**Passing on the Farm**

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“I have Cancer…” Those were the words I heard on the phone from my Dad on a frigid winter day in 2003. I was a Junior at North Dakota State University and had been farming with my Dad for the last six years. The plan was to take over shortly after I finished college. At the time, I didn’t realize it, but the unforeseen events about to unfold, completely changed the direction of my life. Four years later, after putting up a good fight, he died from this unforgiven disease. I harvested Dad’s crop and my crop in a daze, and at the end of harvest, I had a decision to make to keep farming or to find a new career path. I ended up choosing the later.

My Dad and I had several conversations over the years about how to transition the farm but that was as far as it went. Simple conversations, and nothing was written down and no one else was involved. There was no plan to follow after he died. “Would a plan have kept me farming?” Not sure, but a well-documented plan wouldn’t have hurt.

Most farmers today don’t want to think of their retirement or god-forbid their untimely death and what happens to the farm they have worked so hard to build. Succession is about planning the future of the farm. It’s about conserving your legacy for your heirs to inherit the farm. This usually focuses on leaving your farm to your children so they can succeed as the next generation of operators and owners. This concept while idealistic, is not always simple.

After everything farming entails, working on, and creating a succession plan is the last thing on many farmer’s mind. Over 70% of farmers have not identified a successor or even created a plan, which does not bode well for the future of the farm. If we think about succession planning as raising a crop, it doesn’t happen overnight, and it takes a lot of small steps from planting the seed to the sale. The following are seven basic steps to guide your succession plan and place it into reality.

1. **Have a Family Meeting**

This should include all members that have an interest in the operation. This requires input from the entire family and any partners. During this meeting you can suggest a target retirement date (even if it is years away) and what your goals are for the farm. Getting your feelings out in the open so the stakeholders know where you stand is important. Just as important, understand how others feel about the plan of passing the farm to the next generation. This step will help avoid future disputes among active participates and non-active family members. Biggest thing to remember is to keep an open line of communication with everyone.

1. **Assemble Your Team**

Putting together a successful succession plan takes an army. Chose a group of advisors that you trust and respect. One huge benefit of having a team is the ability of bouncing ideas off of each other and coming to the table with different options that may have never crossed your mind. Be mindful to make sure your team can be “a team”. Make sure everyone can work and collaborate well together and be involved throughout the process.

1. **Establish Your Vision for Succession**

Think about your own timeline and a target date for retirement and the steps you need to take between now and then. Those steps include transfer of labor, management duties, assets/debts, and a financial plan to fund your retirement. Determine what vision and goals the next generation and shareholders have. If there are any disagreements or disputes, take the time to work them out so everyone is on the same page. Disputes during this process can add major stress and conflict between partners and family members.

1. **Make a List**

Make a list of all your asset’s and debts, including all farm related and non-farm related items. Give detail to each item and provide knowledge of who owns a particular piece of equipment or if its financed and who the lien holder is. Include any non-farm assets as well. This should include vacation homes, retirement accounts, life insurance policies, and vehicles not tied to the farm. It’s a must to include all the debt the farm has accumulated over time. It will help establish a timeline to pay off the debt or determine if the debt is passed to the next in line. This will assist those in line, the time to secure financing, if needed. Furthermore, it will require you to ask some difficult questions such as, “If there is more debt than assets, is it worth passing on?”

1. **Gather all Supporting Documents**

Gather all supporting documents that your team would want to know about. Include all rental agreements, partner agreements, life insurance policies, and a will/trust should be at the top of the list. Include power of attorney and healthcare directives for the team to review and make any changes if needed. Keep in mind, if you have had a previous plan, include that as well. These plans should be reviewed and updated accordingly.

1. **Settle on a Timeline**

Just remember, transferring a farm to the next generation does not happen overnight. As part of the process, agree on a tentative timeline to implement the plan. Keep in mind, it could take a year, if not more, to put a plan in place and up to a decade to fully achieve it. Time is of the essence, start early and do a little bit at a time so it’s done right to avoid issues.

1. **Put the Plan into Action**

After putting in the years of work and all the pieces are in place, it’s time to put the plan into action and begin to implement it. After all of the steps taken, this can be the hardest. Many get stuck in this step for various reasons, but you need to commit to the steps you put into the plan and let the next generation flourish in their new role.

Passing on a farm to the next generation can be complicated. But don’t let that be a reason not to start discussing it with members of your operation and family. There are many avenues and paths to establish a rock-solid succession plan that all involved can agree with. Don’t let my story be yours, as there are always some unforeseen life events that can occur and change the course of someone’s life plan. Be prepared for those events, start these conversations today and don’t wait. Because at the end of the day, we don’t own the land we farm today, we are just borrowing it from the next generation.

To learn more about farm succession planning and other financial questions about farms and ranches, visit with an instructor near you. The North Dakota Farm Management Education Program provides lifelong learning opportunities in economic and financial management for persons involved in the farming and ranching business. Visit [ndfarmmanagement.com](http://www.ndfarmmanagement.com), Facebook @NDFarmManagementEducation, or contact Craig Kleven, State Supervisor for Agricultural Education, at crkleven@nd.gov or 701-328-3162 for more information. The ND Farm Management Education Program is sponsored by the North Dakota Department of Career and Technical Education.