Farm Succession Survey Report, 2009

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Staff and students working for the Survey Research Center at UW-River Falls were instrumental in the completion of this study. We would like to thank Denise Parks, Megan Glenn, Megan Keune, Hannah Stuttgen, Aaron Peterson, Michelle Landherr, and Ashley Julka. We gratefully acknowledge their hard work and dedication. Additionally, we would like to thank Grady Stehr who completed data entry and provided statistical assistance. The SRC would also like to thank the Lee Milligan, St. Croix County Agriculture Agent, and Phil Harris, UW-Extension Specialist for their leadership and guidance. Additionally we acknowledge the contributions of UW-Extension faculty and staff in the Agriculture and Natural Resources Program Area who provided contact information for the sample. Finally, we would like to thank the farmers throughout the state who took the time to complete their questionnaires.

Table of Contents

Executive Summary

In January 2009 the Survey Research Center mailed surveys to 202 farm households. Survey recipients were identified by participating UW-Extension Agriculture Agents/Educators. The initial mailing was followed by reminder postcards and a second mailing to non-respondents. Ninety-eight usable surveys were returned to the SRC, which is a very respectable 49 percent response rate. Statistical tests do not indicate that "non-response bias" is a problem in this sample.

In terms of ownership structure in multi-generational farms, 90 percent of respondents reported that the oldest generation still had ownership rights in the current farm operation. The mean percentage of ownership decreased from the oldest generation (59%) to the fourth generation (4%).

Accountants and attorneys were the most frequent source of assistance for most stages of farm succession planning. The exceptions to this pattern were the use of educational meetings and conferences to gather information and the influence of family members to identify the need to initiate farm succession planning. UW-Extension is an important player during the stage during which farm families recognize the need to develop a succession plan and during the information gathering phase. Extension might expand its role in this process by understanding and delivering on the applied research and professional development needs of attorneys and accountants about farm succession.

Succession planning is not a quick process. Over half of respondents reported taking more than a year to complete their plans. About one in eight took longer than four years to complete it.

The three largest challenges to overcome in the development of a farm succession plan were determining the future financial viability of the farm, gaining sufficient knowledge to make decisions, and overcoming communication obstacles between the generations.

The highest priority objectives for the succession planning were to maintain the long-term viability of the farm for future generations, to provide financial security for the older generation, to keep the farm and/or farmland in the family, and to provide for fair treatment of on-farm heirs.

Six in ten respondents said they are satisfied with their succession plans, 36 percent had a neutral opinion, and only two percent were dissatisfied.

Farm assets are more likely to be transferred to on-farm heirs than to heirs living off the farm. Over half of respondents use a single method (gifting, purchase, or transfer at time of death), but four in ten use multiple methods.

Survey Purpose

The purpose of this study was to gather information about the experiences of Wisconsin farmers who had completed a succession plan to transfer the ownership of the farm. The survey was sponsored by the University of Wisconsin – Extension in order to guide development of educational programs to meet the evolving needs of Wisconsin farmers. UW-Extension chose to work with the Survey Research Center (SRC) at the University of Wisconsin – River Falls to conduct the survey.

Survey Methods

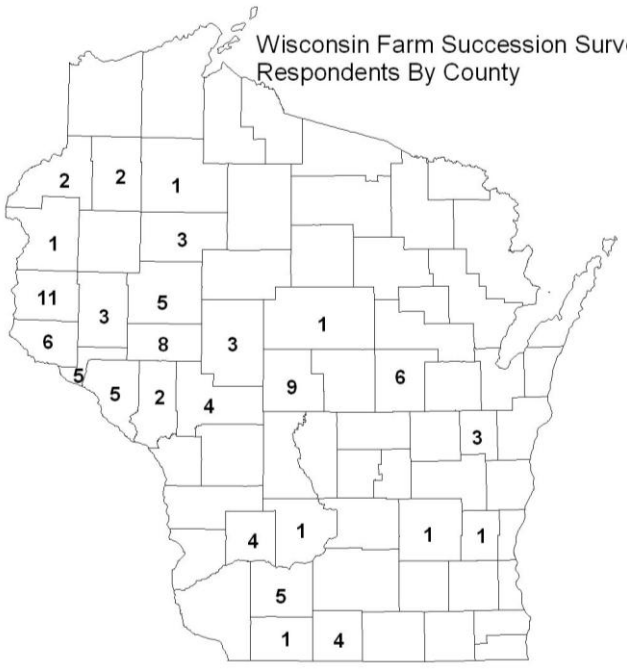
In January 2009 the Survey Research Center mailed surveys to 202 farm households. Survey recipients were identified by UW-Extension Agriculture Agents/Educators around Wisconsin (Figure 1). The initial mailing was followed by reminder postcards and a second mailing to non-respondents. Ninety-eight usable surveys were returned to the SRC, representing a very respectable 49 percent response rate.

