

GROWING

opportunities

the young farmers newsletter

spring 2004

A publication of Manitoba Agriculture,
Food and Rural Initiatives



The Holtmann Family

Henry Holtmann and his wife Laura thought long and hard before returning to the family farm in the mid-1990s to work with his brother Tony and his father Theo.

Henry had lived away from the farm for seven years and he had turned his agriculture degree into a successful career as a semen salesman for a well-respected Western Canadian company.

"I really enjoyed the work but the problem was I was never home," said Holtmann, 41. And he missed the farm. "There was a part of me that said I really loved the farm life – I love working with cattle," he said.

Laura had never lived on the farm before, but she was willing to give it a try — especially since the farm's proximity to Winnipeg offered them the best of both worlds.

What worried Henry the most was what he'd seen in his travels as a salesman: extended family farm operations that destroyed the family through poor communication and a lack of compromise. Ultimately the businesses failed too.

"Can I work with my brother and my father? That was the million-dollar question," Henry said.

They decided to try it for five years, telling themselves they wouldn't be afraid to walk away and do something else if they couldn't work things out.

The brothers found they could work well together and their father Theo gradually became more comfortable with turning management over to his sons. Henry credits his parents for their foresight in seeking professional advice to develop a farm transfer plan.

But the numbers part was easy. It's the people issues that turn intergenerational farm transfers into emotional minefields. How does a farmer who has operated as a sole proprietor for most of his life learn to share the decision-making?



"That whole trusting and changing over decision-making took time," Henry said. But both generations were willing and patient, and the wrinkles were working their way out.

Then tragedy struck. Theo was killed in a farm accident in 1996, one year after Henry's family rejoined the farm operation. "At that point we were forced to look at each other across the table and say that all we've got is each other. As tragic as it was, it really culminated the relationship between myself and my brother," Henry said.

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As they began to move forward, the Holtmann brothers decided to discontinue cash cropping their 1,500 acres, choosing instead to focus on improving their dairy operation by using that land to produce their own feed. They also sell purebred Holsteins as a sideline.

Henry readily concedes that goes against the current diversification mantra. But their decision has allowed them to control both the quality of feed going into their purebred Holstein herd and the cost of acquiring it. "We feel those are two advantages that in the long run will help us to survive."

Managing a growing operation

Their next challenge was growing the dairy herd to a size that could support both families financially and give them the kind of lifestyle they wanted. That meant increasing the scale to where they could afford employees who would give them relief from milking cows 365 days per year.

For Henry, it's a question of sustainability. If he wants his kids to be interested in farming, it can't be all work and no play. There are too many other interesting career opportunities out there for them to pursue — jobs that have benefits and regular time off.

"It's a lifestyle issue to some degree, not only on the income side for the two families, but also to have a lifestyle whereby we can have time off, or have the flexibility to do so, and at the end of the day show our kids that they can have a lifestyle like that too," Henry said.

They decided to double the size of their milking herd from 100 to 200 cows. But the farm their grandfather developed on the open prairie in 1929 is now in the middle of a village mostly populated by non-farming rural residents. To their surprise, the Holtmanns were politely refused when they sought permission to expand their operation at the home site.

"At first we thought we were doing an excellent job at being neighbours," he said. "Then going through the process of a hearing, we quickly realized maybe people weren't as comfortable with what we were doing. They had lots of good questions."

The brothers were, however, given permission to build a new barn a mile south of their existing operation. "It was a good decision for us because we can expand now without too much impediment," he said.

Today the brothers are milking 220 cows three times a day. They

now employ 13 people part-time, not including the family members, who also become involved in the operation as their maturity and interest allows.

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Henry and Laura have two sons, Benjamin, 14, and Eric, 11. Tony and his wife Kim have three children: Joseph, 10, Sarah, 6 and Jonathon, 2.

