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Ideas for Intergenerational Living

a series of articles devoted to promoting cooperation and exchange between the generations.

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This is the thirteenth in the “Ideas for Intergenerational Living” article series.
(The series is online at: <http://intergenerational.cas.psu.edu/Articles.html>.)

Intergenerational Communication as a Tool for Sustaining Small Family Farms

Operating a family farm is not like operating any other business. To make this point, Bob Fetsch from Colorado State University quotes a farmer, “If our operation was like a business, we could fire one or two of our family members, but we can’t.” Farm operations and business prospects are profoundly influenced by family relationships. For small, family-owned and operated farms to survive and thrive, it is important that family members communicate effectively with one another on a range of important business related topics, including farm succession planning, career planning, and retirement planning.

With over 90% of Pennsylvania’s farms owned by families, it is surprising that fewer than half of these families have farm succession plans, and many families do not know how to develop a plan. The consequences of this are often severe – if the farm is simply inherited by the succeeding generation of operators, inheritance taxes and other fees that could have been avoided or minimized may cripple the farm and its new owners. Additionally, inadequate farm succession planning often results in heirs who are incapable of running the farm business, family conflict, prolonged legal battles, and partition of family-owned and operated farm business assets to satisfy heirs who simply want to “cash in” their share of the business rather than invest in it.

Much is already known about the business aspects of planning for farm succession. For example, research shows that farm families benefit when enlisting professional consultation, when choosing a successor with strong leadership skills, and when developing timelines for transferring managerial roles and enacting the formal transfer. However, less is known about other aspects of farm succession such as why families wait so long to make farm transfer arrangements. This is a substantial problem in farm succession since the process is complex, time consuming, and challenging.

Certainly, there is much to learn in terms of the various ways to transfer managerial control of the farm business to the succeeding generation. However, there are communication and relationship issues that also must be addressed. Open lines of communication are needed to help families develop an integrated vision for the future of the farm (and family) that accommodates individuals' concerns and experiences. This is particularly important during times of challenging business conditions and limited prospects. For example, diminishing farm assets may stimulate older members of a family to worry about financing their retirement years, whereas, young family members may be influenced to reconsider career decisions. Family conversations are critical for helping family members to understand how they can work together to enhance the overall farm business while achieving individual goals and maintaining positive family relationships and growth.

Last year, a group of Penn State researchers, in collaboration with PA Farm Link, conducted a small study of how farm families talk about farm succession planning issues. Interviews were conducted with members of ten Pennsylvania families that own and operate small family farms. When asked to speak about challenges related to passing on their farm business, respondents were as likely to speak about difficulties associated with family relationships as about economics or any other set of factors. As expected, most of the families acknowledged that they had not done enough farm succession planning, and that they would, ideally, like to have more family conversations on the topic. The surprising finding was how in half of the families, respondents felt unable to make immediate progress with farm succession planning due to unresolved issues or uncertainty tied to the lives of individual family members. In several of the families, the heads of household noted obstacles such as waiting for a daughter to make a decision regarding a job opportunity, and the lingering uncertainty as to the interest of a son-in-law in adopting a farming lifestyle.

These findings reinforce a view of farm transfer planning as a dynamic process involving a complex interplay between interdependent family members. Certainly, there is a need to focus on what each generation thinks and does in regard to farming. However, this does not preclude the need for families to have discussions and work together in developing farm transfer plans. It has been found that communication that helps to promote respect, understanding, trust, and complementary behavior between predecessor and successor of family businesses increases the likelihood of success in the transfer process. When there is open communication and shared decision-making, there is less conflict, greater cohesion within the family, and more agreement on basic issues within the family. Family members report less stress and more satisfaction with their family lives.

In line with changes in the farming enterprise over the past 50 years, it is reasonable to expect that certain perceptions about farming will vary along generational lines. The following quote from a third generation farmer illustrates how family members of different generations are likely to have different views about *how* to conduct business:

We scrimped and saved for years to get this farm off the ground. Our children have never known that. They think you can borrow for everything... To my grandfather, borrowing was immoral; to my father it became a necessity; to me it is normal.

To ensure that intergenerational differences in experience and perspective do not lead to misunderstanding and conflict, it is important for family members to talk and listen to each other in a non-critical, non-judgmental, and non-threatening manner. Further, when each individual feels encouraged to contribute his or her skills and perspectives, there are various benefits to farm and family. For example, a teenager may be a computer whiz who, if asked, could find answers to a pressing problem by accessing resources on the Internet.

With more attention paid to communication and careful planning, farm families are more likely to make decisions based on what is good for the entire family over the long run as opposed to short-term benefits for individuals. This is likely to have implications for enhancing the sustainability of the family-owned farm and, in turn, for decelerating the conversion of productive farmland to other less efficient modes of land use. Effective family communication can also serve to encourage youth to enter the agriculture industry and increase attention paid to pre-retirement planning of older family members.

Intergenerational communication provides a pathway for maintaining effective farming practices, preserving family traditions, learning about new business challenges and opportunities, and incorporating new farming techniques and technologies.

Related articles of interest:

Ranching and Farming with Family Members

Fact sheet by R. J. Fetsch, Colorado State University Cooperative Extension

<http://www.ext.colostate.edu/pubs/consumer/10217.html>

Will Your Family Farm Continue?

Fact sheet by Roland Freund, Farm Management Agent, Pennsylvania

<http://agmarketing.extension.psu.edu/Business/passonfarm/WillYourFarmContinue.pdf>

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