Any survey has to be concerned with "non-response bias." Non-response bias refers to a situation in which people who don't return a questionnaire have opinions that are systematically different from the opinions of those who return their surveys. **Based upon a standard statistical analysis that is described in Appendix A, the Survey Research Center (SRC) concludes that there is no evidence that non-response bias is a concern for this sample.**

In addition to the numeric responses, respondents provided additional written comments, which were compiled by the SRC from the surveys. **Appendix B to this report contains the complete compilation of comments.**

Appendix C contains a copy of the survey questionnaire with a quantitative summary of responses by question.

Figure 1.



Profile of Respondents: Farm Information and Structure

Generation. The overwhelming majority (81%) of questionnaires were completed by members of the generation who have recently transferred farm assets to a succeeding generation rather than a member of the generation receiving the farm assets.

Location. As shown in the map in Figure 1, the highest proportion of respondents came from the counties in the west-central portion of the state. St. Croix County had 11 respondents, followed by Wood County with 9 respondents and Eau Claire County with 8 respondents.

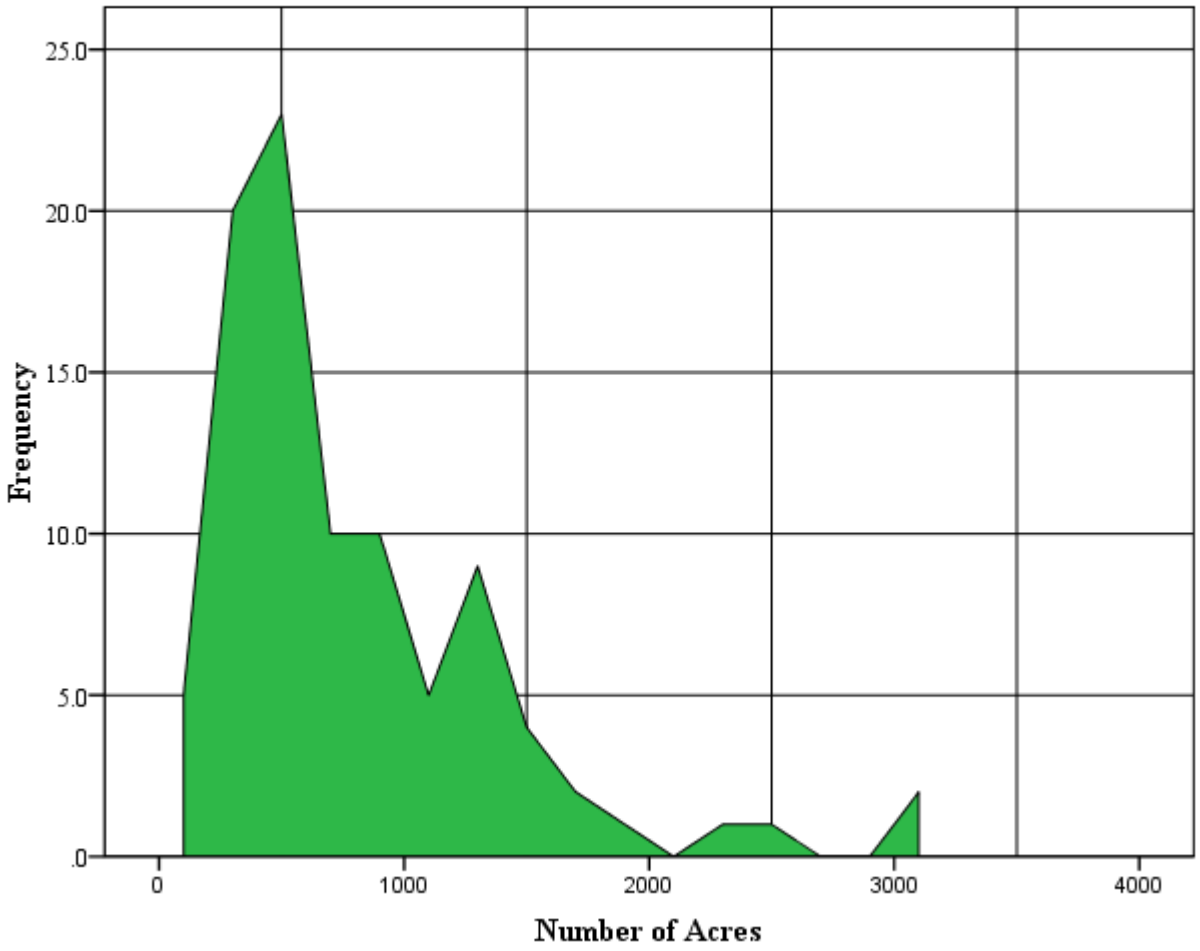
Farm Size. Table 1 presents the summary data for the number of acres owned by the survey respondents. Farm sizes range from a low of 120 acres to as high as 3,000 acres. The mean number of acres owned was 772. The median was slightly lower at 575 acres. Respondents to this survey tended to own

