

# Tools for Transition:

Effective business meetings

&

Building an effective transition team



# What Son/Daughter Want!

- Get started
- Start where mom and dad left off
- Take risk
- Enthusiasm, Try new things!
- Expand operation, invest
- Buy machinery
- Buy Land
- Utilize Mom and Dad' s Financial Position
- Have more time off



# What Mom and Dad Want!

- Slow Down, more time off
- Getting Tired
- Minimize Risk
- Protect assets
- Pay off debts
- Get Son/Daughter to work harder
- Take less responsibility – more to S/D
- Don't want to give up control
- Son/Daughter should start where they did 35 years ago



Any potential  
conflicts  
between the  
generations?



# Effective Business Meetings

Moving your transition plan forward



## Succession Meetings

- Why Succession Meetings?
- What needs to be covered?
- Is there a logical progression to follow?



## Why succession meetings?

- Succession is not something you do, it's something you become (Kevin Spafford, eLegacy)
  - One that is led by a new generation
  - May take on some new enterprises and drop some old enterprises
  - Needs to provide for the needs of multiple generations
  - Requires a significant amount of time and energy to move through the steps



## Succession meetings should be formal

- Scheduled
- Agenda - Written
- Safe for everyone to speak up
- Always end with next steps and a next scheduled meeting





## What needs to be covered?

- Vision, Mission and Goals for your farm
  - Transition decisions should be driven by these
- Who will be involved in the future farming operation?
- What wants and needs does each generation have?
- What hurdles do we know we will have to overcome?
- The Transition Plan
- Homework - who will do what



## Reviewing Goals, Actions, and Results

- What you want to achieve in succession needs to make it on to paper so that clarity can begin to be achieved.
- Once goals are written down and agreed too, action plans can develop
- Yearly (or more often) reviews can quantify how we are doing on completing our action plan



Manager's Meeting Agenda – Wednesday October 2, 2013

**30/30 by '13**  
 30,000 lb Rolling Herd Average  
 30 % Cull Rate  
 By December 2013

1. Manager's reports: Key parameters (Sunday through Saturday), personnel changes, focus for next week
  - a. Production & Herd Inventory - Jerry
    - i. 7 day Averages: 169,811 lbs. milk sold/day, 94.0 lbs./cow/day comp 1,771 milking (saleable), 48 treated. 1.788 heifers. 15 cows sold. 6 cows died. 0 heifers sold. 2 heifers died. 20 live heifers born, net change -3
  - b. Reproduction - Jerry
    - i. 34 % CR cows, 27 pregnant cows, 44 % CR heifers, 19 pregnant heifers
    - ii. Calvings: Oct:137, Nov:169, Dec:184, Jan:180, Feb:161, Mar:214, Apr:161, May:222
  - c. Feeding – Greg
    - i. DMI: 59.5 lbs. milk cows, 31.7 lbs. prefresh, 38.9 lbs. dry cows, 8,561 lbs. push out
    - ii. Big ration changes happening now!
    - iii. Feed and inventory changes
  - d. Sand and Maintenance - Dean
    - i. Comments on inventory, sand quality, equipment issues
  - e. Parlor/Night Manager report – Bob
    - i. On time: 44 % SCC: 258
    - ii. Observations, changes and suggestions – Employees, equipment, etc.
  - f. Foot health – Brad
    - i. Norm trimmed \_\_ cows, 58 heifers \_\_ infectious lesions, \_\_ non-infectious, 0 blocks
    - ii. 66 Lamé cows, 227 Maintenance trims infectious lesions, non-infectious, 39 blocks
    - iii. Results from Zinpro hairy wart feeding study
    - iv. Next trim date, Thursday October 17, one day only



- g. Barn Manager report – Oswaldo
    - i. Observations and comments on cows and barn
  - h. Maternity and young stock - Julio
    - i. 25 cows fresh. 16 heifers fresh. 2 born dead calves
    - ii. Calves: 16 pneumonia, 1 scours, 0 pinkeye, 1 foot rot
    - iii. Nancy's last day October 11
  - i. Fresh cow health and mastitis – Gregorio
    - i. Cows: 8 DA's, 6 Metritis, 1 Ketosis, 5 RP's, 2/20 = 10% positive blood ketones
    - ii. Ketosis monitoring of fresh cows, propylene glycol treatment of long dry period cows
    - iii. 33 new mastitis cases, 16 treated, 17 not treated, 53 blue bands
    - iv. Mycoplasma status: Treated milk tank: Positive, Saleable milk tank: Positive
    - v. General fresh cow, sick cow health comments
2. PDPW Tour 8:30 – 10:00 am, October 17<sup>th</sup>,
  3. World Dairy Expo: Passes available. Elanco tour Friday 11:00, MSU tour Saturday 9:00
  4. Safety discussion: Report of any unsafe conditions, Hearing protection available
  5. Health insurance notices included in next week's payroll checks
  6. Review schedule for next week - Jerry
  7. Comments and/or topic suggestions for next meeting

### Main Objectives for the Staff of Nehls Brothers Farms

- Maximize milk production and cattle growth to ensure a profitable dairy business.
- Provide a clean, comfortable and safe environment for cattle and people.
- Enhance communication with all present to all

## Who will be involved and how?

- Business succession meetings should include discussions about:
  - Roles for each generation
  - Wants & Needs of each generation including non-farming heirs
  - Keeping employees apprised and involved



## Hurdles

- Communication Styles
- Management Styles
- Non-farm and farm heir expectations
- Hurdles that you may not have thought of



## But how do I start?

- [Business Succession Planning Checklist](#) from [wealthcouncil.com](http://wealthcouncil.com)
- [Building a family meeting agenda](#) from [eLegacyconnect.com](http://eLegacyconnect.com) (“It’s not outside forces” article).



