**FarmLASTS: Changing Lands, Changing Hands Conference**

# Workshop: Farm Viability, Business Planning and Transfer

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**Can the farm business survive a transfer to the next generation or owner?**
Let's be blunt. Financial viability matters tremendously if one is to succeed in farming. Farm business financial health is all too often overlooked and not given the time needed before one starts farming or a farm is transferred to a younger generation. One of the most basic problems leading to the failure of new farmers is that their business is not financially viable. It's an ironic circumstance that young farmers with little capital or equity expect to start farming in a highly capitalized but low profit business. Maybe we should add "…all lived happily ever after" to complete the fairy tale. Another fairy tale is when farm families get the idea that a farm business that is not big enough to support one family is big enough to support 2 families. Time and time again we find farmers who have unrealistic expectations from their farming operations. Many farms are profitable, it's just that we expect far more profit than is available.

Finances matter. New and next generation farmers have to learn to manage the books as well as learning production. It's essential for their survival. Many of us talk about the need for financial programs to help new and next generation farmers but the situation boils down to the question of where is the money coming from? New farmers almost always need financing. If they are lucky, they can obtain it from family. If not, they can hope for some owner financing. Other sources are FSA and possibly some state programs to help beginning farmers. But these groups generally offer loans (except in the case of some family help) and even with exceptionally low interest, still expect the loans to be repaid.

In my programming, all too often I find people with a desire to farm but no business plan. For new farmers to succeed they need to be financially savvy. I find that many farmers are not able or willing to take the time to learn the financial side of their business. They are production focused. I come across the upside down balance sheet and stacks of cash flows and income statements that the farmer cannot begin to make heads or tails. Some criticize FSA for not offering beginning farmers more help and some even resent the financial training requirements. This was established by Congress. They, not FSA, decided if you want to borrow money from the federal government at favorable terms, then you should be able to be financially literate. Many of the farmers who lost their business in the crisis of the 80's were able to produce but failed financially.

Get financial training. Know your balances sheets as well as your seed varieties. Know your cash flow budget as well as your maturity dates. Do not make any major financial investment without penciling it out. If you want to start farming, develop a business plan. Many Extension programs offer workshops help new farmers to develop business plans

What works? Business plans that can sell your business. This means you can market you and your plan to a lender. You are using the plan to convince the lender that you will be able to generate the cash needed to pay creditors and the lender. Convince a lender you are a viable risk and will have the ability to repay a loan and you have taken a major step toward farming.

There are plenty of financial programs. Learn the language, terminology, and how to use financial statements to sell your farm business to you, your family, and your creditors.