Table 1. Farm Size Summary Data (acres)			
Count	Mean	Median	Range
93	772	575	120-3,000

substantially larger farms than the overall state mean of 195 acres as reported in by the National Agricultural Statistics Service (USDA).

The Chart 1 histogram presents the distribution of acreage frequencies as reported by the respondents and indicates that 500 acres was the mode number of acres. About 17 percent of respondents said they own fewer than 300 acres. One in three owned 300 to 599 acres. One in five owned 600 to 999 acres, and 27 percent owned a thousand acres or more.

Chart 1. Distribution of Farm Sizes



Farm enterprise information. Respondents were asked for basic information regarding the number and types of livestock in their operation as well as the types and acres in crop production (owned and rented). The results are presented in Tables 2 and 3 and are sorted by the mean number of animals or acres. Dairy cows were by far the most frequent type of livestock enterprise, with 85 respondents reporting a mean number of 234 cows. The number of dairy cows among respondents' operations ranged from 20 to 1,700. Thirteen respondents used the "Other" category to list heifers. The mean number of heifers was 165, and the range was 34 to 570. Steers were on 33 of the respondents' farm operations, with a mean of 61 animals and a range of 5 to 350 animals. There were relatively few respondents who reported beef cows/calves, ewes, or sows among their livestock.

