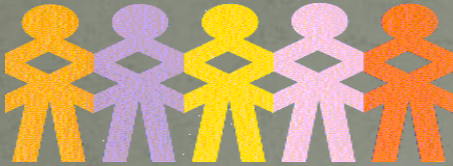


Farm and Ranch Succession Planning



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Philo, CA
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California FarmLink – Access to Land Program



- Info on land leasing, purchasing, alternative land tenure options
- Sample lease agreements
- Help farmers find land and financing
- Help farmers/landowners negotiate good lease agreements
- Online hub of land for lease or sale, 25 links per year
- Work with farm estate attorneys and CPAs to assist families in passing farm and ranch businesses and assets to the next generation.
- Assist land trusts and public land holders to develop best management practices in leasing.

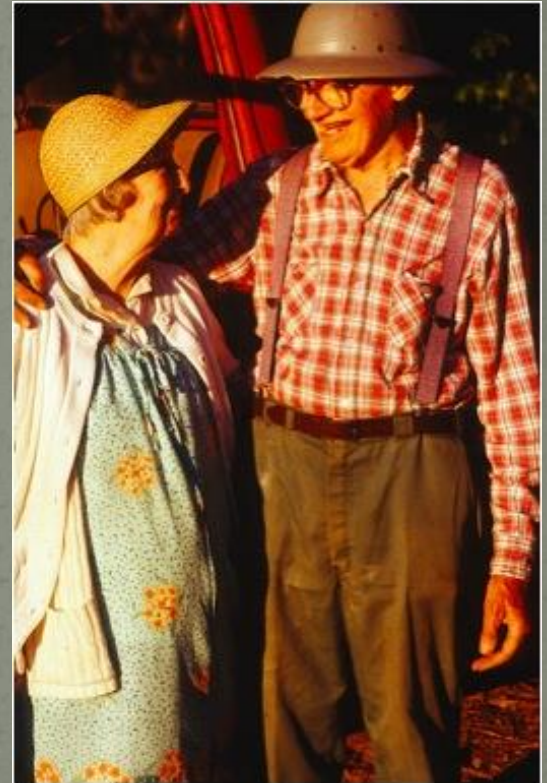
California FarmLink – Access to Capital – Farm Opportunities Loan Program



- Flexibly structured financing to small, low-resource, beginning farmers
- Coaching on:
 - financing options
 - financial management
 - credit counseling
 - loan packaging
 - cash flow projections
- 25 loans per year
- average loan size: \$25,000
- Have become one of largest farm microlenders in US
- Individual Development Account Program

American Farmers Are Getting Older...

- Average age of farmers increased from 51 to 58 between 1982 - 2007
- Number of farm operators under age 35 declined 34% in one decade! (1992 - 2002)
- There are 9 CA farmers ≥ 65 years old for every farmer ≤ 35



Farm succession planning is preparation to ensure that farm management and assets are transferred in such a way that the business remains at least as viable for the next generation operator as it is currently, while meeting the needs of the retiring farmers.



Today's Topics

- Communication
- Retirement Planning
- Business Transfer Planning
- Estate Planning



Ready? Just checking...

- The family goal is to transfer the farm to the next generation.
- A successor(s) has been identified.
- The farm business “books” are open. (Is the business profitable? If not, is it viable?)
- The family has identified a time-frame for completion of the plan.

