



# Farm Transition Planning

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FARM CREDIT EAST

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# The Issue

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- ❖ **30%** of principle farmers are over 65
- ❖ **61%** are over 55
- ❖ Over **1 million acres** in New England will likely be transferred over in the next 15 years
- ❖ Over **90%** don't have a “young farmer” (under 45) involved who could take over
- ❖ Hard to get land owners to talk about it



# First Hurdle

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Farms must either be profitable or have profit potential to attract the next generation

- ❖ Would another type of farming be more profitable?
- ❖ What changes can be made to the farm operation to increase profitability?
- ❖ Switch from wholesale to retail?



# Second Hurdle

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Are the farmland owners ready or almost ready to make a decision and act on it?

What is holding them back?

- **Age** – i.e. they still feel “too young” to retire?
- **Family** dynamics?
- **Fear** of making the wrong decision?
- Unsure what **retirement** will bring?
- **Personal relevance**?



# Third Hurdle

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Land owners financial ability to retire.

- ❖ Do they know what they need to financially retire?
- ❖ What do they currently have saved for retirement?
- ❖ Retirement income streams – Social Security, retirement funds, etc.
- ❖ Can they afford to take less than fair market value for their farm?



# Fourth Hurdle

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Finding the right one.

## **Family Member**

- Many benefits to a family member
- Many drawback to a family member
- All family members considered

## **Non-Family member**

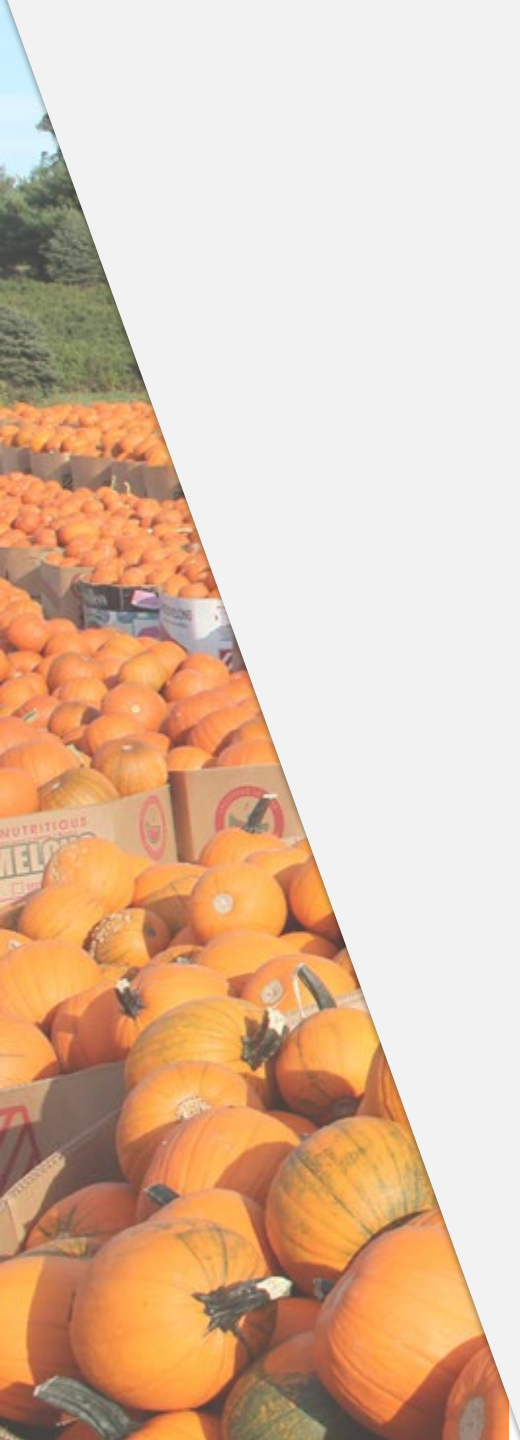
- More due diligence needed
- Reduces family dynamics



# Fifth Hurdle

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- ❖ **Reaching and agreement**
- ❖ **Assets to transfer** – farm operations only or include real estate?
- ❖ Straight sale or installment sale?
- ❖ Transition **timetable**
- ❖ Transition **team** – Use consultants, attorneys, loan officers, etc. to help



# The Next Generation

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- ❖ Do they have the **management ability** to succeed?
- ❖ Is there a **training** needed?
- ❖ Do they have the **financial ability** to acquire the business and real estate?
- ❖ Do they have a written **business plan**?





# The Bottom Line

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## **Get Started**

The sooner you start the process  
the easier the transition will be!

