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Is There a Successor to Your Business?

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Market Report	Yr Ago	4 Wks Ago	2/4/05
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$75.96	$87.33	$89.05
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb	109.78	123.36	127.56
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb	86.83	105.10	106.29
Choice Boxed Beef, 600-750 lb. Carcass	131.26	140.76	142.69
Western Corn Belt Base Hog Price Carcass, Negotiated	59.98	71.15	68.73
Feeder Pigs, National Direct 45 lbs, FOB	40.47	64.60	80.76
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	63.49	73.08	72.37
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest	91.50	100.00	109.50
National Carcass Lamb Cutout, FOB	207.75	244.48	257.94
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Omaha, bu	3.74	3.39	3.22
Corn, No. 2, Yellow Omaha, bu	2.68	1.79	1.75
Soybeans, No. 1, Yellow Omaha, bu	8.39	5.34	5.00
Grain Sorghum, No. 2, Yellow Columbus, cwt	4.59	2.63	2.41
Oats, No. 2, Heavy Minneapolis, MN , bu	1.70	1.85	1.85
Hay			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton	115.00	115.00	115.00
Alfalfa, Large Rounds, Good Platte Valley, ton	62.50	62.50	62.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton	57.50	57.50	57.50

* No market.

Andrew Errington, a professor at the University of Plymouth, United Kingdom, surveyed farmers in England in 1997. He found that 66.3 percent of those farmers surveyed plan to never or only partially retire from farming, leaving only 33.7 percent who planned to someday fully retire. John Baker, Director of the Beginning Farmer Center at Iowa State University, replicated this survey in Iowa in 2000. The same survey was also taken in Virginia in 2001. Iowa results indicated 65 percent of those responding planned to never or only partially retire from their farming business. Results from Virginia indicate 76 percent of Virginian farmers plan to never or only partially retire.

Why do so few farmers and ranchers plan to retire? There are many reasons why farmers choose to continue farming indefinitely. Some simply love what they are doing and can not imagine themselves ever doing anything else. Their identity as a person is so intertwined with the farm it becomes impossible for them to separate the farm from the farmer. Some may be concerned that financially they will not be able to afford to retire. After all, how long will we live and what about health costs and long-term care? Some may feel that no one else can "do it right" so they must continue. Considering transitioning the farm to another farmer reminds us of our own mortality and the limits that are placed on all of us. Many, however, do not make a conscious decision not to retire and find a farmer successor. They simply stay busy doing what needs to be done day after day and just don't get around to it.

Unintended consequences may occur. Much like the frog in the pot of water where the heat is gradually turned up only a degree or two over a long period of

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time, we may find ourselves in a situation that if only we had done some prior planning we could have avoided a boiling situation that we would rather not experience.

There is certainly no question that a farm business owner has every right to do what he or she chooses with their hard earned business. If a farmer or rancher chooses not to retire, or not to find a successor, that is certainly their prerogative. After all, they have built their farm business to its' current position through years of work and sacrifice.

What happens, however, when a farmer chooses not to bring a successor into the operation or to plan for the future operation of the business? Many times there is not a family member that is willing to follow in the owners footsteps. And the owner may not be willing to take a chance on someone that isn't well known. If a successor is not identified, and if there is no teaching and learning as to how to operate the business upon death of the owners, the business will likely cease existence. The farm assets will obviously continue, but the business will not. The farm will be owned by either a child or some other heir who many times is not a member of the local community. The land is usually then rented or sold to a neighbor or to the highest bidder. The wealth of the business assets hence leaves the community and benefits the heirs but likely not the local businesses, churches, organizations and communities. The multiplier effect does not benefit neighbors and other community members. By not creating a successor a farm/ranch business owner may eliminate or reduce the benefits for his/her community. Not retiring eliminates options that many producers would likely be interested in if they had sat down and thought about the alternatives. But instead, by simply continuing for one more year, they find themselves in a situation similar to our frog friend.

Business transition involves the transfer not only of the farm assets but also the management, labor and income associated with the business. The transition process usually occurs in several stages and is typically stretched out over several years. Although the process takes time and effort, many would say the benefits make the effort worthwhile. Identifying a successor more often than not creates reinvestment and growth in a business that may otherwise be slowly winding down. Renewed enthusiasm and energy can invigorate all phases of the operation. Reasonable risks are more likely to be taken along with the returns that should follow. Buildings are usually kept up because there is now a generation that has a need for them. In addition, local communities have returning residents with all the associated benefits.

For those that can not find a successor, or do not desire to retire, one alternative they may wish to consider is a donation to a Community Foundation. Many communities are considering the establishment of a local Community Foundation. Community residents can leave a portion of their assets to the local foundation for the benefit of the community as a whole. The Nebraska Community Foundation is a statewide organization that assists communities with the development and implementation of locally controlled community foundations. The tax deductible funds are donated to the community to assist the residents of the community. Funds can be made available to do many community minded projects such as provide scholarships to community youth, help to recruit businesses into the local areas or to provide loan programs for beginning or returning residents and business owners.

Most farm families know planning is "important." Many however avoid planning until it is too late. Don't be like the frog. There is always something else "urgent" that needs to be done. Make the decision while the choice is yours to make.

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