

# Managing Family Members on the Farm

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**NORTH CENTRAL  
EXTENSION  
RISK  
MANAGEMENT  
EDUCATION**

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**National Institute of Food and Agriculture**  
U.S. DEPARTMENT OF AGRICULTURE

# Who is your workforce?



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# Why is this important?

1. You live with these people
2. This is your livelihood

**Before you decided on how to manage family members on the farm, think about your goals?**

- Family
- Business
- Personal



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# What are your goals

Think and write down what your goals are



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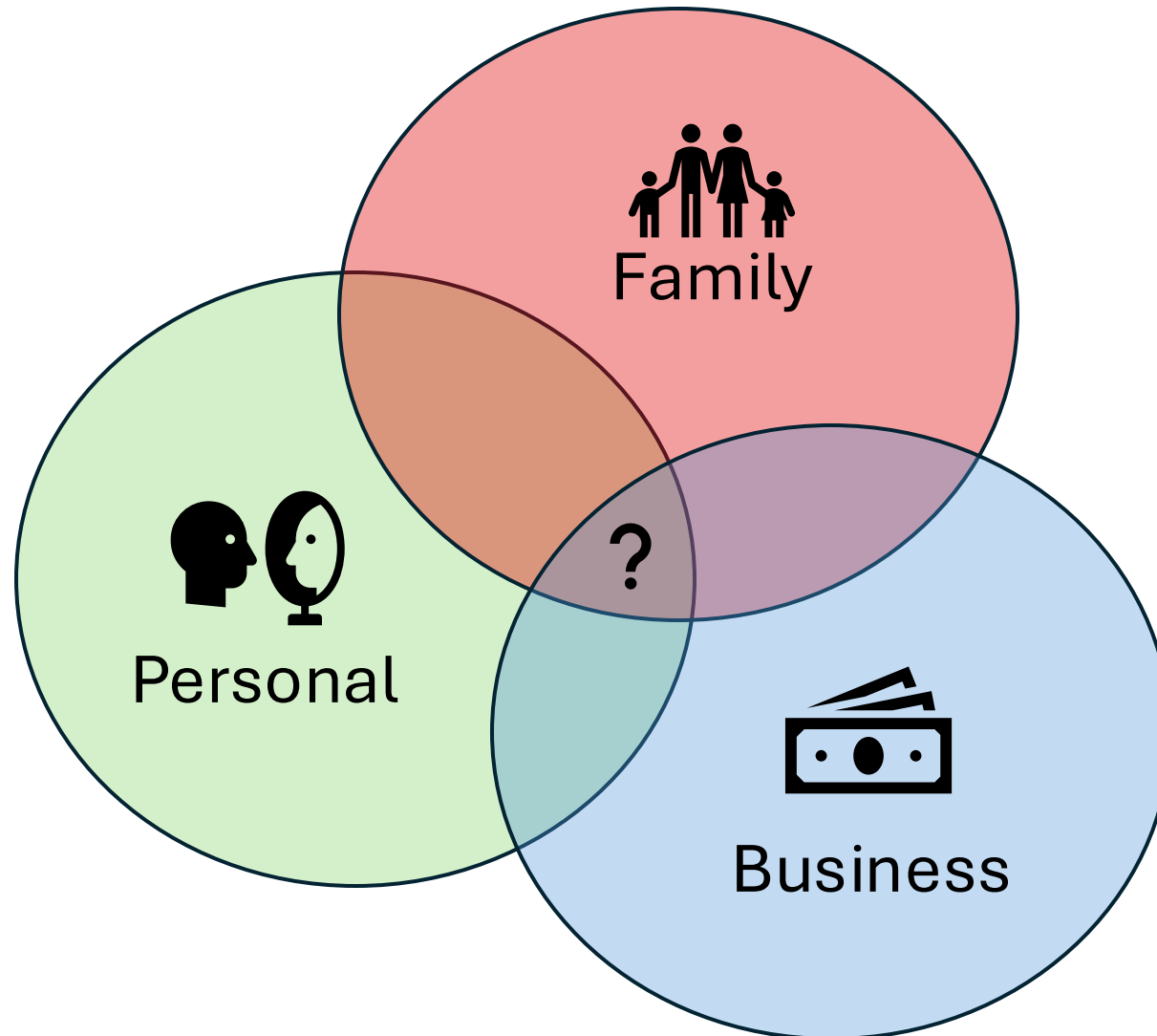
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# Three Roles in Family Business



