

OPINION

Are Labor Laws Out Of Touch With Farm Life?

BY RITA BRHEL
P&D Correspondent

I was raised on a family farm, and from a young age, I earned money for doing chores. I started when I was five years old by filling poultry waterers for a quarter a week. By the time I was in high school, I was feeding livestock, assisting during lambing time, and doing veterinary care for \$4 an hour. It wasn't minimum wage but instead an earned allowance. My parents meant it to teach work ethic and give the first taste of earning an income within a safe environment.

On occasion, I would help out on a neighbor's cow-calf operation, not earning money but getting meals provided. It provided a learning opportunity and wasn't meant to be a traditional job. My two sisters and brother had similar experiences, working at home and on other family farms in the area. My brother even had a flourishing shearing service, earning while he was learning, again on others' farms.

Eventually, I hope my children will get the same chance to work and learn on their grandparents' farms. But if the U.S. Department of Labor's proposed child labor laws in regards to working on farms go into effect, they might not get to.

Earlier this week, Missouri Farm Bureau's president Blake Hurst expressed concern to U.S. Ag Secretary Tom Vilsack about how the proposed regulations will affect his three children working on their family farm as well as extended family members working on the farm. As is the case with many Midwestern family farms, it is not just one family working in these operations; there are several family units within the extended family working together. The proposed laws could still be changed, but as it stands now, while the rule doesn't affect parents' ability to assign chores to their children, that courtesy is not extended to other family members such as grandchildren or nieces and nephews.

This has the potential to be devastating to not only family farms but also agriculture across the board. No matter how large some of the concentrated animal feeding operations are, small producers are still the backbone of the industry. Our government should be putting measures in place that protect and encourage family farming, not make it unnecessarily hard to exist.

I understand the intention behind the proposal, and it is a noble one. But it seems that the Labor Department is sorely out of touch with the way things are in production agriculture.

Rita
BRHEL

Passing The Ag Torch

BY RITA BRHEL
P&D Correspondent

It's never too early to begin planning to transition the family farm to the next generation.

But it can be too late. "Most business owners try to plan the transition based on taxes, but they forget to address when the second generation is ready," said Beth Adamson, executive director of the Sioux Falls-based Prairie Family Business Association, www.fambus.org. "Even if you have no plans to transfer the business today, you need 'what if' plans in the cases of disability, divorce, or death."

Ideally, family farmers would plan the farm transfer a generation ahead, beginning when their family is young and making decisions for the future of the farm as they're bringing up their children. But it takes a lot more than simply picking a kid to get the farm and handing it over.

The rate of success in family business transfers is measly at best. Only 33 percent of family businesses transferring from the first to the second generation survive. That drops to 12 percent between the second and third generation, and to only 4 percent between the third and fourth generation. There is a tendency in how each generation treats the family business as well that contributes to failure: the first generation builds the business, the second generation squanders the wealth, and the third generation has to start all over again.

"A lot of people think, 'I'm going to leave my business in 30 or 40 years, so why should I think about it now?'" Adamson said. Because the continuity and well-being of both the farm and the family hang in the balance of how the parents handle the transfer.

A POWERFUL ENTITY

The family business is a clash of economic systems — the family and the business — and the way these two interact will either destroy or build both systems. The family business must maintain a delicate balance between the two very different systems:

THE FAMILY

You're born into
Paid an allowance
Permanent position
Earnings based on need
Output is qualitative

THE BUSINESS

You must qualify for
Paid based on performance
Temporary position
Earnings based on merit
Output is quantitative

At first, when the family business is young, these systems are one and the same. Later, when the family business becomes more sustainable, the family economy is able to function separately from the business in many respects but there continues to be at least some overlap so that whatever happens to affect either one of them in a major way, whether positive or negative, will inevitably impact the other.

"Over and over, family businesses that work are proven to have a tremendous competitive advantage over a non-family business," Adamson said.

ANSWERING THE QUESTIONS

Retiring producers need to answer several questions when planning the farm transfer:

- When? When do you want to retire? When will the financial resources be in place? Do you want to be in control of the date



Planning The Transition Of A Farm To The Next Generation Shouldn't Be Put Off

PHOTO: RITA BRHEL

of retirement, or would you rather that the date be controlled by the situation?

- To Whom? By far the most common problem in transferring family businesses is that there is no leader selected. Either the parents fail to designate a leader among the second generation, or they choose someone who doesn't have the skills needed to do the position proficiently. "You can have the kids all ready, with the skills and willingness and ability to take over the different parts of the business. You can have the finances all set. But without an effective leader, all of it will fall apart," Adamson said. Or, perhaps the children aren't interested in taking on the farm; in one family construction business, neither of the daughters were willing to give up their careers for the business so it passed on to a cousin of theirs. So, is the ideal leader among your children, another relative, or even someone outside the family like an employee or third party? For those children who are not the leader, what will their roles be?

- How? Another problem area is when the parents are reluctant to actually transfer the farm. They've worked hard to build the business, and they don't trust the next generation to treat it in the same way. "Sometimes, the business becomes the firstborn in the family, and it's very hard to pass it on," Adamson said. Different people have different ways of letting the business go: Some don't let go, some "let go" but keeping coming back to micromanage the new owners, some let go and will advise from the sidelines if needed, and some let go and disappear. Most successors appreciate those who will advise from the sidelines without micromanaging.
- Why? Be prepared to explain why for every decision.

