

Farm-Success

training farmers for sustainable succession processes

Sustainable entrepreneurship in family farms succession processes

The succession as a lifelong process in an integral view

Technische
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Introduction

To develop a business like a family farm over years and several generations is an entrepreneurial challenge. The respective consumer needs need to be satisfied and the farm (-orientation) needs to be adapted to that and the personal conviction. New regulations and laws need to be followed. The business has to be run in an economical and ecological sustainable way while these and many more aspects need to be combined to guarantee a successful enterprise – also and especially in case of the succession!

At the beginning you learn basics about business management and business planning. Then we face the intergenerational challenges and tasks to ensure sustainable farming, supporting rural areas.



1. Business Basics

BASICS OF BUSINESS DEVELOPMENT

These are very basics for successful businesses and farming:

1. At the very beginning you have to define **goals** which you achieve by organizing and coordinating the business in this direction. Step by step you go for the goal, **control** the single steps and maybe **adapt** the plan to new given situations. This is what is called “management”!

You will learn in the next chapter how to write a business plan

- What is needed now and in the future?
- Allocate resources efficiently;
- Monitoring and controlling;
- Dealing with problems;

2. Take the lead! You can not do everything on your own.

Business is all about using existing resources in an efficient way! Integrate the persons in your environment (predecessor, family, neighbors, friends etc.) in a sustainable, efficient and effective way

- Which are the priority tasks;
- Think about how to invest your time carefully;
- Delegate operative business and take important decisions.



1. Business Basics

BASICS OF BUSINESS DEVELOPMENT



2. Key functions of business management

- **Controlling:** establish standards, measure and report about the performance, compare objectives and current performance, take actions to correct, consider the budget and the given resources;
- **Directing:** Motivate, communicate, solve conflicts;
- **Organizing:** Delegate, coordinate, share workload;
- **Planning:** work on the vision/mission of your enterprise, set concrete objectives, recruit relevant people;
- “**Where** are we going and **how** do we get there”?
- Keep an eye on the environment and developments in your area.

1. Business Basics

BASICS OF BUSINESS DEVELOPMENT

3. You as entrepreneur

Trust yourself – you are qualified to run your business. Maybe the predecessor is still available and you can ask for advice in difficult situations.

Take your time – gain experience! Optimally shape the succession as a smooth process to more and more learn how to deal with the new situation;

It is important to take the right decisions at the right time – no one takes 100% right decisions:

- Know your enterprise and know who you are;
- Train your professional skills (intellectual, technical, emotional/ethical);
- Develop and update yourself constantly (observation, reflection, exchange).



1. Business Basics

BUSINESS PLANNING

To run a successful company such as a family farm, you need a clear orientation and plan.

A business plan helps you to focus on the important things and to be successful with your company. It can also help to explain your idea to the predecessor, to funding institutions or customers. It is crucial in startup-phase and also after years

1. Why to use a business plan?

Business planning is an ongoing “everlasting” process within an enterprise. It helps you to...

- Discover differences between the plan and the current situation;
- See if adjustment is needed;
- Steer your company



1. Business Basics

BUSINESS PLANNING

3. Gather all information:

Use all available resources to gather relevant information: Internet, professional journals, **Feedback** of persons around you/colleagues, advising companies etc.

Once you thoroughly have written down your reflection on your business and on being an entrepreneur for the first time (or if you are already working in the business), you have something to hold on, to compare, to control and to update.

Now you can write the business plan according to the ideas and the information you gathered in the previous step. Keep in mind to involve relevant stakeholders like the predecessor, the family and others who are relevant for your business. If you involve them from the very beginning, you can prevent conflicts and challenges. But be aware that you will not be able to satisfy everyone.



1. Business Basics

BUSINESS PLANNING

3. Contents of a business plan:

The Product/Service: With whom, for whom and next to whom do you offer the product?



Your Business Planning has to ask the **right questions at the right time**, and the reflection has to deliver answers about the current situation and outcome of the enterprise.

