

# EVALUATING YOUR FARM AND COMMUNITY RESOURCES

As noted earlier, this workbook is built on the premise that your family wants to retain ownership of your farm in the next generation, or otherwise wishes to see it continue in agriculture or forest use. In developing plans for the future of your farm, it is important to determine what type of production enterprise - if any - the farm, family, and the community surrounding it will support. Alternatively, if you will not actively manage an enterprise on your land, your decisions will nonetheless depend on the opportunities for its use by someone else.

In many cases, the next generation - someone in the family perhaps - has plans for what they want to do with the land, whether they will own it outright or with other family members. They may already be farming the land, with their parents or by themselves, and will likely continue to follow the current business model which must expand to support more than one family. In other cases, the next generation will have new ideas, be looking for new markets, or may even be coming back to the farm from another career to make use of the land for income. In either case, an important part of the succession discussion will be an assessment of whether land and community resources will support present or alternative land uses in the future.

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## **The Quantity and Quality of Land**

Land can be looked at from two perspectives, the quality and quantity. First, if you are planning an enterprise, the soil quality, the water quality, drainage, etc. all impact what type of operation you will be able to develop. Different soils are good for different production, same with need for water. Second, the availability of open land - what you own or what is available for rent - will influence your plans for scale of operation.

## **Working infrastructure and capital position**

What is the state of your current working assets,

such as machinery, buildings, fencing? In most farm production, there is a need for storage for equipment, livestock, feed, fertilizer, fuel, and crops. Likewise, for livestock operations, are the current fencing arrangements adequate? Also, particularly for existing enterprises, what is the capital position of the business in terms of liquidity and solvency? Important also is the availability of credit, which is dependent on the borrower's - whether the business or individual - present financial position, the profitability of business alternatives, and credit rating. Financing is also of course dependent on one's ability and willingness to manage debt.

## **Personal Management Capacity**

Management capacity is not a given, and will probably be one of the most sensitive discussions the family will undergo. Mom and Dad are making decisions based on love, but even those should take into account whether potential heirs or business successors have the personal

wherewithal to manage land and/or a business responsibly (particularly if sharing ownership with siblings). Indeed, many estate plans create a trusteeship over property in one of the heirs, a position of great responsibility.

Where families are looking to gradually transfer a business between generations, an assessment should be made of both generations' abilities, to look for complementing skills and productively identify areas of improvement. Where a family will keep but not actively farm the land, someone still will need to manage tenancies and payment of taxes. Management capacity should be assessed of family members for this purpose.

## **The Quantity and Quality of Labor and Tenants**

If someone in your family plans to operate an enterprise on the land, what will be the labor supply? Any enterprise will necessarily depend on family labor, or hired outside labor. Questions to consider include how much time family members will be able

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to devote to the enterprise, particularly if working an off-farm job, and is there an affordable labor pool in the area, one that the enterprise model can support. If you are looking at working with another producer - as a tenant or a potential partner - how will you meet like-minded individuals in your area?

In many farming areas, the competition for land is competitive and fairly straightforward, built on relationships and who will pay the highest rent supported by commodity prices. In other areas, finding a suitable producer tenant can be more of a challenge, depending on their business model and experience, and the factors they require in building an enterprise on your land. At some point, you will need to develop your criteria for who you will want farming your land, based on your financial needs and personal values.

### Local and Community Support for Farming

It has been said that no one has ever farmed alone. Commercial food production has always relied on community support. Many of the qualities that make farming attractive - rural quiet, professional

independence - are nonetheless built on numerous variables that require community support. If someone in your family has a goal to expand production into new markets, an assessment of the infrastructure to support that business is needed. Examples include proximity of processing, slaughter facilities, and direct market outlets (farmers markets, restaurants, individual consumers) should become part of their plan. Additionally, there may be developing distribution enterprises in the area in which the farm might participate.

As noted above, if your family wishes to keep land under family ownership but not actively farm it, you will need someone else to farm it. Does your land lie in an area where there is an active tenant market? Is there enough local support to help a tenant grow a business on your land?

The factors identified in the preceding worksheets are designed to get your family thinking about what is available and what is needed. Ultimately, this assessment will support plans for transfer of the farm.