## Challenges:

Working together

Growing together

Changing together

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# Working with Family

- Trust is evident in successful family businesses.
  - With trust among family members, there is room to agree or disagree on management openly and freely
- Members of the same family are willing to take on several different roles and workloads to make sure the company succeeds
- Family issues can impede progress

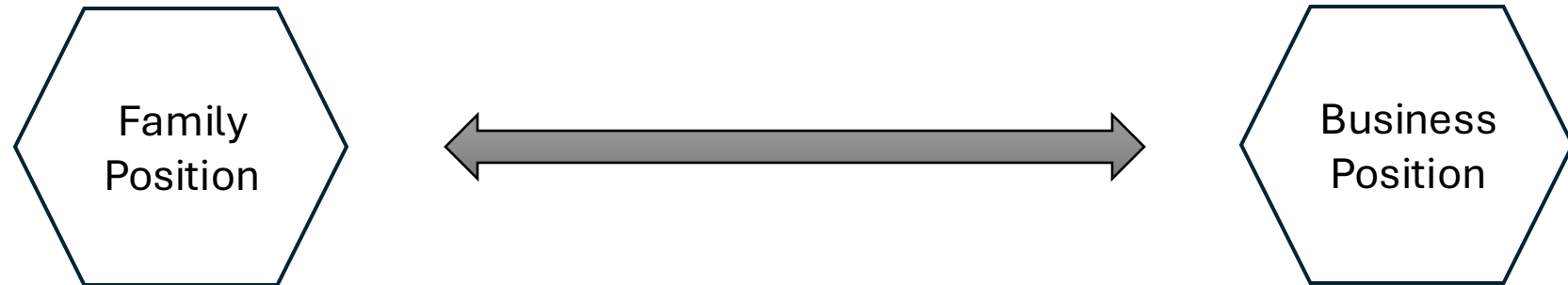


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# Working Together

- Understanding where the family members are coming from
  - In-laws, siblings, parents, cousins, spouses, other family
  - Managers, owners, laborers, trainees



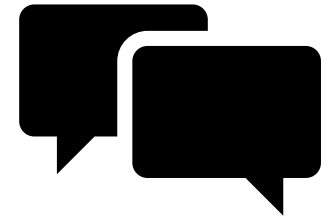
- **How do roles change during a farm transition?**





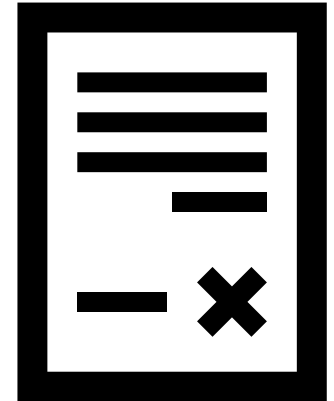
# Finding a Balance

- Set clear expectations!
- Job Description for every person/every role
  - Wife/Mother/Financial Manager
  - Husband/Father/Production Manager
  - Son/Husband/Production Assistant
- Family and Business Communication
  - Remove the communication barriers
  - Keep roles/conflict separate



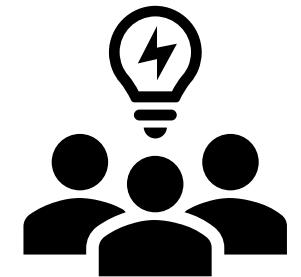
# Family Communication

- Communication forgives most sins
- Send clear messages
- Don't make assumptions
- Get things in writing
  - Handbook
  - Evaluations
  - Job descriptions



# Growing Together

- Finding a shared vision for the future
- Being sensitive to differences of opinions
- No side-conversations
- Mixing family and non-family workforce
  - Fair
  - Objective
  - Cohesive



