

# BARNYARDS & BACKYARDS

 UNIVERSITY  
OF WYOMING  
EXTENSION

**RMA**

 University of Wyoming Extension  Profitable & Sustainable Agricultural Systems  Risk Management Agency

## Management succession: Where are we? *A new planning resource from RightRisk.org*

 By James Sedman and  
John Hewlett

Planning for the succession of management responsibilities is an often-neglected area of estate planning in agriculture.

Agricultural producers have unique estate planning challenges; the owners most often have an active (if not the only active) role in management, are accustomed to making all of their own decisions with little or no input, and rarely contemplate how the business will operate without them.

Understandable, given that these operators may have lived a 24-7 lifestyle with their entire life's work tied up in their businesses.

When the subject is brought up, we hear people say things like, "Dad is going to live for a long

### For more information

RightRisk.org has several estate planning resources available, including the Management Succession and Lasting Legacy courses, Risk Management Profiles, and other risk management information.

Simply log on to RightRisk.org and click the "Courses" tab at the top of the page to get started.

time," or "The kids can sort it all out when I'm gone." It may be easy to put it off, but proper planning is imperative for a successful transfer to the next generation.

Think of management succession planning as risk management for future generations; you wouldn't hope for the best with little planning with production decisions, so why would you hope for the best with little planning when it comes to the next generation taking over the business?

### A New Online Course from RightRisk.org

The academic professionals from RightRisk.org have developed

the online course *Management Succession: Where Are We?* The comprehensive course helps begin the process of deciding how to transfer management of agricultural businesses.

The four-part course uses several real-life examples, including the introduction, which highlights many common issues that arise when a family is considering how to transfer a ranch or farm to the next generation.

Developing good communication skills is a common theme throughout the course – it is key to success of the entire process.

### Interpersonal Issues

Issues of a personal nature often arise at the outset. Generational differences can include differing visions about the direction of the business or devotion to certain aspects of the business. Differences about the performance and direction of the business can be problems to succession planning: such as one side wanting to concentrate on crops and one on livestock. This course module helps participants develop techniques and communication skills to deal with and overcome these sources of conflict.

### Business Issues

Three main questions are the basis of the business issues module: 1) Where are you, 2) Where do you want to go, and 3) How can you best get there? Participants learn the most effective management and communication tools to deal with these issues. They also learn how well their business uses these tools along with methods to overcome issues associated with the process

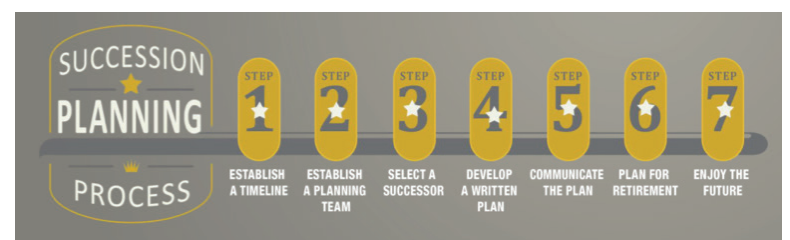
(such as generational trust issues or difficulty delegating).

### The Succession Process and Where Do We Go from Here?

The succession process outlined in the course is shown in the graphic below. Participants determine where they are in the process. The differences between ownership and management succession are shown and discussed.

Several tools are available in the "Resources" section of the course, including an electronic tool for self-assessment. The final section serves as the launching point for beginning the succession process.

**James Sedman** is a consultant to the Department of Agricultural and Applied Economics in the University of Wyoming College of Agriculture and Natural Resources, and **John Hewlett** is a farm and ranch management specialist in the department. Hewlett may be reached at (307) 766-2166 or [hewlett@uwyo.edu](mailto:hewlett@uwyo.edu).



## Financial records help maintain consistency in times of fluctuation

By Hudson Hill

Any agricultural producer should consider the following: how can I create more consistency in my business?

This question rings true for all agricultural producers the last few years. They've never faced times when factors that affect their businesses have fluctuated so rapidly. Business and producing is really about making decisions. While agricultural producers can do very little to influence the many external issues that affect them, this article will discuss how producers can have the information to consistently make the right daily decisions.

### Have the Right Information

We spent the last century being good at producing; however, in times of rapid fluctuations, being good at producing may not be any more valuable than having the right information to implement changes and taking advantage of those fluctuations. As conditions change on a ranch or farm, changes occur to the business. When these changes oc-

cur, "How did this happen?" is the question a producer always wants to be able to answer.

Experienced producers know the best way to answer that question is to seek, collect, and utilize information. This information creates consistency in businesses.

Let's take a simple look at ways producers can make money.

1. They can sell more products,
2. They can sell their products for more, and
3. They can produce their products for less.

With the right information, producers can make decisions to be more successful in all of these areas. For example, because sheep producers today are producing meat and wool products differently than in the past, factors like fluctuating prices, inconsistent markets, government-subsidized programs, regulations, and environmental criteria are all easier to manage with consistent information.

**Why keep records?** For this article, the answer is to use records in our businesses. At the end of the day, keeping records is all about evaluating what happened in the



past and setting goals for what you want to have happen in the future.

### What records should we keep?

The answer: whatever you want to help make decisions about – don't keep information you will not use. The normal reasons producers keep records are to balance checkbooks, pay bills, taxes, apply for programs or loans, planning-decision making, and enterprise analysis. In the classes we teach, we say everybody keeps records to do their taxes – what you do after that is up to you.

### Evaluate Production by Using Financial Records

There are two kinds of records for producers to deal with: **production** and **financial**. My experience

has been producers are much better at keeping and evaluating production records than financial records. The producer who can use financial records to evaluate production creates consistency in her or his business.

Combine financial and production records the same way every year. An example would be to know how much feed cost per animal is each year. Seeing a snapshot of one year is valuable but comparing one year to another is information that has real power. The true power of information for producers is being able to see what your numbers are trending over three, five, or even 10 years. We have taught several farm and ranch management classes over the last few years through

UW Extension that have gone really well. When given the chance, most producers are interested in keeping records and want to use those records.

We encourage producers in our programs to use production records to set benchmarks and goals. We work with these same producers to keep financial records so they know how much reaching those benchmarks costs and then decide if they are worth it. Some of the tools and strategies we use are at <http://bit.ly/ranchtools>.

Markets can change, and prices and processes will fluctuate. We have seen some of the best and worst in the agricultural industry in recent years. The key for producers as managers is to never have to wonder how "this happened." If we have information, we may not like what has happened, but we don't have to ask how it happened.

**Hudson Hill** is a University of Wyoming Extension educator based in Lincoln County and serving western Wyoming. He can be reached at (307) 885-3132.