One of the biggest and most time-consuming challenges they face is finding employees and training them — over and over again. The Holtmanns pay competitive wages and do their best to provide a safe and pleasant working environment. But many of the people they hire are high school students, and for some, it is their first job.

"The frustrating part is you place a lot of time and energy into training a person and they are always only two weeks away from changing their job," he said. "If I have a person work for me for two years, I would be extremely happy."

Standard operating procedures promote safety and quality

That kind of turnover can make it more difficult to maintain productivity and quality control. The Holtmanns have developed a strategy for making sure they don't suffer a wreck due to inexperience or gaps in employee training. They have developed written "standard operating procedures" for every job on the farm.

"That's really standardized what's expected of our employees and that's gone a long way to take the subjectivity out of our expectations for our employees," he said.



“That’s how we can really control the quality of the work that they do and maintain high production standards.”

Built into that strategy is the recognition that people will make mistakes. The trick is having enough checks and balances in place to ensure an error doesn’t result in injury or losses.

The strategy has had a compounding effect on the farm’s operations. It has helped them maintain safety, a high priority since the loss of their father. It has maintained the quality and quantity of their production. But it has also helped them document their performance.

From environmental issues to questions about food safety, they are keenly aware that it’s no longer good enough for farmers to know they are doing a good job. They must be able to prove it. “Now we have the ability to show anyone who asks. Here’s where our checks and balances are,” Henry said.

The Holtmanns are active in the Manitoba Milk Producers organization. They also rely on the Internet, and dairy specialists within Manitoba Agriculture, Food and Rural Initiatives to help answer production-related questions.

Laying the groundwork for future generations

Everything the Holtmanns do on their farm considers the needs of the generation they hope will follow. The brothers want to ensure there is room to accommodate any or all of the youngsters who want to become part of the family business. It’s a fine balance to strike. Farming is hard work. It has its risks. But it can be fun too.

“As parents we want our kids to know what work is and have responsibilities and routine and chores and that’s all mixed into their daily lives,” he said.

“We encourage them to be active in farming. We tell them that agriculture is lots of fun and quite all right as a career and these are requirements you need to manage a farm in the future. They will have a post-secondary education. We are very strong advocates of that.”



They are also emphasizing the benefits of co-operating and combining resources rather than competing, dividing up assets and, in the process — compounding the risk.

Henry is the first to confess they don’t have all the answers. He spends time studying how other family corporations work, and not just those involved in farming.

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They have identified some concrete objectives. The farm transfer must accommodate the retirement needs of the current operators without burdening the next generation with buying the whole farm all over again.

Their third objective is less common. They want the upcoming generation prepared psychologically for the task of making decisions as a group of owners versus sole proprietors. “That’s the big thing, that my sons can work with my brother’s daughter or sons and make decisions and put those decisions in force on the farm.”

The brothers are starting to include all members of the family in the decision-making process, so they can see how decisions and compromises are made.

If younger members of the family have ideas, they are allowed to try them out — and helped through the process of assessing the effectiveness after the fact.

The Holtmanns see these initiatives as their biggest asset and their biggest challenge in ensuring the future sustainability of their family farm.

“To be frank, finding capital for expansion, acquiring technology, or accessing information for decision-making — those are the easy things. It’s this people interaction business, whether they be employees or family — and I’ll say it is family — that is still the toughest one,” he said. “It’s really a work in progress.” ☞

Local Ag Offices

Your One-Stop Information Centre

Your local Manitoba Agriculture, Food and Rural Initiatives (MAFRI) Office or "Ag Office" is a one-stop information centre for young farmers. MAFRI has a network of 40 offices located throughout the province's agriculture production areas.

Young farmer benefits

To be competitive in today's agriculture industry, young farmers need knowledge and skills in:

- crop production
- livestock production
- business management
- marketing
- financial management
- bookkeeping
- human resource management
- estate/succession planning
- computer usage
- communication
- entrepreneurship

MAFRI's "Ag Offices" can provide the tools and resources to help you develop these skills.

