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Farm/Ranch Succession Planning Program Motivates Families to Take Steps

Abstract

The United States is experiencing increased aging of farmers and ranchers, highlighting the need for succession planning programs that can help prepare them for successful transfer of land and assets to a successor. We discuss the Design Your Succession Plan program and its evaluation. The program consists of three sessions that address multiple topics regarding succession planning. Over a 5-year period, 516 participants from across North Dakota attended the program. Results from retrospective pretest/posttest surveys indicate that the program had a significant impact on increasing knowledge and confidence among participants. Implementation can assist aging farm and ranch families across the country.

Keywords: [succession planning](#), [farm/ranch transfer](#), [programming](#), [curriculum](#)

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Introduction and Background

In the United States, the average age of farmers and ranchers has continued to increase over the past few decades. According to the Census of Agriculture, in 2017 the average age of a principal operator was 57.5 years and principal operators had been on and operating their farms for an average of 21.3 years (National Agricultural Statistics Service, 2019). In North Dakota, the average age of an operator is 56.9 years, and average farm size is 1,492 ac (National Agricultural Statistics Service, 2019). With aging producer populations in the country and state, succession planning is an important step for producers and their families to help guide a smooth transfer of land and assets to the next generation.

Succession planning includes identifying who the successor will be, creating a plan that identifies how the transfer will take place, and including these components in a written document (Earls & Hall, 2018). The majority of succession plans involve a transfer between members of different generations of the same family (Mishra & El-Osta, 2008). Creating a succession plan for either family members or nonrelative successors can be difficult as there are multiple financial, legal, and even emotional decisions that must be made to ensure the future prosperity of the farm/ranch. Kaplan et al. (2009) found that many families took a passive orientation to communication when discussing succession planning and that there was a sense that they were in a wait-and-see pattern, leaving key issues unresolved.

Program Design and Delivery

We conducted a statewide needs assessment with farm/ranch families and determined that more in-depth succession planning programming was needed. At the time, we were providing short one-time programs that focused on estate planning or hosting professionals with extended knowledge on the topic. However, it was determined that participants of those programs did not act on the information they learned.

In 2014, North Dakota State University (NDSU) Extension piloted Design Your Succession Plan (DYSP), a face-to-face educational program designed to assist farm/ranch families in gaining knowledge and get them started on their succession plans. A team of multidisciplinary Extension professionals developed the curriculum. After feedback was received from participants, the curriculum was revised and programming began statewide.

Five modules are delivered in three sessions, resulting in approximately 7 hr of instruction. Both owner and successor generations are encouraged to attend, and homework is assigned between sessions. The following topics are presented: (a) starting your succession plan, (b) determining what you want, (c) the next generation and your legacy, (d) family meetings and conversations, and (e) choosing and working with professionals. Materials included are a facilitator guide, a participant workbook, and supplemental participant materials.

Program Evaluation

Over 5 years, 516 participants attended the program. Table 1 shows the numbers of participating counties, participants, and completed surveys for the evaluation period. An anonymous retrospective pretest/posttest survey is given to all participants. Participants are asked to rate their knowledge on topics presented before and after attending the program on a scale of 1 (*strongly disagree*) to 4 (*strongly agree*). On the basis of consultation with an evaluation specialist in 2016, the survey topics were modified and additional items asking participants to rate their confidence were added.

Table 1.
Program Participant Numbers and Survey Response Rates by Year

| Variable | 2014 (pilot year) | 2015–2016 | 2016–2017 | 2017–2018 | Total |
|---------------------------------------|--------------------------|------------------|------------------|------------------|--------------|
| Number of counties delivering program | 5 | 23 | 11 | 8 | 47 |
| Number of program participants | 88 | 205 | 129 | 94 | 516 |
| Number of completed surveys | 67 | 205 | 96 | 71 | 439 |
| Response rate | 76% | 100% | 74% | 76% | 85% |

We used a paired-samples *t* test to determine the effectiveness of the program. Although some participants did not answer every evaluation question, completed questions for incomplete evaluations were accepted for data analysis. Overall, respondents indicated gaining knowledge (Tables 2 and 3) and confidence (Table 4). Significant change occurred for every item.

