Production Plan

**Business Plan**

- Livestock Production Plan
- Planned Machinery and Buildings Investment
- Personal/Household Finances
- Long-Term Financial Summary & Projections
- Organization of Business
- Business Transition and Member Exit plan
Goals

- Older Generation
  - Retirement lifestyle (money needed)
  - Nonfarm heirs
  - Residence

- Younger Generation
  - Lifestyle (money needed)
  - Growth of business
  - Attitude toward debt
  - Ownership vs. renting
  - Family time vs. work

The Transition Process

- Ownership
- Management
- Divide Income
- Labor

TWO BASIC CHOICES

- Multi-Person Arrangement
- Spin-Off Arrangement

MULTI-PERSON APPROACH
SPIN-OFF APPROACH

Business Life-Cycle

TRANSFER PERIOD

Short Transfer Period

Long Transfer Period
The Transfer Stages

- Testing
- Commitment
- Established
- Withdrawal

Successful Farm Transition

- Farm Efficiency
  - Expenses
    - Purchases (shop around)
    - Bang for the buck
    - Quantity/early pay discounts
  - Income
    - Production, production, production
    - Marketing
    - Quality

Successful Farm Transitions:

- Family Living Cost
  - Retiring family
  - Farming family
  - Off-farm employment
- Farm Size will set the max. income
Successful Farm Transitions:
• Farm Debt Structure
  • Long term vs. short term loans
  • Interest rate
  • Principal payments
  • Cash flow impact

Successful Farm Transition
• Regular business meeting throughout transition period
• Talk about it, then write it down
• Share with non-farm family members
• Surprises cause problems

For more information

Dennis Stein,
Senior Extension Educator, MSU Extension
(989) 672-4740
email: steind@msu.edu
362 Green Street, Caro, MI 48723
Web: http://www.msu.edu/user/steind/
Web: http://firm.msue.msu.edu/