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**A voluntary
partnership
with private
landowners**

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7 Steps for Family Business Success

*A checklist to consider when transitioning
from one generation to the next.*

By Kindra Gordon

Editor's Note: Often the articles in this newsletter focus on range and pasture management. But equally important to the success of a farm or ranch is including business management into the planning and decision making. Thus we spotlight the important topic of transition planning.

Family business consultant David Specht has a story he likes to share with ag audiences: A farmer wakes up one summer morning and goes out into his field to check if his crop is ready to harvest. To his astonishment, there is no crop and weeds have taken over the field. The farmer scratches his head and then remembers he forgot to prepare the ground in the spring and never got around to planting.

Specht, who is Coordinator of Family Business Programs for the College of Business and Extension at the University of Nebraska-Lincoln, acknowledges that this is a pretty silly story, but he says it is much akin to what happens when farm and ranch businesses fail to prepare a succession plan: they have no crop – no legacy – for the future.

As examples, he cites poor communication among family and business leaders; the absence of an estate plan for the controlling owner, no documented training and entry plan for the next generation; and no true exit plan for the controlling generation as factors that can lead to a barren future for the business.

To reduce the likelihood of that scenario, Specht promotes “preparing the ground” for the next generation – be it a farm or ranch or any family business. He notes this is important not only for the business legacy to continue – and for the natural resources to continue to be managed, but for the economy to remain viable as well, and says, “Family business is the engine that drives our economy in the United States.”

Creating Continuity

Specht believes that often times succession plans aren't fruitful because all of the necessary parties aren't included in the planning process. Rather, it is just the senior generation taking a top down approach to what the future will be – or worse nothing is done until a tragedy occurs.

To that end, Specht emphasizes seven crucial areas that families in business must develop to facilitate a successful transition to the next generation. He calls it his “Continuity Quotient,” and it includes:

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1. **Communication.** “Communication is one of the most serious factors affecting succession planning,” says Specht. Namely, communication from the senior generation to younger generation about the expectations for the business as well as the younger generation communicating with the senior generation about their own expectations is key for success. But, Specht also emphasizes that all generations should have a voice and all parties should be included – including family members who do not work directly in the business. Families should create an environment where all can discuss the business and what it means without uncontrolled amounts of conflict. Specht encourages family meetings and says it is best to “err on the side of over communication.”
2. **Business & Estate Planning.** Specht explains that this entails the legal and financial aspects of transitioning a business from one generation to the next. When effective communication has taken place, the estate planning process should allow for perspectives from all generations to be taken into consideration. As the estate plan is put together Specht says, “Try to eliminate surprises.” Additionally, he emphasizes that the plan should be documented and the process should be a coordinated effort with your professional team such as a CPA, lawyer, financial planner, banker and insurance professional. He concludes, “Make this a collaborative effort. It becomes difficult to have a successful plan if the entities don’t work together.”
3. **Leadership Development.** This facet addresses the changing roles between the senior generation and the returning generation. Some questions to ponder include: Has the younger generation gained confidence, knowledge, skills and experience by working away from the business for a time? – which Specht is a proponent of. Is there an entrance strategy for the next generation? Is the senior generation willing to delegate meaningful responsibility to the younger generation? Is the next generation willing to share risk? “The senior generation is a valuable resource, but their role may need to change and decision-making responsibility should begin to transition to the next generation,” Specht explains. He suggests that a written job description can be useful in this process. “The next generation needs to have a defined role and a written job description can help give clarity about expectations, as well as accountability,” says Specht.
4. **Trust.** For the successful transition of a business, a level of mutual respect must develop between the generations. Does the senior generation trust the business decisions and financial capabilities of the next generation? Does the next generation view the family business for its legacy of family stewardship or simply as a financial asset. Communication can help foster some of this development of trust.
5. **Personal Resilience.** Specht points out that not every individual is wired to be an owner – and individuals can address obstacles and stress differently. This must be considered as future plans are made for the business. It’s a facet that can also be addressed with good communication among the family.
6. **Retirement Investment Planning.** As the senior generation makes plans to retire or step away from the business, they must evaluate how much capital is needed to retire and when they will back out of the business. This too should be discussed with the family and business leadership and be considered in the transition process.
7. **Key non-family employees.** The communication and succession planning process should not overlook key non-family business employees. Do they know what the vision is for the business? Do they respect the next generation? Is there an incentive for them to stay? By including them in the information and plans, many conflicts can be avoided.

