



Mending Fences

Exploring Options, Generating Solutions

2016 Annual Newsletter

KANSAS AGRICULTURAL MEDIATION SERVICES

800-321-FARM
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"The most valuable resources you have are those you live with and work with. These relationship risks include family members, business partners, consultants, and other agribusinesses that support the farm business. Nurturing these resources can pay important dividends, while ignoring or abusing them can cause irreversible harm."

– Extension Risk Management Education and the Risk Management Agency, 2013, 2nd ed.



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Combating a Tough Economy

A tough farm economy often puts a strain on finances and relationships. Consider Kansas Agricultural Mediation Services for resources to help navigate a tighter budget and strengthen your bottomline.

From time to time it is necessary to closely examine the operation, especially when low markets and high costs strain finances. Meeting with a farm financial analyst or farm economist provides a detailed overview of the current situation as well as the opportunity to consider alternative approaches for managing risk. Whenever a producer sees potential risks that may have an adverse effect on their family or business, *now* is the time to be proactive. Not everything can be planned for, but if evaluated and managed properly early on, the risks involved can be reduced.

Identifying trustworthy people and resources for support during tough times is also important. It may be someone you talk to openly about anything like your spouse and it could also include business professionals such as a loan officer. Fostering positive business and personal relationships reduces animosity when discussing difficult topics. Kansas Agricultural Mediation Services (KAMS) is a safe place to call where producers can share their story and it will remain confidential. Other important resources include: AgManager.info, Consumer Credit Counseling Services, Kansas Center for Sustainable Agriculture and Alternative Crops, K-State Research and Extension Farm Analyst Program, Kansas Farm Management Association and Kansas Legal Services.

The USDA is also distributing safety-net payments to producers facing the market downturn. Established by the 2014 Farm Bill, the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs provide financial assistance when prices or revenues drop below normal. To find out more about these programs, contact your local FSA office.

KAMS is also available to discuss options with producers. The program provides a network of financial analysts, attorneys and mediators experienced in helping producers explore options with their finances. These professionals offer education and assistance from a neutral, non-emotional standpoint. Call 800-321-3276 or visit k-state.edu/kams for more information.

**KANSAS AGRICULTURAL
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K-STATE
Research and Extension

More than Estate Planning: Getting the Most Out of Your Succession Plan

Twenty years ago Cal Ripken, an all-star Major League Baseball player for the Baltimore Orioles, broke the record for number of consecutive games played from 2,166 to 2,632. Cal was involved in the “Got Milk?” advertising campaign for the American Dairy Association stating he drank three glasses of milk everyday to help him be the iron man needed to break the record. Around the same time, a newspaper reporter interviewed a fifty-five year old Kansas dairyman who claimed he milked cows for 14 years without a vacation which amounts to 5,110 consecutive days. He couldn’t understand why Cal’s record was such a big deal.

Twenty years later, that dairyman may still be milking but he’s probably at a point where he needs to start thinking about how to transition the operation to the next generation. Succession planning is an important process—done right or wrong, it has many implications for the future of the operation. Research indicates 30% of family businesses make it to the 2nd generation, 15% make it to the 3rd, but only 5% make it to the 4th generation. Reasons for a low success rate in maintaining a viable succession include: 1) lack of communication; 2) goal inconsistency; 3) unwillingness to sacrifice for the common goal and 4) lack of planning. It is clear from these statistics that

careful planning, communication and identifying common goals increases the chance for a successful and sustainable transition. With this stated, let’s look at what it takes to be effective in the process.

Succession Planning Versus Estate Planning

It is important to contrast “succession planning” and “estate planning” as they are often used interchangeably. Estate planning involves transferring assets to heirs and the legal means to do so. It represents just one portion of the larger succession planning pie. Dr. Gregg Hadley, Assistant Director of K-State Research and Extension and Associate Professor of Agricultural Economics at Kansas State University, lists several essential components to the process: 1) establishing the business philosophy rights—the vision and mission for the operation; 2) dealing with emotional roadblocks that can cause conflict, inhibit communication, and make cooperation difficult; 3) establishing how management and workload roles will be transitioned and 4) determining the feasibility of various succession options.

The order in which steps of the succession planning process occur is also important. Many families start with an estate plan and do not address communications and emotional roadblocks until later, if at all. Hadley believes the estate plan should come later in the process, after a family has worked through roadblocks, established a common vision and communicated goals for the operation.



AgrAbility is a program funded by the USDA to provide assistance to farmers, ranchers and other agricultural workers impacted by a disability. AgrAbility addresses major disabilities as well as many other conditions, such as arthritis, back problems and behavioral health issues. The Kansas AgrAbility Project is one of 20 State/Regional Projects envisioning a high quality lifestyle for ag producers, employees and family members.

800-526-3648 | agrability.bae.ksu.edu

Resources for Succession Planning

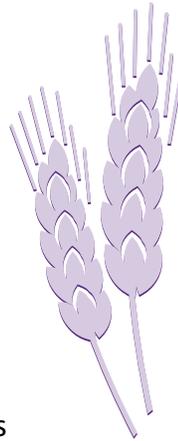
The Kansas State University Department of Agricultural Economics publication *Transition Planning: 12 Steps to Keep the Family Farming*, is an excellent resource outlining the specifics of the succession planning process. This publication and additional succession planning resources such as *FamilyTALK* and *Ag Business Structures* can be found at k-state.edu/kams/succession, a website made possible by a grant from the North Central Extension Risk Management Education Center. Topics include: communication and family

dynamics, financial considerations, estate planning, business entities and power transfer.