# Transition Plan

## Transfer Stages

	Testing	Commitment	Established	Withdrawal
Transfer Ownership	● →	Sale, Gift, Inheritance		● →
Transfer Mgmt.	● →	General Manager, Equal Voice		● →
Divide Income	● →	Wage, Contributions, 50-50 Division, Lease		● →





# Stage 1 – Testing

- Objective: Determine whether the young person really wants to farm and how well the various parties can work together.
  - Wage/Bonus
  - Wage/Incentive
  - Wage/Share
  - Enterprise Agreement or Joint Venture
  - Should we Try to Farm?
  - Together?
  - Holding Pattern?
  - 2 or 3 years max



# Stage 2 - Commitment

- Younger party begins to contribute more property and management to the business.
- May need an enterprise or whole farm operating agreements that clearly spell out the division of income.
- Shifts in the organizational structure and changes in the legal structure usually done during this phase. Operating Agreements
- Joint Venture
- Sole Proprietor
- Rental arrangements
- Exchange Labor for Machinery
- Parent co-sign notes



# Stage 3 - Established

- Younger generation has acquired the skills to manage the business, but the older party is still fully involved as well.
- Fairly rapid ownership transfer occurs during this stage.
- Essential that legal structure is flexible enough to accommodate change.
- LLC, Partnership, Corporation, multiple, combinations
- Expansion?
- Shift personal property/management
- Provide for untimely death
  - Insurance
  - Provisions in will
- Plan for Real Estate Transfer
- Buy/Sell Agreements
- People don't always die in order



# Stage 4 - Withdrawal

- Older party withdraws from the management of the business at retirement.
- Lease arrangements may be used by younger generation to obtain use of real estate, machinery, and equipment that is still owned by the older generation.  
Secure Farm Heir's Position in Farming/Firm up Transfer Plan
- Complete Personal Property/Management Transfer
- Shift Control/Ownership of Real Estate
- Partnership Dissolved - Buy/Sell Agreement
- Heir Buys or Rents Parents Share in Business
- Additional Provisions in Will



CAN YOU HEAR ME NOW!

Internal Business Meeting Team  
Members & Importance



## Common Issues

- Why was this not done? Weren't you supposed to?
  - Who was supposed to be where and do what?
- Employees/Labor becoming frustrated
  - Too many bosses communicating different directions
- Did we really need to spend the money on that?



# Team Business Meetings

- Who is part of the “team”
  - Owners/Operators
    - Owing Generation
    - Successor Generation
      - Typically does not include non-farm heirs or spouses
  - Non-Related Parties
    - Managers/Supervisors
    - Herdsman/Field Man/Mech
  - Other Possible Important Members
    - Crop/Livestock Consultants
    - Other Service Equipment Providers



# How Many Meetings? What Do We Cover?

- Weekly Meetings
  - Include all Major Players
  - Cover day-to-day tasks, needs, and reflections of what was done well and where can we improve
- Quarterly/Biannual Meetings
  - Include all Major Players
  - Preparation for the seasonal aspects of the Farm/Business. Plan & prep. i.e. planting/harvesting, breeding, etc...
- Annual
  - Include: Owner/Operators, possibly Mgt./Supervisors
  - Financials, tax planning, capital asset purchases, sales, goal setting, planning for future.





# Regular Meetings

- Weekly Meetings
  - Include
    - Owner & Successor Generation
    - Herdsman/Field man & other supervisors, mechanic, and laborers as needed
  - Should provide for:
    - Reflection on previous week
      - What was done well and where can we improve
    - Preparation & Planning for the coming week
      - Communicate the coming weeks goals and tasks
      - Everyone learns each others schedule and needs
      - Who has responsibilities for what tasks



## Regular Meetings

- Quarterly/Biannual
  - Include
    - Owner & Successor Generation
    - Herdsman/Field man & other supervisors, mechanic, and laborers as needed
    - Service Providers; i.e. consultants, seed dealer, etc...
  - Discussion should include plans for the coming season
    - Field needs/Changes
    - Livestock needs/Changes
    - Who has responsibility to prepare and order materials, inputs, etc..
    - Who is responsible for equipment/bldg prep.
    - Market outlook & marketing



# Regular Meetings

- Annual
  - Include
    - Owner & Successor Generation
    - Service Providers; Accountant, Financial Advisor, Attorney
  - Discussion
    - Goals, Objectives, Actions
      - Review of; where are we and what needs to be done
      - Develop coming years Goals, Objectives, Actions
    - Where does the farm stand financially:
      - Past years Accrual Adjusted Income Statement
        - » Financial Standing
      - Tax Planning
    - Future capital asset/labor needs, purchases, sales



## Why a transition team?

- You still have a business to run in the midst of assembling a transition plan
- A team of Advisors can bring expertise and resources that you may not have on the farm
- They can help you move past the obstacle of failing to create a plan



## Who should be on the team?

- You and farm successor(s). Your goals, values, desires will guide the plan
- An Attorney with farm estate planning expertise
- Financial Advisors – Banker, Accountant, Ins. Agent
- Business Advisors – MSU Extension Educator, Veterinarian, Crop Consultant, those that know your business well



## Team member criteria

- Add unique value to the team
- Utmost confidence in their ability to keep confidentiality
- Ideally already know your business
- Understand that you are the team leader



## Should you have a facilitator?

- Helps keep the process moving forward
- Delegates responsibilities to the team
- Facilitates meetings
- Could be one of the existing team members
  
- Should be organized, experienced, calm when emotions get high



Questions?





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