Specht says that by evaluating these seven areas, preparation of the senior generation and readiness of the next generation can be measured – and areas that need more attention can be addressed.

Dave Specht has developed The Family Business Continuity Audit, an online tool to help assess, organize and quickly determine the areas of continuity that are most important for the family to address. For more information contact him via his website at www.davespecht.com or

NEW WEBSITE FEATURES PEST MANAGEMENT RESEARCH



The National Pesticide Information Center at Oregon State University has launched a comprehensive new website (<http://npic.orst.edu/>) that includes 125 original pages on pesticides and integrated pest management.

The center also has begun a Spanish website that mirrors that content, which can be found at <http://npic.orst.edu/index.es.html>.

“The site is a clearinghouse for objective, science-based information related to pesticides and pest management,” says Kaci Buhl, project coordinator for the center. Last year, it received more than 25,000 questions from all 50 states and several countries. The new site introduces new information on:

- Steps to reduce pesticide risk, safe use practices and low-risk pesticides;
- Integrated Pest Management at home, in the garden and in the lawn;
- Protecting wildlife, air, soil and water from pesticide exposure.

In addition, there are more than 200 pages with pest-specific strategies, podcasts and fact sheets.

The new website complements the center’s toll-free telephone service, at 1-800-858-7378, Monday – Saturday from 6:30 a.m. to 4:30 p.m.

SMALL FARMS: *USDA Study Documents US Beef Trends*

Beef cow-calf farms in the U.S. operate in an industry characterized by large numbers of small farms. That's one of the findings of a USDA Economic Research Survey study released earlier this year.

The study, titled *The Diverse Structure and Organization of U.S. Beef Cow-Calf Farms*, revealed that beef cow-calf production in the United States is widespread, occurring in every state. Nearly 765,000 farms, about 35% of the 2.2 million farms in the United States, had a beef cow inventory in 2007. Most of these were small, part-time operations. About a third of farms that raise beef animals had a beef cow inventory of less than 10 cows, more than half had fewer than 20 cows, and nearly 80% had fewer than 50 cows.

Many small operations are "rural residence farms" that specialize in beef cow-calf production, but their income from off-farm sources exceeds that from the farm. Most beef cow-calf production occurs on large farms, but cow-calf production is not the primary enterprise on many of these farms (Among the largest operations, those with 500 or more cows, less than 50 percent of farm product value was from cattle.).

The researchers concluded that these findings suggest that operators of beef cow-calf farms, large and small, have varying goals for their cattle enterprises, of which farming as a lifestyle choice is not uncommon.

Additional Data

- The majority of U.S. beef cows are located in the South, including the Southern Plains (primarily Texas) and the Southeast. These regions have the advantage of a longer grazing season and less need for supplemental forage to support beef cattle during the winter, which results in lower feed costs. Despite higher feed costs in the Northern Plains, large beef cow-calf producers in this region are able to compete with those in the South due to production efficiencies and economies of size.
- Economies of size in beef cow-calf production suggest that farms have an incentive to become larger. However, the significant land area required for large-scale beef cow-calf production inhibits many producers from expanding. In most areas of the United States, beef cow-calf production is the residual user of land. As the opportunity cost of pasture and range land increases for uses such as crop production or recreational activities, the size of beef cow-calf operations may be limited or fragmented into smaller units.
- About 60% of U.S. beef cow-calf farms produce calves that are sold at or shortly after weaning. These are usually small farms, and most are located in the Southeast and Southern Plains. Many of the farm households on these operations generate most of their income from off-farm sources.
- More than a third of beef cow-calf farms retain ownership of calves after weaning and continue grazing, or backgrounding, the calves from 30 to 90 days before selling. These farms are generally larger, have more beef cows, and are distributed throughout the United States, with many in the Northern Plains and West regions.
- Additionally, data from an ERS report issued in May, notes that the average age of farm operators increased from 50 years old in 1978 to 57 years old in 2007, and farmers who are 55 years of age or older account for 62% of all farms.