Facilitation

Facilitation offers a forum for families to have a neutral facilitator guide them through the process of developing their own succession plan. Many families do not know where to begin and a facilitator helps identify existing commonalities and the vision and goals for the operation so a firm foundation can be established before moving into management, financial and legal issues. They assist families as they explore options and pinpoint resources to support their successful transition. Facilitators lead discussions, negotiate between different perspectives and ensure all participant viewpoints are heard. A facilitator helps to make this

overwhelming process easier. Families can access facilitation services by calling Kansas Agricultural Mediation Services at 800-321-3276.



Farm & Ranch Succession

Facilitation Services

800-321-3276

Farm Analysis Program Impacts Producers in Multiple Ways

As entrepreneurs, ag producers are often looking for ways to improve their operation. However, running numbers, evaluating resources and researching alternative plans can be daunting. Over the years, Mark Schwarzentraub has worked with many farmers and ranchers to help them better manage their business interests. He currently serves as a farm financial analyst in south central Kansas and aids producers in decision-making by providing unbiased information. "There are many reasons producers contact us. They may be having cash flow problems or a creditor may request they contact us if they are struggling to make payments. Some are considering different alternatives such as purchasing land or refinancing. We also assist in assessing the operation when transferring to the next owner."



Currently, five analysts serve Kansas, including Coy Allen who supports the southeast area. He often educates producers on the usefulness of financial statements and how they relate to cash flow. "Producers may have trouble getting the credit they want from local lenders. Detailed farm records

are certainly helpful and can help them see where they can be more efficient."

Schwarzentraub said analysts use a financial planning and analysis software called FinPack™ to help farmers review their businesses through balance sheets, crop and livestock budgets, debt servicing and family living costs. "We start with a base plan and then run alternatives by changing prices, yields, livestock production and different financing alternatives," Schwarzentraub explained. FinPack™ uses farm records to make long-range goals and cash flow planning as complete and meaningful as possible.

Allen said an on-farm analysis helps producers to understand the benefits of detailed farm records and the role numbers really can play in a more efficient operation. Both Allen and Schwarzentraub agree that being reasonable and conservative is the best approach when evaluating and managing an operation. "Don't expect huge, fast returns. Manage your debt and set a goal to operate the farm without any production loans" said Allen.

As a collaborative partner with Kansas Agricultural Mediation Services and K-State Research and Extension, analysts have provided consulting services to over 1,000 farmers and ranchers throughout Kansas. They continue to work confidentially with producers to generate answers for complex business and financial questions. To set up a farm analysis for your operation contact Kansas Agricultural Mediation Services at 800-321-3276.

Getting the Best Out of Difficult Conversations

Farm management, family relationships, succession planning—these can be sensitive topics with multiple viewpoints, but they are conversations worth having to sustain American agriculture. Kansas State University Family System Specialist Charlotte Shoup Olsen offers insights for getting the best out of difficult conversations.

Olsen says a fear of change or the outcomes that might result causes many to avoid difficult conversations, especially when family members are participating. “The family is much more tied to emotions and relationships with each other than a landlord and tenant might be” Olsen said. “We are also averse to dealing with conflict—it makes us uncomfortable”.

Olsen recommends communication as a tool to build relationships—relationships that endure when tough conversations or conflicts arise. “Sharing day-to-day positive communication protects relationships during more difficult conversations”

Ways to FamilyTALK for Satisfying Relationships

- Share everyday happenings.
- Show fondness and admiration.
- Bring up tough issues “softly.”
- Avoid using the word “you” to blame.
- Use “I” statements to talk about problems.
- Make messages short during disagreements.
- Be respectful even during conflict.
- Agree on rules for difficult discussions.
- Suggest a “time out” to cool down.
- Calm your body in times of conflict.
- Be willing to compromise.
- Honor each other’s hopes and dreams.

Olsen explained. She recommends establishing good patterns of communication and focusing on how we listen and communicate as an individual. By doing so, we improve our role in the discussion and contribute to a better conversation overall.

Difficult conversations will have obstacles to overcome, even in healthy relationships. “We all know how to listen, but to listen with the sincere intent to hear the other person’s side of the story... when we shut down that listening, that definitely is a roadblock” said Olsen. Other obstacles may include: ignoring points of view, disrespectful behaviors such as sarcasm and name-calling, blaming and gunny sacking (bringing up issues that happened long ago). Relationships with established negative patterns of communication will find it difficult to overcome these patterns when discussing sensitive issues.

Olsen developed *FamilyTALK* to highlight important communication tools for successful conversations. The resource explains how individuals should bring sincerity, courtesy and respect to every discussion. They should be intentional and pick an appropriate time and atmosphere where participants will be comfortable. Good communicators use active listening and avoid a win-lose perspective, indicative of an unwillingness to listen. They often think about the conversation ahead of time, are prepared to speak candidly and agree on ground rules if necessary. “Set out with the intent that you want to work together for the betterment of the family operation” suggested Olsen.

Olsen has several resources for helping families and couples improve their communications. They can be found at ksre.k-state.edu/families. Olsen also suggests bringing in a third party if necessary. As a neutral participant, they should possess a skill set for dealing with conflict. Counselors, facilitators, mediators and other professionals can help bring families together and steer the conversation by not being emotionally tied to the issues involved.



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Kansas State University Agricultural Experiment Station and Cooperative Extension Service

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