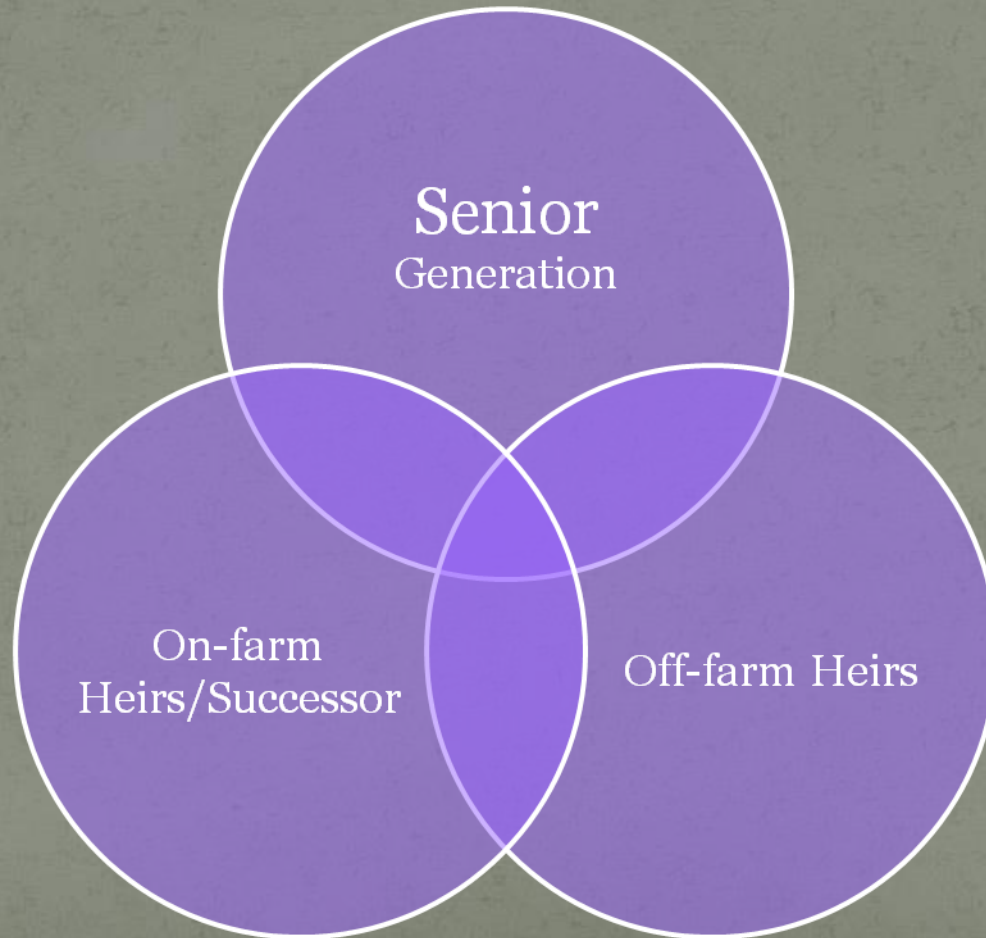
The Written Succession Plan

(adapted from Peter Coughler, Ontario, Canada)



- ▶ Stakeholders' visions, goals
- ▶ (Farm business plan)
- ▶ Retirement plan
- ▶ Successor development plan
- ▶ Business management transfer plan
- ▶ Estate plan (including land and business ownership transfer plan)

Succession **goals** vary,
based on perspective of stakeholder





Common goals

Senior Generation



Senior Generation

Common goals

- ▶ Slow down!
- ▶ Retain adequate retirement income & security net
- ▶ See the next generation carry on the business
- ▶ Stay involved in the business
- ▶ Minimize debt for farm business *and* successors
- ▶ Minimize estate and income taxes
- ▶ See the land stay in agricultural production
- ▶ Be fair to all children/heirs



Junior “Successor” Generation

Common goals



Junior “Successor” Generation

Common goals

- ▶ Receive adequate income
- ▶ Participate in management of the business
- ▶ Buy into the business
- ▶ Build personal equity
- ▶ Increase the size/profitability of the business
- ▶ Incorporate new technologies and ideas
- ▶ Lifestyle benefits: live in country, be own boss

Off-Farm Heirs

Common Goals



Off-Farm Heirs



Common Goals

- ▶ Inherit an equitable share of the parents' estate
- ▶ Sell equity in the farm business to get money for other uses
- ▶ Receive an equitable return on investment by remaining involved in the farm business
- ▶ Sometimes, participate in management if still involved in the business

Fair does not always mean equal...



- One sibling stays working on farm and the others pursue off-farm careers. When it's time to divide up the estate, what's fair?

Communication Essentials



- Share early, share often
- Hold regular meetings
 - Business
 - Family
- Write it down
- Correspondence does not equal communication
- Manage expectations

Business Transfer

- Transfer of labor/income
 - Shares
 - Employee Stock Ownership (ESOP)
 - ‘Sharemilking’
 - Employment/wages
 - Combination
- Transfer of management
 - Enterprise
 - Whole farm
 - Farm activity
- Transfer of ownership
 - Gift, sale or combination
 - Order of asset transfer
 - Insurance
 - Valuation of business
 - Appropriate business entities

Estate Planning

- Land ownership
 - Individual/Partnership
 - Tenants in Common
 - LLC
 - Other Business/Corporation
- Transfer vehicles
 - Trust
 - Sale
 - Gift
- Tools and considerations
 - Tax Liability
 - Life Insurance
 - Life Estate
 - Right of Refusal
 - Investment and Equity Interest



Creative Land Transfer tools

- Lease to younger gen (family or non-family) allows successor to try the business
- Lease with first right of refusal or option to buy
- Installment or land contract sale (owner financing)
- Purchase with sale of ag conservation easement

Your Farm Transition Team May Include:

- ▶ (Family!)
- ▶ Accountant
- ▶ Attorney
- ▶ Business consultant
- ▶ Financial/Estate Planner
- ▶ Land Trust
- ▶ Mediator



**Start it.
Keep doing it.
Achieve your goals.**

- Maintain or improve a viable business
- Make sure no party is overburdened by debt
- Keep land in production, and in good hands
- Keep family loving (at least talking)
- Honor agricultural legacies

Thank You!

- Farm families
- Anderson Valley Land Trust
- California FarmLink
- Speakers: Olivia Boyce Abel, Rod Carter, Magruder Family, Steve Johnson, Michael Delbar
- Savings Bank of Mendocino County
- East Bay Community Foundation
- Navarro River Resource Center
- Anderson Valley Grange
- Mendocino Land Trust
- California Rangeland Trust