

# Ready, set, go

Once you've determined that your dairy business is sound enough to transfer, use this checklist to start the process

By George Conneman



A successful transition of dairy farm businesses to the younger generation is a complex journey, not a destination. You answered some of the initial questions to start the transfer process in "Is your dairy business worth transferring?"

Now you're ready to forge ahead. Have business members sit down together to ask and honestly answer these questions. This may take several meetings - and help from a neutral third party - to work through the evaluation and answers.

If you answer No to any of the questions, re-examine the feasibility of a transfer.

## YES NO

**1.** Are the business' resources - land and buildings - sufficient to meet your business goals and the demands of the 21st century? If no, identify the steps needed to position your business for the future.

Analyze if the business can afford the changes you have identified. If your business can't afford changes now, can it in the near future? If it can afford changes, set a timeline for making them.

**2.** Does the younger generation have the experience and background to enter the business? If no, how can the person gain experience and develop management skills?

**3.** Is everyone involved prepared and willing to begin a trial period where the younger generation works for wages? For example, set a trial period that will last for an agreed amount of time such as a year. During that time, the younger generation works in all areas of the business as an employee for an agreed upon wage. Once the trial period ends, both generations must agree to take the next steps in the process - transferring management responsibilities and assets.

**4.** Is the senior generation willing to help the younger generation develop management skills? Getting a cheap "hired

man" is not the goal of a transfer. It should develop the abilities of the next generation to take over a sound business.

**5.** Are the parties involved willing to agree on a written, but flexible, timetable for the transfer process? A written agreement forces everyone to think through all the details of the transfer. A timely transfer with a date to end it can prevent your becoming one of those families where a 55-year-old still works for his 80-year-old father and has acquired no assets.

"Any timeline should be revisited annually," says Gary Snider, farm management consultant for Farm Credit of Western New York. "An annual meeting, or family summit, to openly discuss the handoff reduces a lot of stress."

**6.** Is the senior generation ready and willing to take the following steps that allow the younger generation to transfer into the business over time?

- Begin letting the younger generation take over day-to-day management responsibilities. You might turn over one area at a time. Every four months or so discuss with the junior generation what other responsibility he or she can take over. "One approach is to have a management development plan with activities the upcoming manager should complete," says Snider

- Openly discuss financial information that includes the business' net worth, debt levels and obligations, and profitability. "You'd be surprised by how many families there are where Mom is the sole keeper of the finances," Snider says. "If you're going to have a healthy transfer, the future CEO better understand finances."

- Enter into a business structure that shares management decisions and financial ownership of the business.

- Transfer assets such as cattle, equipment, buildings and land over time. ■

## Keys to successful transfer

Transfer management responsibilities before assets.

Involve a neutral third party to help facilitate the process.

Work to build trust and respect.

Compromise.

Involve spouses from the beginning.

Use businesslike methods at all stages of the transition process.

## FYI

■ **George Conneman** was a professor in Cornell University's Department of Applied Economics and Management. He also served as faculty adviser to New York FarmNet.

■ **Gary Snider**, farm management consultant with Farm Credit of Western New York, conducts Farming with Family workshops. Check with your local Farm Credit office to see if it is sponsoring the program.