THE HARD PART

"Passing the business on to the next generation is very emotional, and people would rather push that under the rug," Adamson said. What makes it so hard? Hav-

ing to talk about mortality issues, reluctance to give up control, what to do about in-laws, and picking a successor from among the children.

But in order to ensure the success of the transfer, family meetings — frequent and thorough — are a must. It's also important that while family businesses combine both family and business issues, the fair approach is all business. "If family businesses are ran like a business, they'll leave a legacy; if ran like a family, this leads to overthrow," Adamson said. "The goal is to protect and grow the business."

The current generation must initiate and support the process of transitioning the farm. The exception is if the parents are waiting far too long to start the process; for example, they are in their 80s or 90s, or their health is failing. The current generations need to clarify their expectations of the process early and often. The next generation, depending on how many children are interested in being a part of the business and in which roles, will bring their own opinions and emotions in, and it's the duty of the current business owner to keep the conversation on track.

The best plans are defined a lifetime in advance and they always have a plan B. At the minimum, business owners should take five years to plan the farm transfer before their retirement date, which would include two years of discussion and three years of active transitioning with the successor first shadowing the business owner and gradually taking a more prominent role.

The business owner needs to take into account the strengths of and differences between each individual. "If you force people to fit into a mold that they don't really fit into, it only causes a lot of stress," Adamson said. In one family farm business, the father put his daughter into a bookkeeping role but her skills set was instead in sales. She was miserable and felt like a failure, and her father was disappointed. Once her

position was changed, she — and the business — shined.

To make the most of these family meetings, Adamson suggests:

- Identifying the current generation's hopes and goals for both the family business and for their lives outside the business — for both the business owner and the spouse

- Identifying the next generation's hopes and goals

- Identify the current generation's fears for the future and how they want the business, the family, and themselves remembered

- Discuss how much time each generation wants to give to the family business as well as their lives outside the business — now, in five years, in 10, in 20, in 50?

- Develop a written plan
- Communicate the plan to everyone in the family and business, whether involved directly or not

- Develop a vision for the business
- Develop leadership and accountability in the next generation.

Choosing a good leader among the successors is critical. The children who want to be involved in the direction of the business may be good candidates for a Board of Directors; however, only one of them can serve as the President, or the leader. Selecting a leader is one of the more involved processes of transitioning the farm. Questions to be sure to ask include:

- Who chooses the leader? Possibilities may be the current business owner, the children, the employees, or a third party.
- What will the criteria be?

Consider not only skills set and work experience but also passion and vision. Also, it's important to allow for leadership styles, goals, and strategies that differ from that of the existing business owner.

- Does the candidate have credibility and work ethic? Credibility increases as the person ages; a person needs to no longer be seen by others as "green" on the job.

- Does the candidate have potential to be a leader in the future, as well as right now? For example, the existing business owner may not see the need for social networking skills for the farm at this moment, but as the Internet becomes an increasingly essential marketing tool, it is a leadership skill that will likely be needed in the future.

There is a great need for trust, respect, and appreciation for everybody in all family meetings regarding the farm transfer. When conflict arises, it's important for each side to listen to one other and try to understand the other's point of view. The tie-breaker, however, is the existing owner's decision — after all, it's this generation that has spent their lifetime growing the business. It should be viewed as a privilege by the next generation to be entrusted with the future of the family farm.

"The family business will endure or die depending on how effectively you plan for the future," Adamson said. "If the transition is an event, you're in trouble! Transitioning is a process, and it needs to start early."

See us Monday, Dec. 26th for our
GREAT After Christmas Clearance Sale.
Merry Christmas!
Open Today
till 2pm
209 West 3rd • Downtown
668-0622
Monta's
Tanning & Therapies
"always lovely"

Telecommunications
Equipment Distribution
Program
Specialized equipment to
fit the needs of deaf, hard of
hearing and speech disabled
individuals FREE of cost!
www.sdrelay.com/tedp • 866.246.5759

Give Him What He Wants—
A Christmas gift
certificate towards
a New Trailer!
Give us a call and we'll
send the certificate
to you. Over 40 top
quality trailers in stock
or let us order exactly
what he wants!!
Dump • Flatbed • Enclosed
Utility • Golf /ATV • Used Trailers
East Hwy 50, Yankton • 605-665-9999 • YanktonTrailers.com

Open
Monday,
Dec. 26th at
8:30am
After Christmas Sale
50% OFF
Select Christmas Items
YANKTON
Rexall
(Includes Hallmark
Keepsake Ornaments and
select everyday items.)
Historic Downtown Yankton
109 W. 3rd St. • 665-7865

Schweser's 1-Day ^{open at 8am}
Christmas
CLOSEOUT CLEARANCE
Monday, December 26
70% OFF
ENTIRE STOCK
DOORBUSTER
Monday: 8AM — 1PM
FREE JEWELRY with any purchase
Monday while supplies last
80% OFF All Day Long
Christmas Clearance
Apparel, Gifts, Books, CD's, Cards
Grab these incredible bargains while they last!
\$9.99 Winter Coats
\$9.99 HANDBAGS & Sweaters
Monday, Dec 26 Only!
Schweser's
fashion for less!
Yankton Mall