1. Business Basics

BUSINESS PLANNING

3. Answer the following questions to get a clear picture of your idea and find out where you have to rethink or optimize your idea:

- What is your projects name?
- Who are the founder(s)?
- What is the business idea?
- What is special about the business idea?
- Why are you especially experienced and skilled to do this business?
- Which customers does your offer target?
- How does your offer reach your customers?
- How much money do you need in total for your plans?
- How much turnover do you estimate for the next years?
- Does the turnover cover your costs of the business?
- How many employees do you plan to employ within three years?
- What are your goals?
- Which risks could endanger your plans?
- When do you want to start your business?



1. Business Basics

BUSINESS PLANNING

Also the following graphic will help you to not forget any important aspects:

Where do you do business?

- Legal;
- Regional circumstances;
- Infrastructure;

How do you do business?

- Structure;
- Managing;
- Financing;

How do you reach the target group?

- Marketing;
- Sales;
- Advertising;

What if this or that happens

- Scenarios;
- Best/worst case;

You can find a very detailed business plan on the following link:
<http://articles.bplans.com/a-standard-business-plan-outline/>

But: keep it **simple**, and define not too many, but clear values/ positions, that you check on a **regular** basis.

1. Business Basics

BUSINESS PLANNING

If you are in or before a succession process please remember to adapt your plan to the given situation. Think about which resources (financial, property, buildings, human) you have and how you can implement them in your plan.

- **As successor:** If the predecessor is still involved in the farming business, try to find a compromise which consists of your plan and the plan of the predecessor.

It is a very good chance to involve your children in the business from the beginning. But be responsible and not use them as cheap workers. Giving them responsibilities and involving them in decisions you can create interest and identification with the enterprise. This can one day help them to decide to take over the farm.

- **As Predecessor:** Think about how the successor can be integrated in the business. By transferring more and more responsibilities he can learn step by step to deal with the new situation and responsibilities.

Also you can learn what to do with the new freedom and how to release your business in new hands.

To sum this chapter up:

“What is the situation of the farm, where do you want to go with it and how can this be done, respecting the environment and the given resources”

2. Intergenerational Aspects

BASICS ASSUMPTIONS

The main process of a succession takes place within some months or a few years. This is where the main decisions are made and the property as well as the real estate – together with the responsibilities are given officially to the successor. But this official part is only a small part where the succession can be seen.

Looking at the succession more deeply we recognize, that the succession is an ongoing process, starting with the beginning of the takeover of the predecessor.

From the very first beginning of the business the owner has to think about the succession and the retirement:

- When, with the birth of the successor and an age of 30 the predecessor runs his business the predecessor has to invest in the farm, repair and renew or even expand the facilities. This also includes to plan the retirement. This can mean to expect the pension payments of the following farm owner or to plan an independent pension – to only name two possibilities.

2. Intergenerational Aspects

BASICS ASSUMPTIONS

- These considerations also effect the just born (maybe) successor. If the predecessor one day retires and depending on his retirement-plans the successor has to afford his pension or is free to invest the money otherwise.
- Another aspect is the compensation of the successor before the succession. Does he get a reward for his work and later on has to buy the farm or pay a pension to the predecessor? Does he work for board and lodge and later on just get the farm without paying – or nevertheless pay for it?

You recognize with just these three examples, that the succession is a process which cannot be pressed into a short period of time. In the end every decision in the lifetime of the predecessor affects the succession and should be aligned to the plan which we made in the previous chapter.



3. Sustainability aspects of successful family farming

SUSTAINABILITY AND SUCCESSION

Sustainability first of all is a very widespread field with many different aspects. Here you will find some of the most important aspects of running a business which can also and especially be applied to family farming. Since succession is only possible if the farm is run in a sustainable way, this is a central issue.