Table 2.

Participant Knowledge Change From Before to After Program, Program Year 2015–2016

| Item | Before <i>M (SD)</i> | After <i>M (SD)</i> | Change (+/-) | <i>t</i> |
|---|---------------------------------|--------------------------------|-------------------------|-----------------|
| I am able to define terms used in succession planning (e.g., transition, estate, and retirement planning) (<i>n</i> = 197) | 3.16 (.99) | 4.31 (.60) | +1.15 | -18.44*** |
| I am able to identify reasons to begin working on a succession plan (<i>n</i> = 200) | 3.14 (1.04) | 4.60 (.54) | +1.46 | -19.63*** |
| I know what I want to accomplish with my succession plan (<i>n</i> = 197) | 2.82 (.99) | 4.13 (.67) | +1.31 | -18.34*** |
| I know how to evaluate the viability of my business by using future projections (<i>n</i> = 190) | 2.75 (1.07) | 3.63 (.92) | +0.88 | -12.65*** |
| I understand the value of mentorship when developing a succession plan (<i>n</i> = 192) | 3.06 (1.02) | 4.30 (.69) | +1.24 | -19.85*** |
| I understand the process of relinquishing control of my business (<i>n</i> = 187) | 3.00 (1.01) | 4.13 (.71) | +1.13 | -16.63*** |
| I know how to plan and conduct a family business meeting (<i>n</i> = 198) | 2.63 (1.00) | 4.07 (.75) | +1.44 | -20.23*** |
| I am able to identify the different types of decision making (<i>n</i> = 198) | 2.69 (.97) | 4.07 (.71) | +1.38 | -19.83*** |
| I recognize problem-solving methods should conflict arise (<i>n</i> = 197) | 2.80 (.91) | 3.98 (.75) | +1.18 | -19.41*** |
| I know of professionals I would like to work with on my succession plan (<i>n</i> = 196) | 2.69 (1.10) | 4.03 (.84) | +1.34 | -16.35*** |
| I know the information and documents I will need to prepare prior to meeting with a professional (<i>n</i> = 198) | 2.42 (1.10) | 4.40 (.60) | +1.98 | -23.98*** |

p* < .05. *p* < .01. ****p* < .001.

Table 3.

Participant Knowledge Change From Before to After Program, Program Years 2016–2018

| Before | After | Change |
|---------------|--------------|---------------|
|---------------|--------------|---------------|

| Item | M (SD) | M (SD) | (+/-) | t |
|---|---------------|---------------|--------------|-----------|
| Succession planning is extremely important (<i>n</i> = 162) | 3.62 (.62) | 3.94 (.31) | +0.32 | -6.74*** |
| I understand succession planning terms (<i>n</i> = 159) | 2.75 (.85) | 3.51 (.57) | +0.76 | -11.89*** |
| Developing the next generation of farmers/ranchers is extremely important (<i>n</i> = 158) | 3.69 (.55) | 3.87 (.40) | +0.18 | -4.71*** |
| I know the value of developing a vision for the farm/ranch legacy (<i>n</i> = 157) | 3.11 (.76) | 3.72 (.52) | +0.61 | -10.90*** |
| I know the professionals I need to work with on my succession plan (<i>n</i> = 159) | 2.62 (.97) | 3.52 (.64) | +0.90 | -12.89*** |
| I know the information I will need to prepare to meet with a professional (<i>n</i> = 158) | 2.41 (.91) | 3.66 (.54) | +1.25 | -16.93*** |

p* < .05. *p* < .01. ****p* < .001.