Information

Today, young farmers need a broader information base on topics that range from environmental planning to on-farm food safety initiatives. The "Ag Office" staff can help you find reliable, credible sources of unbiased information. At the local level, young farmers and their family members can meet face-to-face with staff who will personalize resources to your operation, while maintaining confidentiality. MAFRI district staff have a network of contacts including specialists at the regional and provincial levels, staff in other government departments, as well as industry experts. They can refer you to the most appropriate resource for your needs.

MAFRI's Rural Initiatives Division regional staff can assist you with information on infrastructure and business development, business financing, cooperative development, and community capacity building. This Division can also assist existing and aspiring entrepreneurs in accessing reliable research and planning for potential

new or expanding business projects. Rural Initiatives can also help you get your voice heard in shaping the direction of your community.

Contacts

As economies change and globalization of the marketplace continues, staff establish links between agricultural producers, processors, consumers and markets. Production specialists bridge the gap between research and the application of new information at the farm level.

"Ag Office" staff can also help establish local producer clubs. Producers meet as a group to discuss topics of interest such as marketing, or they may meet as commodity-related groups, such as forage, beef, dairy or annual crops. Producer club members participate in demonstrations and meet with specialists to learn more about current developments in the industry. Staff plan extension programs that are customized to meet your needs.

MAFRI's Rural Initiatives Division staff can provide assistance in accessing community economic development resources and services within the government or private sector, and can help in preparing application forms.

Outreach

District "Ag Office" staff can assist individual farmers and groups to educate the public about the importance of agriculture and the rural community in daily life.

Farmers can use the local "Ag Office" and its services to help address a wide range of issues. From getting hay tested for nitrates, to accessing current government programs, to transferring the family farm, farmers can gain the information needed to make decisions for their operation. You can expect technical and management advice from the inception of an idea through to an in-depth financial analysis of its outcomes. A producer may come

into the office looking for one specific answer to a production or marketing problem and leave with a number of potential solutions.

"Ag Office" staff are in contact with their producers and communities on a daily basis and as such are able to identify priorities within their local areas. They work with family farms, community groups, and corporations. In all cases, people and family are recognized as the most important resource in agriculture.

Rural community members come to the "Ag Office" for resource-related information, such as horticulture, food issues or water quality issues.

The local "Ag Office" is the producer's direct link to a wide range of programs such as production insurance (MCIC - Manitoba Crop Insurance Corp), farm loans and financing (MACC - Manitoba Agricultural Credit Corp), the Ag Lands Leasing Program, home economics, and the 4-H program. Brochures, news columns, computer software packages, seminars, tours and field demonstrations, conferences and individual consultations are all tools to help you put new knowledge to work on your farm.

Discovering MAFRI

How does a young farmer find out what MAFRI has to offer?

- Visit your local office. Take a look at the information available and talk to the staff.
- Check out the MAFRI website at www.gov.mb.ca/agriculture. It provides resources, program information and links for young farmers, buyers and sellers of Manitoba's agricultural and food products, and consumers. The website lists all 40 district offices, all seven Rural Initiatives regional offices and their staff.
- Read the MAFRI event announcements in your local newspaper or in your MAFRI mail-out.

Take advantage of the many resources available at the "Ag Office" for the benefit of your business, your family and your rural community! ☺

Information prepared by Mavis McPhail,
Food and Agri-Fibre Specialist

Writing a Succession Plan

The Holtmann's story illustrates how succession planning is a living process that guides their daily decision-making. This article can help you think through some of the issues related to succession planning and find a starting point for your family's discussion about the future of your farm business.

Succession planning is based on common planning principles. It's a matter of identifying where you are (current situation), determining where you want to end up (goals) and then defining the strategy or plan that will allow you to achieve your goal(s). Mix in a little background information, some contingencies for the unexpected and a timeline and you have a standard plan (see sidebar).

