



FCC Knowledge Podcast – Season 3, Episode 6

PODCAST TRANSCRIPT:

Joel Bokenfohr (JB) – Son, junior partner in the sample scenario
Merle Good (MG) – Dad, senior partner in the sample scenario
FCC Employee (E) at the event
Narrator (N)

N: From AgExpert, it's the FCC Knowledge Podcast, a show that features great conversations about the business of farming while guiding you down the pathway to transition.

JB: That's really what I hope to take away from this conversation today is to get that clarity out there, or at least start some decisions and share in some goals together as a whole family that we can take forward and use.

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N: Hello, and welcome to Episode 6 of Season 3 of the FCC Knowledge Podcast. On today's episode, we continue our transition series and move on to step 6, "Build a Business Plan". In this episode, we're sharing the first part of a great conversation captured at FCC's live virtual event on this topic. At this event, our very own business advisor Joel Bokenfohr sat down with retired farm consultant Merle Good. The two of them had a conversation playing the roles of senior and junior partners of an operation. In this scenario, Joel, the junior partner, is using a business plan as a tool for driving a farm transition discussion with his dad, Merle. They have set aside some time to have a conversation about what he's come up with. Don't go anywhere. This is a great sneak peek into how these conversations might unfold.

For today's show, let's call Joel and Merle's hypothetical operation Bokengood farms. Let's jump straight into the event recording where one of our very own FCC staff is setting the stage for their conversation. Enjoy.

E: Let's go. Today, we are discussing business planning in farm transition. There can be many audiences for a business plan: investors, lenders, partners, or those within the family who can provide clarity in a transition plan. That is the focus of today's session. We bring you to the farmer's den where Merle Good, retired farm consultant, and Joel Bokenfohr, FCC business advisor, will share a real farm family case study on using a business plan to aid a farm family transition discussion. This session will focus on business relationship issues to review and discuss. So, our farm today is a fourth-generation family farm with two children. One is farming and one is not. In this case,

the farm is largely expanded by Merle who bought some land from his father and used farm equipment to grow and expand the farm to today's size. Merle is in his early 60s and had goals for his children to pursue education and work before farming was an option. Joel is in his early 30s. He had worked off farm for an input retailer and helped on the farm. He has now been full-time for four years, renting three quarters personally and is paid partial wages from the farm. They heard from their FCC relationship manager they could use a business plan to aid their discussion and provide clarity on formalizing their business arrangements. Now, let's hear from both Merle and Joel on their key concerns before they review their succession plan. Merle, what concerns are you hoping to address in this process?

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MG: Thank you. I think my issues and concerns are typical of most of the senior generation when it comes to family farm succession. On the business side, of course, I think the biggest one is financial viability. With the second generation coming home, how are we going to handle our capital budget? Are we going to budget for more land to be purchased? Are we going to budget for housing? Do Joel and his wife want to move back to the farm some day and Mom and I have to look at that in the future? And just the whole idea of equipment is so expensive. If we do want to expand, that means more equipment, more cost. So, the financial viability section of estate planning and succession is really important. The next one, of course, is transition of management and the skills. I have a lot of history of managing the farm as I got it from my parents, so I think then I have to have the ability to transfer that to Joel, but also be cognizant of his enthusiasm and commitment to the farm. Farming is very unique. We have two businesses. We have one is the operating business, which is putting the crop in, taking it off. The second is the real estate business. As you all know, we have a large amount of capital in agriculture. Land has exploded in the last 20 years, so there's that issue of fairness between our two children, so that's an issue that we have, that Mom and I have to wrestle with. Then, of course, the next one we go down to is the HR puzzle or the human resources, as I've been told is, what is the goal of Joel and his wife? Do they have the capacity to really want to do this and take over the farm? If something happened to me early, can they handle this operation? The second one is commitment, and I feel Joel has proven that already with his commitment to come back while at university and also over the summers. The thing I'm a little bit concerned about, of course, as all farmers, is the daughter-in-law. Is she committed to the farm as much? Does she understand the commitment to the family? She fits in absolutely fantastic in our family, but just a little nervous about that. And I guess the last area is Joel's impatience. Of course, he wants the farm tomorrow, so it reminds me of a quote that one of the consultants had in one of the seminars I attended where he said, the good news is your son coming back to the farm. The bad news is he wants to buy you out with your money. So, kind of looking at that is, how are we going to make this all work when we do the transfer? And I guess with Joel's impatience a little bit, I'm a little bit nervous sometimes of his competitive spirit. Which sometimes I think he looks across the fence and says, how can they do this? And I really want to make sure that we analyze our own business rather than trying to judge our business compared to someone else. So, I think that kind of wraps up my issues and concerns. Very excited we're going to have this discussion shortly and looking forward to the exercise.

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N: I'm sure many of you listening can relate to the list of concerns that Merle just identified, especially if you're also the senior partner. Financial viability through a farm transition is key. It's also important to make sure the junior generation taking over the farm has the capacity and skills needed to run the farm without you. There's also the issue of fairness which also ties into making sure the role and expectations of your children's spouses are clear. If you are listening as a junior partner, it's worth noting that these might be some of the things on your parents' minds. So, what are some of Joel's concerns as a junior generation? Let's find out.

JB: I guess some of my key concerns as I kind of think through it, or that I'd like to take away from this discussion, is really going through and understanding the plan. I think we'd always be in disagreements about questions that get brought up or things like that that can be taken as challenges. But they're always just wondering about that future and I'm pretty excited that Dad's at least willing to engage and sit down and talk about what that future could look like. I know he doesn't have all the answers today, but I think it helps if we can sketch this out, and really appreciate that my FCC relationship manager suggested presenting the business plan from my case. Because as well, I think really important for us that we stay close as a family, value Mom and my sister's input on this as well. And so, I want to make sure that they understand the plan and that there are some realities in this agriculture business that it has become complex. And it's a little bit of a different operating environment than when Dad took over from Grandpa that I think a little more formality and putting some plans in place ahead of time are really going to do us a lot of value in the long run so that we don't end up in a bad spot for the family or for the business. And that's really what I hope to take away from this conversation today is to get that clarity out there or at least start some decisions and share in some goals together as a whole family that we can take forward and use. And I think with a young family of my own and looking to go forward or build our family, really looking for some operational clarity out of this as well. That as I commit my life to agriculture here, want to know that there is a future and a plan and what we're working towards, and that there's not going to be some misunderstandings in the future, and we can put that out there together. There's always the elephant in the room – long-term equity, and things like that – that we'll deal with, but for the short term, really looking to take away how we want to work together in this business and what it could look like as we go forward. So, excited to be here and excited to sit down and have this conversation with Dad.

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N: So, Joel really wants some clarity on the operational plan. He wants to make sure there's a solid plan for the future, and that he and his father are on the same page if he's going to take over the family farm. He's also concerned about making sure to factor in the realities of the modern farming landscape into the plan. If you're listening as a senior partner, remember that this uncertainty and concerns around lack of clarity is something we see commonly with junior partners. There's clearly a lot for these two to discuss, so without any further delay, let's join in on Joel and Merle's conversation as a fly on the wall. What hard questions will be asked to evaluate their plan? Will there be any points

of contention? Let's find out as Joel takes the lead and presents his thoughts on their potential business plan as they discuss their business arrangement going forward.

JB: All right, Dad, excited that we're here to get this underway. Thank you for coming in and sitting down with me to hear my pitch on joining the farm operation. Like we've discussed in the past, we've had these discussions and chats before, so what I wanted to do was sum this up. Some of it might look familiar from our past chats, but as a next gen there's a lot of uncertainty and I think getting this down in writing and at least putting it together helps us keep moving forward in our conversations. And that's what I was really hoping to do today, that we can get those challenges and expectations out there together and really move our business discussion forward. So, I'm really thankful that you're here to join me today. I don't know, any thoughts on your mind as we get started today?

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MG: I think that's what we decided you would do is go back with your education and training and things you've been taking, on leadership courses and things, you would come back with a business plan. That's what the accountant and the banker thought would be a neat way to go, so we're not just talking concepts but some actual numbers today. I think that's good, that we actually put some fiscal reality to some of our expectations here. Okay, let's see what you've got.

JB: The farm has obviously grown significantly, and you've got a lot of intuition in that old noggin, so let's get it out on paper. And for me, as we do this, I want you to know that the questions I'm asking you, they're not challenging you, just trying to plot this out so that we match that together. I guess as we get started, I know you had some notes there scribbled on your paper. What's coming to mind for you here?

0:10:50.2

MG: I guess what I'm kind of coming back with is, I think this is important. I have to admit I've never done these. My idea of a business plan was putting towards a credit application for the next quarter. So, I guess agriculture I'm realizing is a big business now. We have to do some things a little bit differently than we did in the past, of course. So, just Mom and I had some few points we wanted to throw out here to do it. First of all, Mom's not here, and her quote was to me, I'll let my two boys hammer it out and if they can come to an agreement, then we'll bring it to the entire family and have a discussion. So, she thought we should meet first and see where we're going. And then a little bit of a history, I know you know this, but just to reiterate the legacy that's carrying in my history and some that you're looking at, you'll be the fourth generation on this farm. We're definitely thrilled that you're looking towards agriculture as a career. Which parents wouldn't be thrilled that their son and daughter-in-law want to be in the business? Just highlight, we took this farm from 1,500 acres to 3,000 acres over the last 20 years, so I've doubled it from when I started. That doesn't necessarily mean it's a goal going forward, it's just that I had 20 years of low interest rates and high commodity prices which was my benefit. And I guess the most important part we see, which is always an interesting one from parents, is I think you and Amanda have had four years of

you working on the farm pretty well full-time, so your marriage understands the trials and tribulations of farming and also the thrills of working in nature. So, I think that's important that we waited to see how you two connected on the idea of being farmer full time.

JB: I think those are great notes that I would call almost an executive summary that I would put back on this page.

0:12:26.6

MG: Kind of a historical summary of where we came from.

JB: So, after this I'll take this away and put that back on the front of the plan. And I'll maybe have you take a good look at this first graph here. And I don't want you to get scared. It's not something to be scared about. I know you'd rather be out in the shop doing something. But what I used was a tool that any farm or any business uses to kind of capture all those past conversations we've had.

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N: Joel presented Merle with a family business canvas. It provides a way to identify and summarize some of the key elements of your business including key partners, key activities, cost structures, revenue streams, core values, and the list goes on. Check the show notes to see what Joel used.

JB: I really wanted us to look at our key partners that are going to be involved in this. We've had a lot of discussions, the key activities and decisions, what might change over time. We'll put into this what our current state was, talk about some values quickly, and then what it benefits the whole farm. So, I filled in ours if you jump to the next one there.

0:13:30.2

MG: Yeah, I've kind of done that already.

JB: And so, I think something we've talked about a lot is that we want to be transparent in this conversation, that we want to let other family members be involved, we want to work with advisors. That transfer of management responsibilities and labour will become important and maybe we should look at formalizing that.

0:13:47.2

N: Joel did this family canvas work as a version of pre-work. He's not into the business plan at this point in their chat, but it captures a lot of the information that will feed into that plan, and a lot of what they've covered in previous conversations, so that it's right there on paper for both of them to see. They can make sure they have the same understanding of where they're headed.

JB: I know you repeat to me a lot that, I don't know if it was a joke or something serious, but it's where this plan came from that you kept asking, before you come back ask what you can do for the farm, not what the farm can do for you. A lot of our early discussions were kicking around, is our farm in a place that it can bring two families in? Do we have the revenue streams? Are there opportunities to go forward? So, some of those goals I've captured here that we couldn't just jump right into the business plan. We had to unpack a lot of these conversations of where you jump into how we're going to use our business plan.

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MG: The only comment I have here, of course, is always first and second generation is timing. Timing and when. So, some day this farm will be yours. What does that mean? That's the old joke. So, I guess looking at this, all I would say is you've done a lot of work on this, it's important. You've captured all our past conversations just so when we get out of the weeds into the details, timeframes. Are we talking this top priority for 5 years, this for 10, this for 15? Because you can't do it all at once, so I think some day we're going to have to sit back and do this timing. Maybe it'll be more in your report as we go through it, but that's the first comment. And the next thing is, I will say about this is I've heard it in all these seminars that succession is a process, not an event. And so I want to understand that, that it took me 25 years before everything was finalized with mine. I don't think I want to do that again and repeat that uncertainty, because I had some uncertainty there. So I think maybe this will be a better idea for your generation not to have that kind of uncertainty. You had to have a huge amount of trust because there was nothing written down. So yeah, I'm on page with this.

JB: And to your question, I think these are plans that evolve, but that's what the business plan is hoping to fill in, that maybe there's some pressure back there for what we're going to be as a timeline and how we're going to prioritize. And I think we can use a business plan to get that done. And it's going to change and shape what I think this farm focuses on.

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N: If you've been listening in to this season of the podcast, we've talked about identifying who is all involved in the farm, assessing your current state, identifying your values, visions, and goals, and we've talked about creating an estate plan and will. The business canvas tool takes a lot of these elements and puts them into a format that can be quickly referenced and understood. Again, check the show notes if you want to see what this tool looks like and use it for yourself. Now, let's hear Joel talk about his executive summary for Bokengood farms.

JB: I do want to highlight quickly the one thing we've talked a lot about as well is how do we stay focused as a family. And I think these are things that try to sum up a lot of these previous chats and talk about why vision and mission are important. If I sum up our chats, our vision is that we'll be a business focused on profitable, sustainable production of cereals, oilseeds, pulses. We'll seek opportunities for continuous learning and innovation to provide products of superior quality and value, and I think always strive to

leave things better than we found it. And I think it's things that every farm, regardless of size, would have to look at their own opportunity individually, but for us, I think this really resonated. And that our mission is to be recognized by our associates, partners, neighbours as top producers in our area, strong community members. And right, I think that education piece is a really important one to our farm, but we seek to grow the people involved, our gross margin, and improve that land for the next generation.

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MG: So, there's an economic sustainability, but there's also, as I hear you, environmental sustainability.

JB: Yeah.

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MG: So, an example I'd be using is that we all agree that we're not to grow canola on canola, and canola on wheat and snow. So, that's something we're going to look at, not just for the ... it may make economic sense to do something, but we're going to back that off for the health of the ... yeah, so that's the same thing we've done for years.

JB: Yeah, exactly. And keep our family happy and strong and keep moving forward.

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MG: Okay. And the other word in here is focus. And I'll be honest with you, that's one thing I've noticed a little bit, I think you like working on the business rather than sometimes in it. And so, one thing I was going to say, you make jokes about greasing the combine, or greasing the PTO. They're heavy. So, that's going to be your first role is you're taking over the equipment maintenance and stuff. One thing I wanted to bring up right off the bat is I'm tired of doing that. So, one of the things, even before we get there, I'm impatient, so the focus is going to be maybe you're going to have to be the one that runs the equipment maintenance from now on, if you think about it in your plan. I hope it's in here already, but I just thought I'd ...

JB: Yeah. Well, we'll have to look at the numbers but I think the focus part of there, for me, from my chair as well, is speaking to that we want to be intentional with this plan. We want to make sure that there's not that uncertainty and we know. I know what you expect and you know what I expect.

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MG: So, it's not going to be like your university textbook when I picked it up off the shelf that time? I opened it up, it cracked. Was that intentional?

JB: That was intentional, yeah. That was the first time it was opened.

0:18:56.3

MG: Okay, cool.

JB: And I think as we build this plan too, it's important to recognize the people involved. I think we've got a lot of priorities in this farm, but a lot of skill sets as well. And so, you've been on the farm, and I think we would call you almost the president of the farm. You've got 35 years of progressive management and operations on the family farm. You've been leading a lot of the logistics, marketing, and equipment maintenance, as you've mentioned, and these are things that we'll have to address, how these skills get adapted and changed. Our vice-president, Mom, Mrs. Good, 30 years as farm management. She's been leading the charge on our record keeping, bookkeeping. She's mentioned a lot that maybe that's not something she wants to do forever. And I think from an operations side, that we do get a lot of support that we should probably recognize too. That my sister, your daughter, that she lives nearby and has been a lot of help during busy seasons, at harvest, running the equipment, helping to do parts and errands and things like that is something that we can't just ignore or replace. It comes in so handy. And then Bob, your friend as well, that he's been helping us a lot during seeding and harvest to help keep our equipment running.

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MG: Just on that, I'm glad you recognized your sister. That's good. Because you know she's been helping out in the fall, doing stuff, and she's been here to help us build our plan because she's a couple of years older than you, so she was out there before you were. So, I'm glad you've put that operational support. That means a lot to me as a parent, so I'm glad you brought her up. Thank you.

JB: Yeah, absolutely. And I think you guys likely looking to reduce your role is something we'll have to identify in our farm skill set and experience listing, how things might change over time.

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MG: So, you heard me complain about my arthritic knee too many times, right?

JB: Exactly, yeah.

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N: After the break, Merle and Joel are going to talk about some key goals for the plan. Don't go anywhere.

JB: I know you naturally have a lot of this stuff in your head and if I can kind of get it out on paper, it's really going to help me look at how we could prioritize and clarify what we want to do.

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N: The FCC Knowledge podcast is brought to you by AgExpert, farm management software designed for Canadian agriculture. Learn more at AgExpert.ca. Just a reminder to like, follow, or subscribe to our podcast on Google Podcasts, Apple Podcasts, Spotify, or wherever you get your podcasts. We'd also love to hear from you. Feel free to drop us a line at podcasts@fcc.ca.

Are you enjoying today's podcast? You can watch this conversation in its entirety on the FCC website. This includes all slides and extended content. Check the show notes for the link which will also include all documents referenced throughout today's episode.

Welcome back for the second part of our episode. Today we've been talking all about a case study involving a father and son discussing their business plan for transition. Merle and Joel have been going through their concerns related to transition, and have spent a lot of time defining what people's roles will be and what the future of the farm might look like. As we're listening to Joel and Merle speak, it's pretty clear that everybody's role in the farm needs to be recognized and clearly defined. Even non-family members should be considered on how their role impacts the plan. The other important piece is to include the fact that Merle's role will be diminished over time while the transition of labour is occurring. The business plan should include a way to replace the capacity that Merle provided. Now, let's listen in on some more of their conversation as they cover the topics of key goals and decisions for the business plan.

MG: As I flipped over here, key goals and business decisions. Let's go through those a little slower so I know where you're heading here, Joel. What this one talks about is that I will be open to transition and management responsibilities from father to son over the next 5 to 10 years. And the next one is, I'm looking for outcomes to make sure that we meet some of the family and business goals as we go forward. Job descriptions and roles and responsibilities actually written out rather than just talked about as we walk down the gravel lane to the shop. And so, I'm open to that. I think that's going to be important as the labour slows down. One thing I noticed on George's farm over there, they're a little bit larger than us and they've got three full-time hired men. And so, one of the comments they had, which is important, was that, okay, when the hired men come to work, do they talk to George, or do they talk to the son? He's older than you by five years. And so, who is the HR manager of the day-to-day tasks of the hired help? So, I think if we had job description roles and responsibilities written out, not just for ourselves, which is important, but I think, Joel, talking to George there, he was saying that helped them a lot with their consultant to give it to the hired men. So, if labour is going to be one of our issues, maybe something that I would like to work with you on is the flow of where the hired men go in five years from now when you're more the manager of HR. So, yeah, that's good. I'll agree to that and think it's a good idea to do that.

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JB: Wow, that's quite a mindset shift from last week. We've talked about how we're going to grow this farm a little bit, as well as how we're going to work together to enhance our pieces. We've talked about one key metric we want to measure is, are we continually improving our gross margin, and we're going to do that through analysis. I think that we'll develop a yearly plan, it's something we've talked about in the past of, did we grow

that gross margin? Maybe do some check-ins in terms of roles and responsibilities. And I'm going to keep working. You've supported me to take some education and to work with our accountant to become a little bit better at benchmarking and identifying some things that we'll talk about in the plan as well. One that obviously as I present this plan to you that's top of mind to me is how we structure our operating arrangement, what we want to do together and operate and work in the business. Living arrangements. I think living in town now, there's a goal for us, to move closer to the farm is something we'd like to keep in that plan.

MG: I think you'd better talk to your mom on that. We just redid the kitchen four years ago, so it'll be a while before she decides to move, I'll tell you.

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JB: Absolutely. And this might be one where we evaluate some upcoming purchases, so maybe that's something we can take a little deeper dive into.

MG: Yeah, it's something that I want to spend some time on because all I ever heard from you in the last year, which is rightfully so, if the right land goes up for sale, can we buy it? Are we going to buy, are we going to buy it, are we going to buy it? That's all I ever hear from you, are we going to buy it? And so, I'm enthusiastic for that because if you didn't want to do it, then that shows your drive and enthusiasm and commitment. But we're going to have to really look at that because we're in a different environment, like I said earlier, than when I was expanding.

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JB: Absolutely, yeah. And I think ...

MG: So, I'll wait for those numbers, and we'll have a look at it then. All right.

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JB: And for me, that gives me some clarity of should I be looking at opportunities to purchase something or should I look at saving to purchase something from you and Mom. And then labour, I think talking about labour again and really getting clear on things.

N: Joel and Merle are really having a great discussion about their operational structure and how that ties into their financial viability and expansion. It's great to hear how honest they are as they hash out the details of their plan going forward. These are the same kinds of conversations you might strive to have during your transition. It's a great practice to begin documenting and to formally write out the key goals of your business plan. It's also great to see them flag items that require a deeper discussion as they go, another great practice to follow.

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MG: Good job of the key goals and decision-making, but there's too much to do here.

JB: Yeah, you're right, we'll have to come back to this. We can't get through everything. What would you like to prioritize in a plan?

0:27:07.9

MG: I think we have to look at our business operating arrangement going forward. As you know, we decided to form one business and our corporation has been around for 20 years now. So, we had that same discussion which we're having now, should I farm independently or should we farm together? Historically the goal was I started off small, joined Dad's company. That was, in my generation, the mode of success. Looking around at the neighbours here, I see quite a few young guys that have their own business, Dad has his business, son has theirs. Now, some of the very large ones do that for tax, I understand that. But ours, we don't have that much of an income problem for that much taxation. So, it really boils down to what do you think, should we go together in one company or not? And so, that would be one of my biggest ones is that. And then capital purchases. You mentioned buying land. Should we buy land, or should we not buy land as it comes up for sale? The thing about buying land is, if a quarter comes up, yeah, no big issue, right Joel? If we want to buy a quarter, if we can afford it by subsidizing the other land to buy it, we'll definitely look at that, especially good quarters. So, we've got to be strategic about saying we can never afford to buy land. Maybe we will, but we have to let one quarter go to buy a half maybe, eh? So, that's something that I've got to put my mind around. And I guess the last thing is just that labour thing is kind of high on my list.

JB: Okay. I think that lines up. I think those three will fit into our financial model that we can kind of describe. And I think if we look at it financially, I've got some similar questions and concerns. I just know you naturally have a lot of this stuff in your head and if I can get it out on paper, it's really going to help me look at how we could prioritize and clarify what we want to do.

0:28:39.8

MG: Yeah. Now, Mom wanted me to ask a question, and this is something that she's bugging me about. Of course, I'm 64, a little overweight, on my cholesterol pills, as you know. So, if I die tomorrow, let's be honest, could you run this place?

JB: At this point, probably not. I think it's something that it takes a family I think to do this and I've got a lot of growth I need to develop in the next couple years, at least to get those key skills. I think I could get there eventually, but there would be a little bit of a painful process, I'm sure.

0:29:09.8

MG: Yeah, but at least you can run the drone. I sure in hell can't. But I guess this is something I want to focus on. We have to start looking at this potential if something happened to me and Mom or something, so if something happened in a hurry. I guess that's put ... I'm starting to understand that the time is ticking. The old ruler of time, I

look at where I'm at, here I'm sitting here and there's not much left of that ruler compared to what's passed. So, I guess this time about impatience necessarily is this goal of having this number one done really hard in the next five.

JB: Absolutely, yeah.

0:29:44.0

MG: So, I can understand that and that's where Mom's been bugging me about, if you die tomorrow, can Joel handle it? And I'm saying, yeah, sure he can. But yeah, okay, let's think about that one.

N: Merle brings up some key questions and concerns. Are they going to create a joint venture or will they have separate businesses? How will they decide who gets to buy capital purchases? One of Merle's main concerns is that Joel doesn't yet have the skills and capacity to run the farm should Merle suddenly pass away. While the business plan is a process, there's a certain amount of urgency that comes with a transition as well. Joel decided he would put down these thoughts on paper to help prioritize and clarify how they want to address specific concerns. As a junior partner, this can sometimes help to document what the senior partner is thinking, or what your understanding is of what they are thinking based on all the things they've shared. By taking the lead to get it on paper, you can take a good step towards clarity.