Table 4.
Participant Confidence Change From Before to After Program, Program Years 2016–2018

| Item | Before M (SD) | After M (SD) | Change (+/-) | t |
|--|--------------------------|-------------------------|-------------------------|-----------|
| I have the confidence in my ability to evaluate the viability of my business by using future projections (<i>n</i> = 157) | 2.65 (.83) | 3.27 (.78) | +0.62 | -11.29*** |
| I have confidence in my ability to shape the future of the farm/ranch (<i>n</i> = 155) | 2.81 (.80) | 3.37 (.71) | +0.56 | -10.96*** |
| I have confidence in my ability to plan and conduct a family business meeting (<i>n</i> = 156) | 2.58 (.84) | 3.40 (.64) | +0.81 | -13.68*** |
| I have confidence in my ability to problem-solve if there is a conflict (<i>n</i> = 160) | 2.62 (.81) | 3.24 (.67) | +0.62 | -11.47*** |
| I have confidence in my ability to gather the information I'll need when meeting with a professional (<i>n</i> = 159) | 2.67 (.93) | 3.67 (.56) | +1.00 | -14.75*** |

p* < .05. *p* < .01. ****p* < .001.

For the purpose of determining behavior changes and action steps taken, a 12-month follow-up evaluation is conducted. For the 2014 pilot year, 16 participants responded, with 81% indicating that they had talked to family members about their succession plan and 50% indicating that they had met with a professional. Participants were asked what steps they had taken during the preceding several months to continue to work on their succession plans. Three indicated that they had not done much or had done very little, whereas six had held family meetings/conversations, four had set up some sort of transfer mechanism for the farm/ranch, three had organized documents, one had conducted research, one had reduced inventory, and one had updated their goals/vision/retirement strategy.

Revisions to the follow-up evaluation were made for subsequent years. For the 2015–2016 program year, 34 participants responded to the follow-up interviews by telephone. No participants responded to the 2016–2017 program year follow-up, and four responded to the 2017–2018 program year follow-up. Table 5 displays the frequencies and percentages of participants who took certain actions related to their succession plans as a result of attending the program.

Table 5.
Participants' Action Steps, Program Years 2015–2018

| Action | Yes | No | Already doing/done |
|---|------------|------------|--------------------|
| | No. (%) | No. (%) | No. (%) |
| Started a conversation (<i>n</i> = 38) | 31 (81.6%) | 4 (10.5%) | 3 (7.9%) |
| Formed a vision plan (<i>n</i> = 37) | 27 (73%) | 10 (27%) | 0 (0%) |
| Started to mentor a successor or accepted mentorship (<i>n</i> = 36) | 19 (52.8%) | 9 (25%) | 8 (22.2%) |
| Began gathering information and/or documentation needed for succession planning (<i>n</i> = 36) ^a | 25 (69.4%) | 8 (22.2%) | 3 (8.3%) |
| Used the provided workbook to begin preparing a succession plan (<i>n</i> = 36) | 26 (72.2%) | 8 (22.2%) | 2 (5.6%) |
| Visited a professional (<i>n</i> = 36) ^a | 11 (30.6%) | 23 (63.9%) | 2 (5.6%) |
| Finished a succession plan (<i>n</i> = 36) ^a | 2 (5.6%) | 33 (91.7%) | 1 (2.8%) |

^a Not all equal to 100% due to rounding.

Conclusion

On the basis of program evaluation results, we concluded that DYSP increases knowledge and confidence of participants with regard to farm/ranch succession planning. There is also evidence that the program encourages farmers/ranchers to continue taking succession planning actions. One major limitation of the evaluation is the low number of follow-up interviews/surveys completed (7.4% response rate).

The need for succession planning programs is not new. Extension systems across the nation provide succession planning programs to their clientele. The greatest impact has been shown for programs that integrate an approach that includes multiple touch points with clients (Hogge et al., 2017; Withrow-Robinson

et al., 2012).

To address the needs of others interested in adapting the DYSP model, we have adapted the materials for DYSP to include non-state-specific data and information. The curriculum can be used across the country. Furthermore, an adaptation of the curriculum also has been developed for other rural small businesses to assist owners with the succession planning decision-making process. All materials are available through NDSU Extension.

Author Note

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