But succession planning can be complicated, encompassing a multitude of issues. A common view is that a Succession Plan includes the Estate Plan and the Retirement Plan of the farm couple who will be transferring the farm business to the next generation. But should it also include a Business Plan...or should the Succession Plan be included in the Business Plan? Where does life insurance fit? Is it part of the Estate Plan or the Succession Plan, or both? What about off-farm investments? They could be part of the estate plan, the retirement plan, the business plan or a part of the children's education fund.

Components of a succession plan

The Family Farm Business and Financial Planning model is a bird's eye view of planning. Call it one big plan made up of a number of components – all interconnected – but each involving the basic process of planning and each supporting the ultimate goals of the farm family. In many cases, one of these components cannot be completed without implementing one or more other components. The Estate Plan is going to be critical to the Succession Plan, and the Succession Plan will only be successful if the Business Plan is viable.

This big picture perspective has been combined with current web technology resulting in a one page

quick reference guide called the Family Farm Business Gateway. It is found at www.gov.mb.ca/agriculture/financial/farm/succession.html. You can see the many issues that farm families face as they plan for the future, determine where any gaps exist in your own planning process and, retrieve related resource information or tools.

Professional advice recommended

Because succession planning is complex, it is important to choose appropriate advisors. Many farmers rely on their lawyers and accountants to play a major role in implementing many aspects of succession, estate and business planning. Lenders, financial planners, insurance brokers, agrologists, other farmers and family mediators are also critical advisors at various stages of succession. Manitoba Agriculture, Food and Rural Initiatives also employs home economists and farm management specialists who can assist you. They can guide you as you gather information, make you aware of your options, and help you solidify your thinking before you turn to other professionals for advice.

The dynamics of the farm family business includes any number of different "plans," all intertwined and interdependent, but all having goals, strategies and timelines. These plans will often change as priorities change. Most farm families have such plans – written or not. A written plan has the advantage of insuring that everyone in the family knows his or her role and responsibilities. ❧

Information prepared by Bob McKenzie,
Farm Management Specialist

Our Farm Succession Plan

Introduction / Background

- 1 Brief description of the farm operation
- 2 Family history – traditions, values, expectations
- 3 Family members – name, age, occupation

Goals

Examples:

- 4 Maintain reasonable standard of living
- 5 Maintain viability and value of business during transition
- 6 Fair and equitable treatment of all children

Family Participation Policy

- 7 Which family members will be participating in succession and business meetings?
- 8 Who will chair the meetings?

Current Situation

- 9 Business structure
- 10 Management responsibilities
- 11 Labour responsibilities
- 12 Asset ownership
- 13 Current financial position of business
- 14 Net income generated

Transfer Strategies / Plan

- 15 Business structure
- 16 Expansion/diversification (if any)
- 17 Labour transfer
- 18 Management transfer (production, marketing, etc.)
- 19 Asset transfer
- 20 Projected income and income allocation

Contingencies

- 21 Family dispute mechanism
- 22 Contingencies for marital breakup
- 23 Buy-sell agreements

Implementation

- 24 Timeline
- 25 Responsibilities assigned
- 26 Training requirements
- 27 Advisors