# Growing Together

- Family farms are often multi-generational
  - Values & priorities may not be the same
- Owner of Assets – Grandpa
  - Primary Management/Labor – Dad
    - Wants to come back to the farm - Son

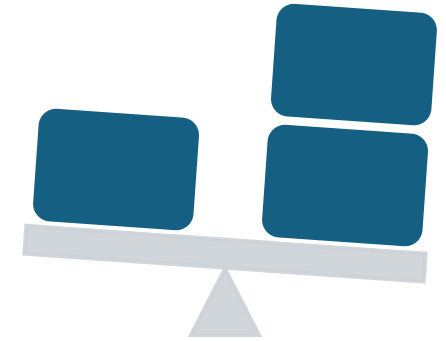
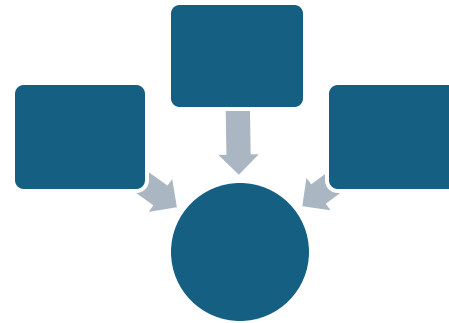
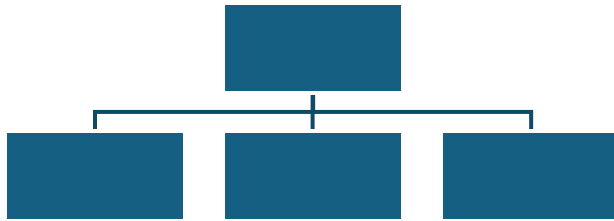


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# Changing Together

- Does everyone's long-term vision and goals align?
- Who makes management decisions?





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# Compensation

- How is family member's going to compensated?
- Paid employee
  - Cash
  - Assets
- Share of responsibility
  - Decisions
  - Expenses
  - Income



# Change is Inevitable

- Types of change
  - Unexpected
  - Planned
- Examples
  - Business Growth
  - New Generations
  - Technology
  - Inability to farm





# Defenses against Change

- Denial
  - If I ignore this, it will go away
- Distortion
  - If only \_\_\_\_\_, we wouldn't be \_\_\_\_\_
- Delusion
  - We don't have anything to worry about, it will be fine



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# Conflict Resolution

- Proactively addressing sources of tension or conflict
- Establishing a process for mediation or external arbitration if needed
- Keeping personal relationships intact despite business disagreements



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# Tips for Working with Family Members

- Remember, everyone has different need and expectations
- Be patient with people who don't speak the language
- Write down the short term and long-term goals of family and farm
- Use job descriptions – know who you are mad at
- **COMMUNICATE**



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# Managing Family Members on Farm



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YOU MANAGE THINGS;  
**YOU LEAD**  
**PEOPLE**

~ Rear Admiral Grace Murray Hopper



# NEgotiations

Mediation is a voluntary process focused on resolving conflict between two parties. A mediator helps the parties communicate and negotiate clearly and effectively in hopes of reaching a mutually acceptable solution.