Generally speaking ensure ecologic, economic and social Sustainability:

- **Ecologic sustainability:** Maintain the essential functions and processes of the ecosystems you use to retain their biodiversity in full measure over the long-term.
- **Economic sustainability:** Employ existing (financial) resources optimally that a responsible and beneficial balance of investing and accumulation of capital is ensured.
- **Social sustainability:** Maintain a healthy community (on the farm and in your region) that not only meets the needs of current, but also future generations.

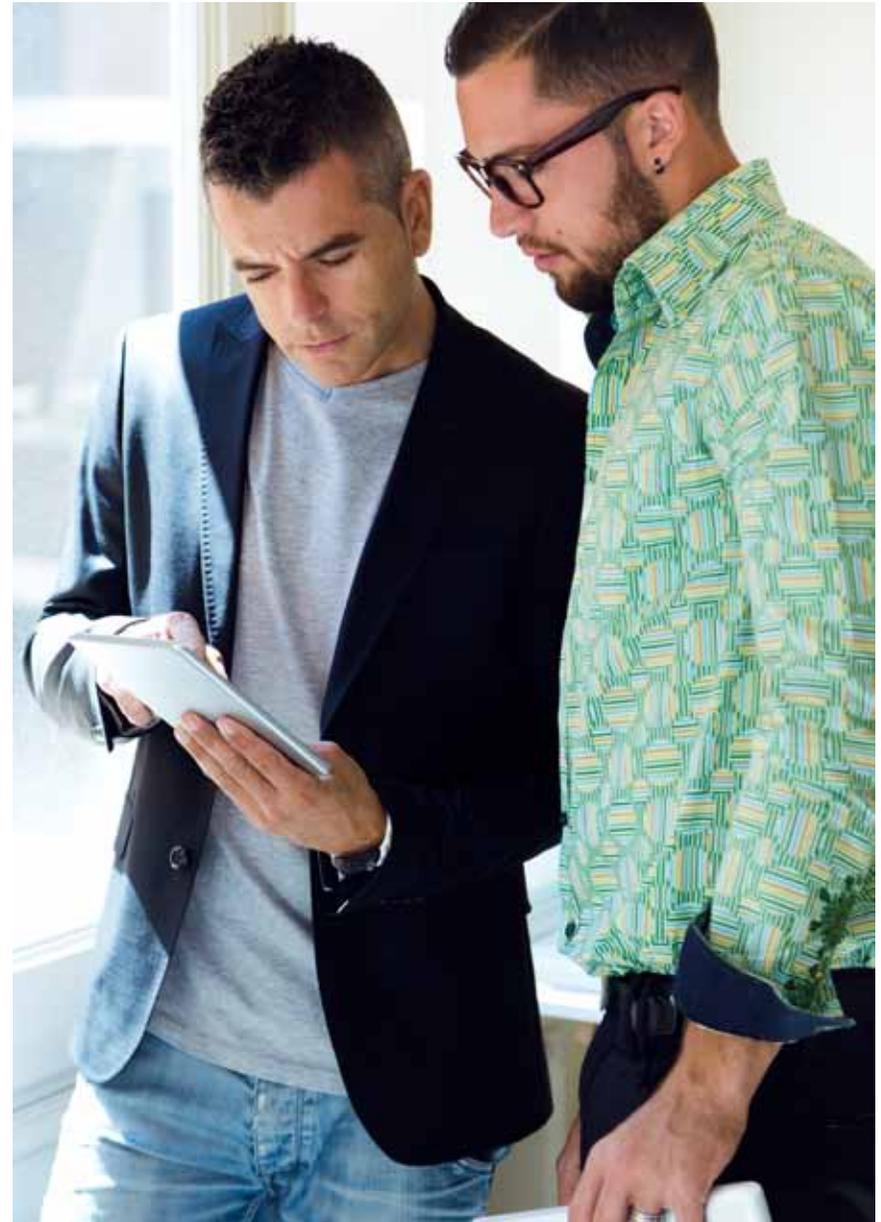
3. Sustainability aspects of successful family farming

SUSTAINABILITY AND SUCCESSION

Thinking of already finished succession processes we can say that if the succession is done in good and healthy way, it generates strength and also financial security for the farm. If successor and predecessor start working together and contribute their workforce, knowledge and ideas, this can lead to healthy, strong and sustainable companies.