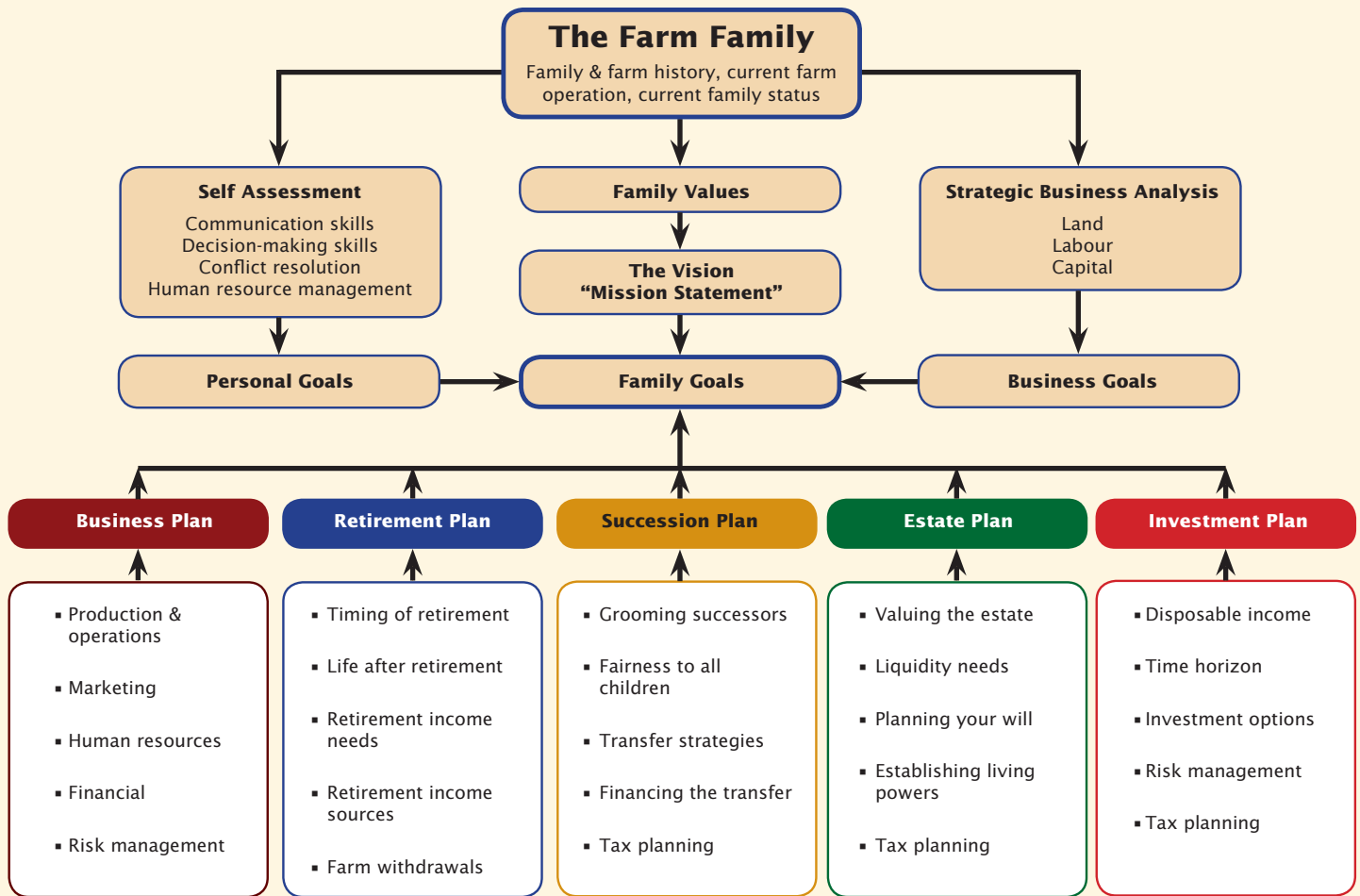
Review & Update Policy

- 28 Future meetings
- 29 Transfer progress

References: Estate Plan
Retirement Plan
Business Plan
Investment Plan

Succession Planning

A GUIDE TO PLANNING YOUR FUTURE



Did we miss anyone?

If you know any young farmers who did not receive a copy of *Growing Opportunities – The Young Farmers Newsletter*, have them contact us at Growingopportunities@gov.mb.ca. We will gladly send a copy to them.

Share your thoughts

We'd like to know what you think of *Growing Opportunities – The Young Farmers Newsletter*, and what you'd like to read about in future issues. Email your comments to us at Growingopportunities@gov.mb.ca