To read the full USDA ERS report visit <http://ers.usda.gov/Publications/EIB73/>.



GLCI SPOTLIGHT: ND, NE Host Sustainable Agriculture Listening Sessions

The North Central Region Sustainable Agriculture Research and Education Program (NCR-SARE) in cooperation with the North Dakota Grazing Lands Coalition, South Dakota Grassland Coalition, and Nebraska Grazing Lands Coalition conducted public listening sessions at two locations in North Dakota and Nebraska to discuss increasing the sustainability of their agriculture.

The NCR-SARE listening sessions served as an opportunity to bring together people with differing viewpoints within a community to share their perspectives of sustainability and agriculture. Reports resulting from the listening sessions will serve as a respected information source on the status and prospects of sustainable agriculture and as such guide the Administrative Council that directs the NCR-SARE competitive grants and other programs.

The public sessions were held at ranches in Mandan, ND, on July 19, and Nenzel, NE, on July 21.

Since 1988, the NCR-SARE has helped advance farming systems that are profitable, environmentally sound and good for communities through a nationwide research and education competitive grants program. The program, part of USDA's National Institute of Food and Agriculture, funds projects and conducts outreach designed to improve agricultural systems.

Food For Thought

Increasing population demands are also increasing the need for food and ag leaders.

By Kindra Gordon

The world population is projected to reach 9.2 billion people by the year 2050. With the current global population being about 6.9 billion people, this means we will add 2.3 billion people to the planet over the next four decades.

Here in the U.S., the population growth during that same time is projected to expand from 303 million people to 438 million – an addition of 135 million people to the country.

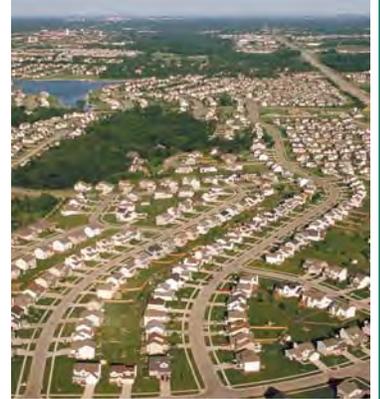
As a result of this population growth, experts also project that the world will require twice as much food as is produced today and water demand will double. Not to mention the increased need for everyday products like clothing, pharmaceuticals, lumber, plastics and fuel.

Ag experts agree that the good news part of this story is that the agricultural industry can supply all of those product needs to the growing population. We will most certainly need farmers and ranchers in the future. The US Department of Agriculture also projects that during the next five years there will be nearly 55,000 annual job openings across the U.S. in the ag-related areas of renewable energy, the environment, forestry production, ag business, science and food systems.

Specifically, the USDA study projects 74% of the jobs are expected in business and science occupations; 15% in agriculture and forestry production; and 11% in education, communication, and governmental services. The USDA report pinpoints a few career fields that will particularly be seeking employees in the future as well. They include:

- More graduates from the allied fields of biological and health sciences will be required to fill positions that address consumer preferences for a safe and nutritious food supply.
- Likewise, more earth and atmospheric scientists and environmental engineers will be required to deal with the evolving public policy choices in energy and the environment.
- Shortfalls of qualified graduates to work as plant geneticists and plant breeders, climate change analysts, and food safety and security specialists are anticipated during 2010–15.

Editor's Note: Extension, 4-H and high school ag and FFA programs can also be instrumental in helping students establish an early ag-related career path. Show support for these programs in your local communities.



To have your GLCI activities or upcoming events highlighted in this newsletter, contact Kindra Gordon at phone 605-722-7699 or kindras@gordonresources.com.

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- American Farm Bureau Federation (202) 484-3608
- American Forage and Grassland Council (800) 944-2342
- American Sheep Industry (303) 771-3500
- Dairy Industry (517) 323-6575
- National Association of Conservation Districts (202) 547-6233
- National Cattlemen's Beef Association (202) 347-0228
- National Farmers Union (202) 554-1600
- Society for Range Management (303) 986-3309
- Soil and Water Conservation Society (515) 289-2331

Contact these affiliated organizations: