

Making the family farm tougher!



by Jack Hagarty
Field Services Manager
ROS Branch

The best resource in agriculture is the farm people themselves. Corporate farms have not taken over agriculture. The family farm offers competition that's just too tough.

I'm wondering if we might make that competition even tougher. I'm talking about farm women and family members being more involved in farm management.

Can't you see these corporate executives throwing up their hands in disgust and saying "that does it - that's the last straw. A Husband-Wife or family management team! We'd best fold our tent and move on. We can't supply that kind of balanced expertise."

I've noticed that young farm wives are very interested in the business of asset transfer and business agreements. Often they've had off farm business experience in banking or accounting that helped them grasp the details of mortgage, buy-sell agreements and capital cost allowance.

It just could be that many things in farm management are not thought of because we've ignored the women's point of view.

The farm wife is an important person. She runs the household - a job in itself. She may work off the farm to provide money for the family to live on, or for luxuries or capital for the farm itself. Many a farm has survived tough times this way.

Wives do a lot of work around the farm with regular chores and filling in when things are busy. They work especially hard in the early years when children are too young to work.

Many wives do the bookkeeping for the farm and this is an increasing trend. Doing the books can mean anything from keeping the bills organized right up to keeping detailed accounts and being able to pull out

financial data to help in making decisions.

Studies have shown that whether the farm wife does the books or not she is almost always consulted when a major financial decision has to be made. And she should be. It's her future at stake too.

Often young parents and young people express frustration with their present situation. Not long ago a young man slumped down in a chair next to my desk. He said, "Did you ever have the feeling of running along the bank of a river trying to catch up to a boat, and the faster you run the faster the boat moves? I've worked on Dad's farm for years and still feel like a hired hand." I could see his point and understand his feelings. So I asked, "Does Dad know how you feel?" He no longer was such a good communicator! He didn't know what to say. He looked uncomfortable. After some fumbling he made what was to him a factual statement. "A son just doesn't talk to Dad about taking over the farm."

It takes a lot of courage to open up some subjects.

How many dads are hoping sons will ask? Maybe Dad says to himself, "I'll wait until he has the courage to ask about entering into the farm business." It may be one way Dad has of testing son's maturity.

Parents are caught in a dilemma. They want to do the best for their children, yet they don't want to look stupid. "What if we make a large gift to the son, he buys the farm today and sells it in six months? What if he marries and they take off to California? What if something happens to him and she inherits the farm? What if they are both in an accident, she outlives him by a few hours and her parents inherit the farm?"

Today, very few farms are sold outright to family. The process is more one of evolution than revolution. Evolution fits into the scheme of things around a farm. Change is gradual and growth of plants, animals, and people is a natural thing. However, it is useful to have some check points in the system. There needs to be some way of setting goals and testing progress.

A Farm Business Agreement between two generations is a useful tool. Each contributes individually or jointly owned assets, labor and management to the business. Net income is split on some agreed percentage. The agreement is a useful means in the transfer of farm assets while the junior members are accumulating assets and working on the business and the senior members are phasing out of the business.

There are no gift taxes or succession duties in Ontario. The main concern is tax on capital gains. This tax can be deferred forever as long as the farm remains in the family and if farmed by the owner at the time of the transfer. The main concerns are survival of the parents during retirement and survival of those who choose to farm. Hopefully, the family farm will survive at the same time.

There are no pat answers. About all we can suggest is retain some flexibility. Provide opportunities and a testing period for young people. Be open about feelings. Young people understand about looking stupid; they may not realize it's a lifetime thing. We all know that rules can be changed, signs may not be obvious. To avoid those dead-end one-way streets we need to communicate, to teach and to share our management skills.