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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Coping with Potholes in Your Farm Transition Pathway, Part I

Sooner or later transitions emerge in personal and business life. Some are based on opportunities: land or other resources become available at an affordable cost, family members acquire and use new skills, new markets open, new technology is released, someone joins the family through marriage or adoption, or another form of good fortune occurs.

Transitions also arise from the disasters, periods of adversity, and changing circumstances that time brings to each of us. If you “know the territory,” you are aware of examples in your community. Possibly, a production unit was badly disrupted, but survived. For others, time brought changing circumstances, the loss of a key individual, a conflict that wasn’t resolved, destructive weather, or other change that exceeded the production unit’s capabilities and the farm was sold.

Every transition follows a pathway from the present business arrangements to a successor configuration. That pathway can have many “potholes” – avoiding them or escaping from them often makes a smooth transition possible. This discussion focuses on three of the most frequent “potholes” and on avoiding or escaping their clutches.

The “it just happened” pothole

Market Report	Yr Ago	4 Wks Ago	4/11/97
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb			
Omaha, cwt.....	\$62.25	\$67.50	\$66.88
Feeder Steers, Med. Frame, 600-650 lb			
Dodge City, KS, cwt.	52.16	76.78	78.56
Carcass Price, Ch. 1-3, 550-700 lb			
Cent. US, Equiv. Index Value, cwt.	90.66	98.54	96.47
Hogs, US 1-2, 220-230 lb			
Omaha, cwt.....	51.18	48.18	55.43
Feeder Pigs, US 1-2, 40-45 lb			
Omaha, hd.	*	*	*
Fresh Pork Loins, Wholesale, 14-18 lb			
Cent. US, cwt.	122.60	102.20	115.70
Slaughter Lambs, Ch. & Pr., 115-125 lb			
Sioux Falls, SD, cwt.	87.50	98.81	97.75
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb			
FOB Midwest, cwt.	170.00	183.00	183.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W.			
Omaha, bu.	6.38	4.30	4.64
Corn, No. 2, Yellow			
Omaha, bu.	4.41	2.85	2.78
Soybeans, No. 1, Yellow			
Chicago, bu.	7.95	8.50	8.33
Grain Sorghum, No. 2, Yellow			
Kansas City, cwt.	7.82	4.91	4.80
Oats, No. 2, Heavy			
Omaha, bu.	*	*	*
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better			
Platte Valley, ton.	*	135.00	*
Alfalfa, Lg. Round, Good			
Northeast Nebraska, ton.	62.50	75.00	72.50
Prairie, Sm. Square, Good			
Northeast Nebraska, ton.	62.50	72.50	72.50
* No market.			



What will happen to your farm when you are gone? If you are the decision maker for your farm and don't have a clear answer for that question, you could end up in this pothole – doing so can be an expensive experience.

Think for a moment about being “gone.” Being gone is not just a result of old age and death. Suppose at any age you are ill, are injured in an accident, need to travel away from home for an extended period, or suffer from the emotional exhaustion that arises from personal life problems. Unless you have prepared a road map (a transition plan), the resulting transition will “just happen.” As others fill in for you, they may not know what to do; production and profits may go down as expenses increase. A transition plan with your best thinking about who should do what and when as farm operations continue can be your farm saver – if you have prepared it prior to the time of need.

Everyone knows about the “just happened” pothole, but only a few farm families plan for transitions. Avoiding this pothole by preparing a transition plan that can be implemented if you're “gone” will help to make your farm a survivor.

The “we can't agree” pothole

You've decided to prepare a transition plan so you'll be set for the changes that lie ahead, but you and the other person or persons can't agree on its content. When you are in this pothole, your wheels may spin, but you don't move ahead as every discussion returns to whatever is the source of disagreement.

What can be done? Start by making good use of the things you can agree on. List all the things you agree on and identify how they should be implemented. No guarantees can be offered, but it's likely that your disagreements will seem much less important when you've put down all the things you

agree on. After you've listed as much as you can, go back to topics of contention. They may look less imposing and can be resolved. Even if they aren't resolved completely, you will have thought about and agreed on major parts of your plan.

The “can’t get started” pothole

You and others involved in your operation agree; a plan should be prepared. You’ve talked about it and there are no serious disagreements. However, for implementation when needed, legal documentation is required. You discover you’ve fallen into the “can’t get started” pothole – the people involved can’t decide on the attorney who will be asked to prepare legal documents, and they can’t agree on the day and time for an appointment with the attorney. No progress is possible.

This pothole can be avoided by an early decision on the attorney you’ll go to for professional legal services. With that decision made, you’ll be able to move ahead. If you’re already in the pothole, decisive action is needed to get you out. If you’re the person who is committed to action, select an attorney and make an appointment. Tell others who are involved the day, time, and place they need to be for discussion with the attorney. The odds are very high that they will be present with you when the discussion occurs. If they aren’t, move ahead on the basis of your understandings and ask for their responses to the paperwork. The odds are high that documentation that everyone can agree to can be developed.

Coping with potholes in your farm transition pathway isn’t real easy, but it usually can be done. Inaction leaves you unprepared for both unexpected and the expected transitions. So it’s important to take action now.

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This is the first of two articles addressing farm transition issues. The second will focus on inter-generational transition "potholes" and will appear in the May 7, 1997 issue of **Cornhusker Economics**.

