Changing Lands, Changing Hands: Farm Viability, Business Planning and Transfer

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Can the farm business survive to the next generation?

- Financial viability matters
- Must be profitable
- Must be progressive to know future demands
- Share labor and management fine
- But it must have the money
The Fairy Tale of Farm Transfers:

- One farm…
- That can’t support one family…
- Is now big enough to…
- Support 2 families!
- *And they all lived happily ever after!*
2nd Fairy Tale of Farm Transfers

- Young farmers expect to get into farming...
- With little capital or equity...
- Go into a business requiring lots of capital...
- With historically low profits...
- Expect to buy land immediately...
- And be successful....
- And they all lived happily ever after!
Biggest Problem: Unrealistic Expectations

- Many farms are profitable...
- The problem is...
- Operators expect to do more than the farm profits can support...
- Family Living.
- Equipment purchases.
- Land purchases.
A Saying from Dairy Country…

- Cows can pay debts but only one at a time.
- Cows can’t pay for the…
- Cows
- Equipment
- Land
- Can’t pay all at one time!
Finance Management

- Know the books as well as the production
- Know your financial statements
- Know your budgets
- Talkin’ finance with your lender is as important as talking soil fertility with a crop advisor!
- 80’s – failure from finance, not production!
Unrealistic Expectations

- Lenders should provide financing
- Production is what counts
- I want to farm and “they” won’t let me!
- The upside-down balance sheet syndrome
- FSA requires me to go to finance school!
- If you want taxpayer money, get the training!
Reasonable Expectations…

- A new family member to the farm business needs to increase gross sales by $300,000.
- Family living for a couple with children will run to $40,000 or more per year.
  - Amish families require nearly $20,000!
- Hidden startup costs are there.
- Owning land is great but it’s the poorest cash return you have.
Get Financial Training!

- Develop a Business Plan
- NxLevel, Extension programs, FSA training
- Keep your balance sheet up to date
- Develop cash flow budgets
- Plan your production decisions and update
- Make mistakes on paper, not by hoping it will work out.
For Success:

- Know the finance
- Be realistic
- Develop your business plan
- Sell your plan to your lender
- Communicate with lenders, no surprises!
- May seem to be a pain….
- But success demands rigorous planning!
THANK YOU!
ANY QUESTIONS?