<https://negotiations.nebraska.gov>

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**NEGOTIATIONS**

# Questions



## AGRICULTURAL PROFITABILITY ACCOUNTABILITY REGIONS

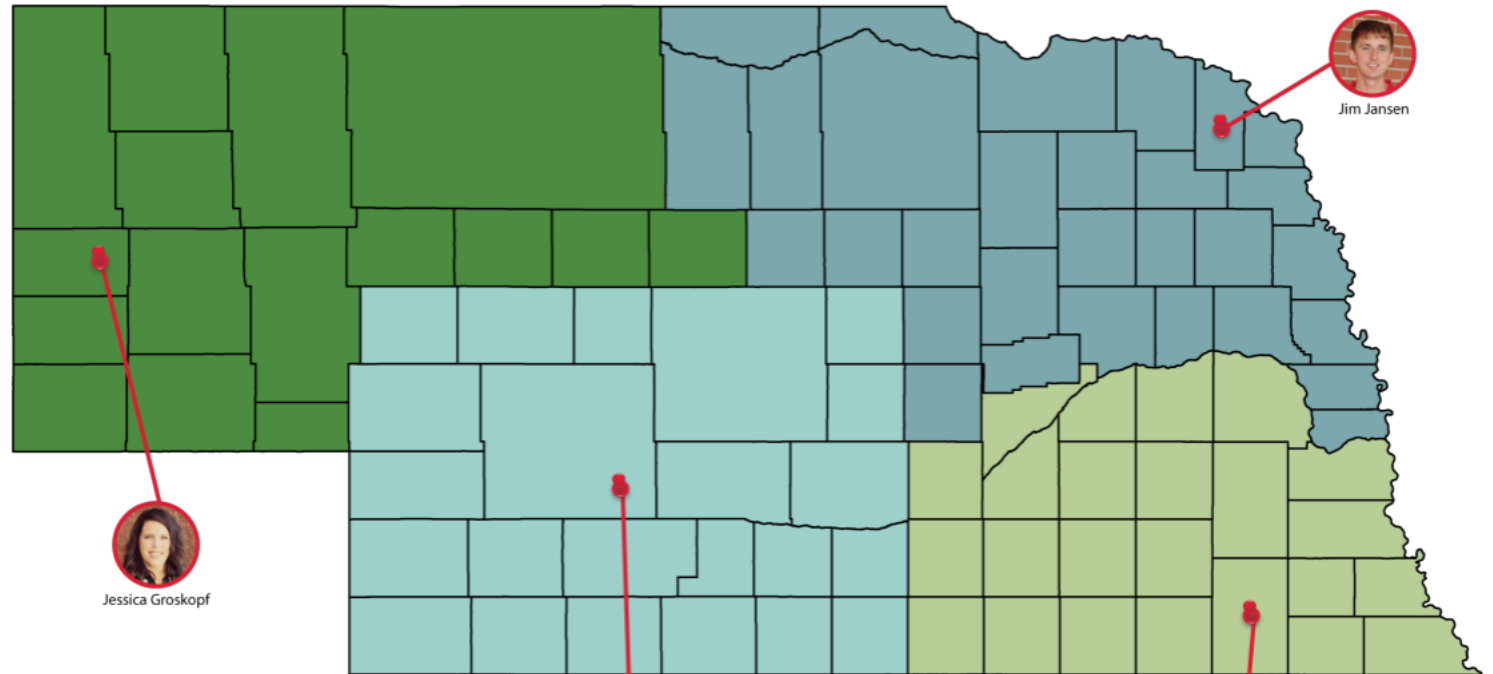
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# Resources

- <https://cap.unl.edu/webinars/10-27-2021%20UNL%20Succession.pdf>
- [https://agupdate.com/iowafarmertoday/news/state-and-regional/paying-farm-family-members-provides-many-benefits/article\\_599e20f2-e6d2-11ee-8e45-97623c715c22.html](https://agupdate.com/iowafarmertoday/news/state-and-regional/paying-farm-family-members-provides-many-benefits/article_599e20f2-e6d2-11ee-8e45-97623c715c22.html)
- <https://www.agriculture.com/farm-management/business-planning/managing-family-conflict-on-the-farm>



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# Assumptions...

- The kids all get along great now – I know that will continue.....
  - I know that my children will want to keep this asset in the family – even when we are gone
  - The kids will just have to figure out how to divide – I’ll be gone I don’t care what happens
  - Since I have four children – my assets have to be divided 25% to each – equally – that will be the fair way to do it
  - “Some day this will all be yours!”
- 
- *In some cases – these assumptions are great – however.....*