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JB: And before we jump into some numbers and things, I did write out those priorities on this side. But I do want to talk a bit about our balance sheet here. I know Mom does the books, and we aren't going to go through the full consolidated financial statements today, but I just wanted to highlight as you look at this model, I've simplified it with the accountant a bit to look at some different ways. But as you're thinking about a business plan, when you're bringing the ones into the bank, this one is a little different. So, a little empathy on this, these are hard things to go through, but if we put numbers to it, a lot of value I think to us, and we'll maybe come to that. So, if you're looking at this plan, we could be in any industry, but since we are in grain, I'm really looking at it that our investments are almost the crops. If we're treating it like that and that flows through into our different enterprises. So, if we do something else or we take on a different thing, that's a different set of investments going in, into the income statement, how we deal with our revenues, expenses, net income. And I think because we had that discussion on operating versus equity at this point, we're going to spend on the farm probably a lot of our conversation in that talking about this income statement. And the assets, we were having a discussion the other day on net worth versus book value.

MG: Yeah, I think this is really, really important is that one thing I like about the company statements, of course, that we've had for 20 years, is net worth versus equity. Because all equity is, is really the value of your business without inflation on land. So, I would suggest, my accountant has told me that when you look at a book value versus a fair market value with land price that we've got, there's sometimes four to five, maybe higher differential. So, fair market value is our borrowing capacity with the lenders on security,

but our equity is what actually we can produce as profit. So, I think that's something that we have to look at is say, it's intuitive, but a nice way to put it is that yeah, we can borrow off our net worth because it went up by five times in the last four years on land values, but can we afford that? So, that's equity versus fair market value on a balance sheet.

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JB: I know you're clear, as we've talked about this today, would be about concepts and the business, not necessarily talking about equity, so I think we can run through some of those models to meet exactly that goal.

MG: Okay.

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N: Following this discussion we shared today, Merle and Joel took a detailed look at their business plan. If you want to hear the rest of the discussion and see the documents they're working from, check the show notes for the links. It's definitely worth the watch. So, what are some things we can take with us from today's discussion? What were some key points? First, the most obvious one to me is that the senior and junior partners are always coming at these conversations with a different lens. That's to be expected, of course, but frank conversations and a little bit of empathy might help you understand where your parent or child is coming from at the outset. It might also help you understand where you are coming from as well. If you are craving some clarity as a junior partner, that's to be expected. If you're wondering how you're going to finance this transition and your retirement, also not surprising. Another takeaway from this conversation is that business plans require a lot of transparency and honesty. Joel and Merle were really thorough at identifying their concerns and sharing their visions for the farm. They laid out their thoughts around things like, what is fair for the siblings? How is the business going to be organized? Who is going to do what role going forward? And what is their approach to future expansion of the farm? They didn't leave things unsaid or avoid difficult topics. Transition can be driven by a business plan, but that plan isn't always the same for every farm. However you choose to organize your business, it's important for the junior and senior generation to be on the same page and to work towards a unified vision. Lastly, business plans can help you clarify and formalize your thoughts surrounding transition. Joel made the effort to put things down on paper using some great tools that are readily available to business owners. He also made sure the plan included Merle's thoughts and he was willing to adjust the plan as the discussion evolved. Furthermore, as Merle put it, the plan helped them actually put some fiscal reality to some of their expectations. When you see it all written down and calculated out, you can get a clear picture of how your plan will function in reality from a business viability standpoint. In the conversation that follows what we shared today, Joel mentions that he consulted an accountant to get help formalizing the fiscal reality of their business plan. It goes without saying that it's highly recommended that you reach out to your key advisors as you formulate a business plan. We've said it a lot, but farm transition is a collaborative process. If you keep the family and key advisors involved

throughout, and if you work towards rigorous transparency and honesty during the process, then you're on the right track.

Well, that about does it for today's episode. Remember, if you want to see the rest of this conversation and get some more info about business plans, check the website for some valuable links. Also, if you want to catch these conversations in real time, check out the Pathway to Transition Virtual Events series, listed in the show notes, where you can also sign up for future events. Until next time, dream, grow, thrive.

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