Out of this strength and gained capacity other aspects arise: For example environmental performances or better social conditions for the employees on the farm.

This can for example mean to involve the regional economy instead of using the cheapest but far away company.



3. Sustainability aspects of successful family farming

SUSTAINABILITY AND SUCCESSION

A quote says, that:

“If a company earns money it is a societal company”

(Heinz Otto Dürr (*1933)).

In some cases this will be wrong – but in most cases he is right. If a company earns money, the employees have safe jobs, the company can invest in (regional) projects and consequently support its entire surrounding.

Transferred to family farms this can mean, that sustainability can also be found in being successful: financial – but also in positive effects for the environment. This includes nature, local businesses, local workplaces and even vivid rural areas.

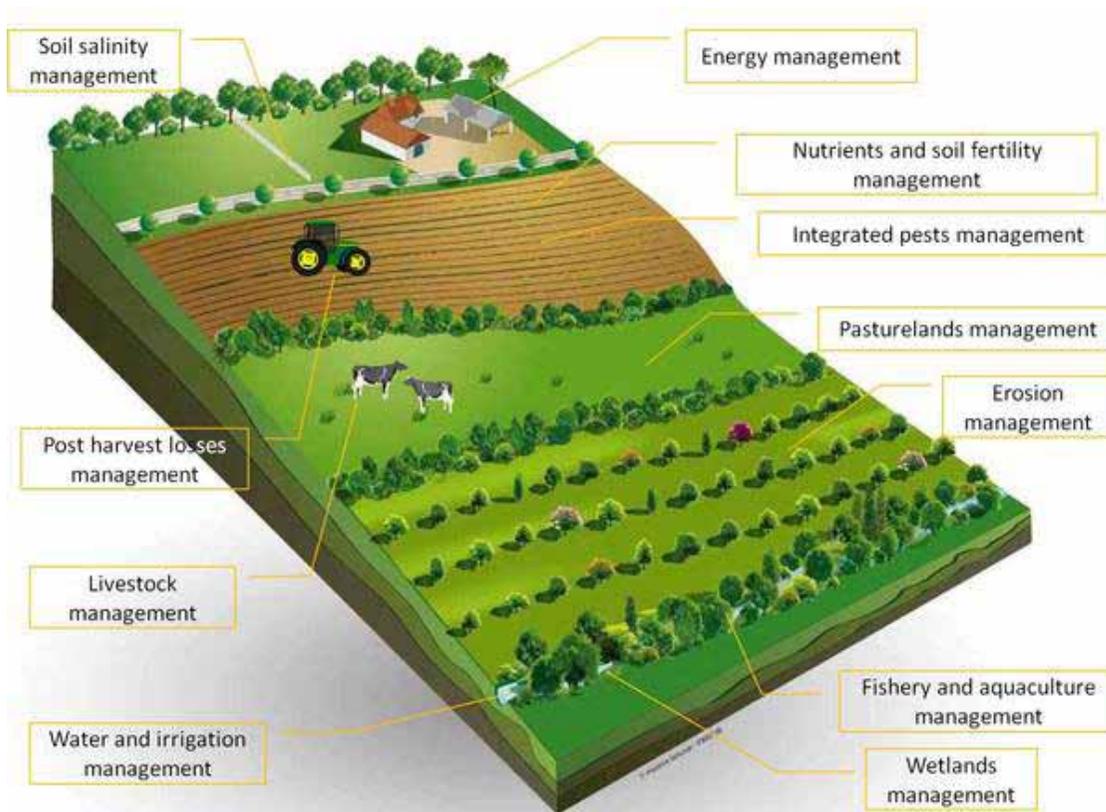
Quote of a farmer:

“I try to be as effective as possible – so I can have time with my family and relieve in this way the society”

You see, there are different approaches of entrepreneurs. But of course, there will be no ecologic and social sustainability without reaching satisfying economic results.

4. Importance of sustainable family farming for rural areas

FAMILY FARMING



<http://www.fao.org/tc/exact/sustainable-agriculture-platform-pilot-website/en/>

“Family farming includes all family-based agricultural activities, and it is linked to several areas of rural development.

Family farming is a means of organizing agricultural, forestry, fisheries, pastoral and aquaculture production which is managed and operated by a family and predominantly reliant on family labor, including both women’s and men’s” (fao)

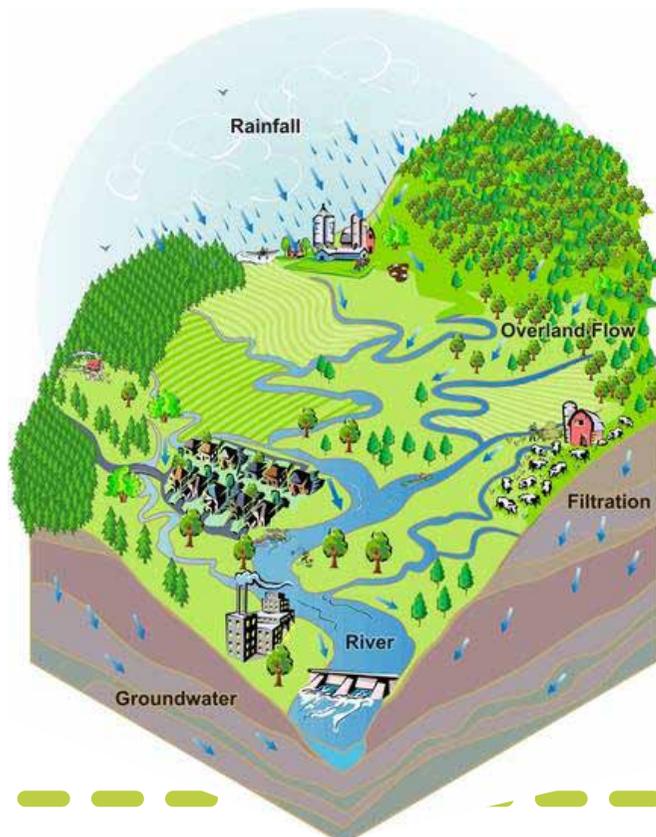
This quote shows the various impacts of family farms in rural areas. To make this more clear, the following pictures show these impacts, the various functions and challenges of agriculture in a colorful way:

4. Importance of sustainable family farming for rural areas

FAMILY FARMING

Family farming not only affects the near surrounding:

It is connected with a very broad and diverse network. It is a key-knot between many city, nature, landscape, water and food production.



Between all these diverse aspects a farm has to compromise and find a sustainable solution – sometimes bringing together opposite opinions like healthy and cheap food.

4. Importance of sustainable family farming for rural areas

CONCLUSION

Finally, family farming is more than a professional occupation – it is a lifestyle based on beliefs and traditions. It provides food security, community wellbeing, strengthens regional economies, conservation of land, sustainable use of natural resources, and climate resilience.

Not without reason, 2014 was the UN international year of the family farming.

In 2010 97 % of all farms in the EU-27 were family farms (farms held by a single natural person who is also the manager) being only the 16% of total agricultural labour performed by non-family workers.

Family farms thus represent an important resource that may help:

- Reducing the unemployment rate in rural areas;
- Tackling the demographic challenge of European farming;
- Maintaining and improving the social, economic and cultural sustainability of rural areas.

To keep alive the economic and social potential of family farms and to face the main societal challenges like “Ageing and Succession” a key factor is to provide young farmers with the tools and knowledge needed to face the succession process.