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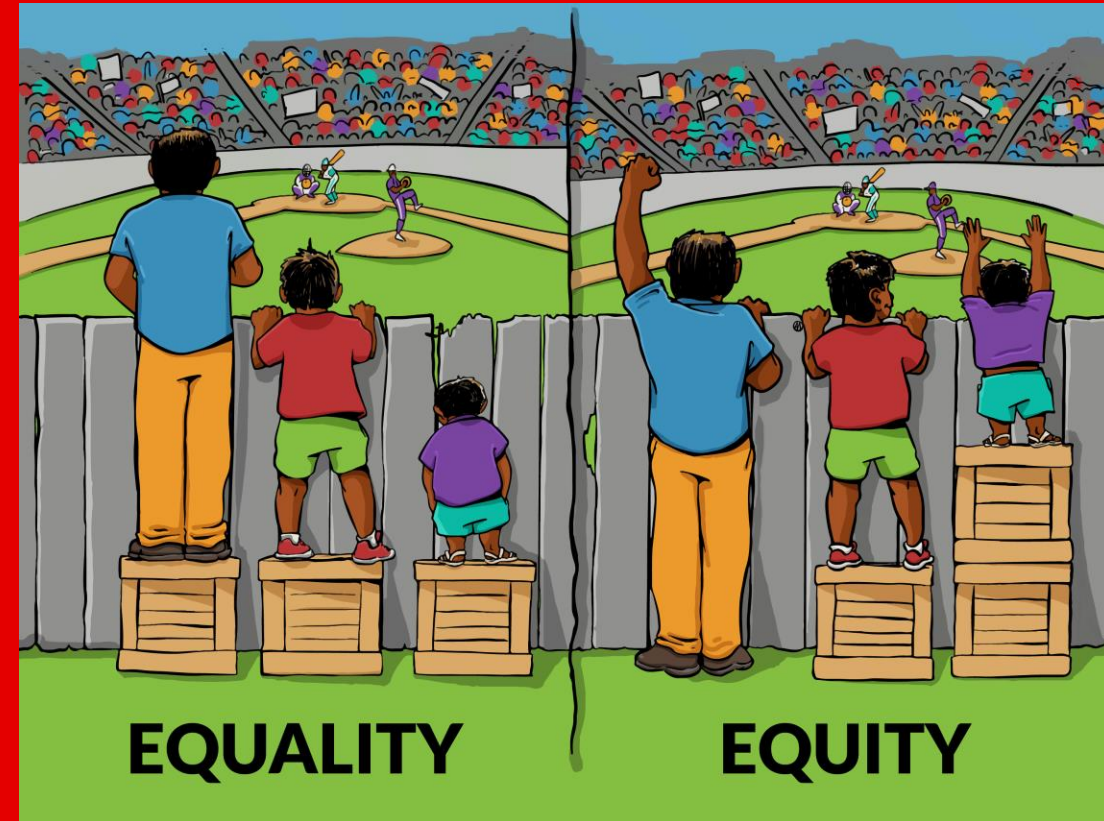
# Fair vs Equal

- Most common succession strategy
- Lowest success rate

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Farms employing this strategy normally do not continue to the next generation





# Sweat Equity

- How can a retiring farmer and returning heir set up an agreement to ensure that the heir's unpaid efforts will be compensated when the family farm transitions?
- This study looked at 3 profitable farms and sweat equity
- A strategy such as this can ensure the success of the farm as it transitions to the next generation but also needs to be done in a way to ensure success for the family and the farm.
- <https://go.unl.edu/ksusweatequity>



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# Sweat Equity

- Each farm had a 12-year transition plan to retire at 70
  - Heir had children and a spouse who worked in town
  - Heir quit full time job to come back to the farm
- Used Kansas Farm Management Association to model their farms
  1. Dairy Farm
    - 120 cows & 790 acres
  2. Crop Farm
    - 1,600 acres (half are owned)
    - Corn soybeans and wheat
  3. Beef Operation
    - 144 beef cows and 1041 acres (half are owned)
    - Corn soybeans and wheat



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# Sweat Equity

- Percentage Agreement
  - Owner starts with 75% of income and expenses, after 12 years reduced to 25%.
- Salary Agreement
  - Offer a compensation comparable to off farm job.
  - Cash or assets
- Hourly Agreement
  - Management like percentage, but paid on hours dedicated to operation using KFMA hourly wages rather than net income



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# Sweat Equity

- The percentage agreement was overall the most successful for all three farms in this simulation
- It allowed the returning heir generation to slowly learn and take on more responsibilities each year while seeing the impact of their decision-making on the bottom line of the farm
- When the farm was successful, both the heir and owner generations saw success