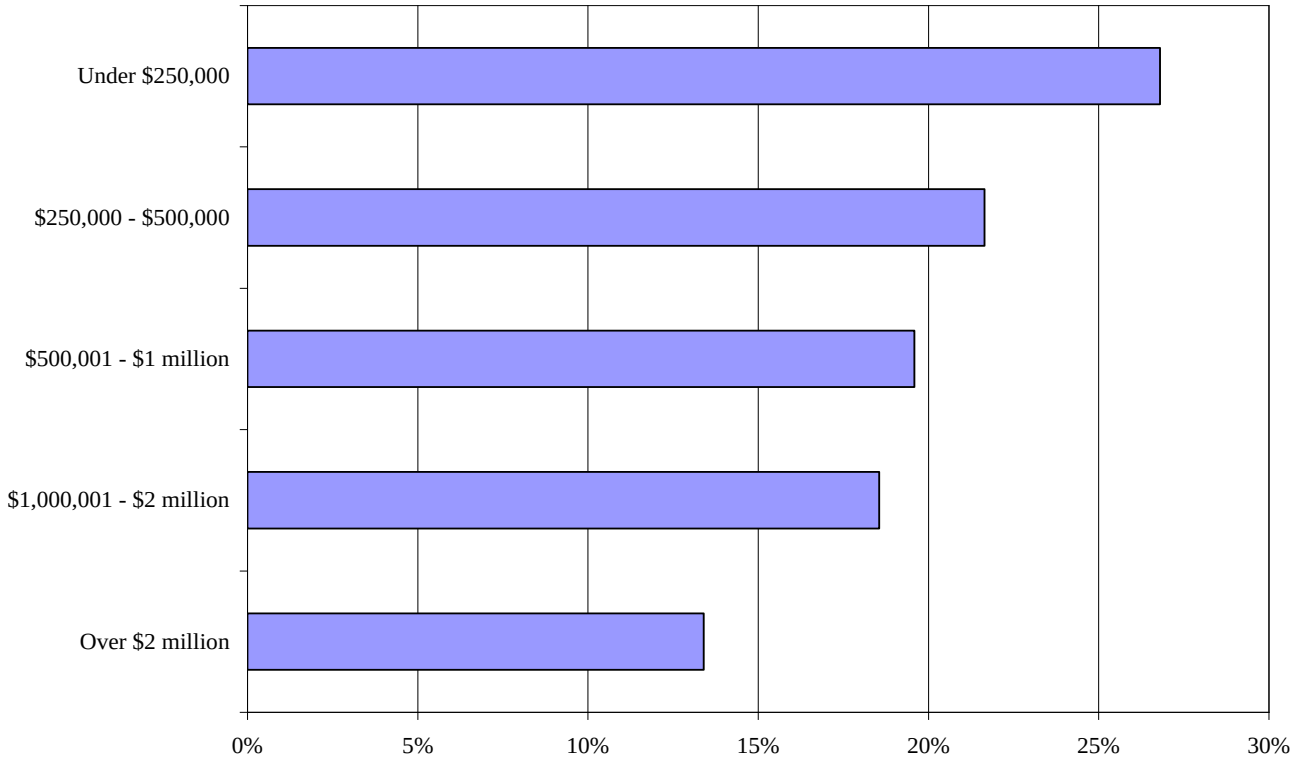
Table 2. Farm Enterprise: Number of Animals				
Type	**Count of Respondents**	**Mean**	**Median**	**Range**
Dairy (# Cows)	85	234	120	20-1,700
Heifers	13	165	90	34-570
Other	9	127	24	1-700
Steers (#)	33	61	30	5-350
Beef Cows/Calf	11	56	27	5-220
Sheep (# Ewes)	4	32	23	2-80
Swine (# Sows)	2	12	12	5-18

Table 3. Farm Enterprise: Crop Acreage				
Type	**Count of Respondents**	**Mean**	**Median**	**Range**
Cash grain (owned)	40	383	317	20-1,300
Cash grain (rented)	36	319	150	25-1,400
Other	9	280	200	70-500
Veg, Fruit or Nuts	3	168	135	39-330

Forty respondents indicated they grew cash grain on land they owned. The acreage ranged from 20 to 1,300 acres, with a mean of 383 acres. Thirty-six respondents said they grew cash grain on rented land, which ranged from 25 to 1,400 acres. The mean acreage for rented cash grain was 319 acres. Relatively few respondents reported other types of crop production. The nine responses in the "other" category tended to be forage crops. Only three respondents reported vegetable, fruit, or nut production.

Gross Revenue. As shown in Chart 2, about half of the respondents reported an annual gross revenue of $500,000 or less – of these 27 percent earned less than $250,000 and 22 percent earned between a quarter million and a half million dollars. About one in five had revenues between $500,001 and a million dollars. More than a third reported revenues over a million dollars. Based on USDA farm size classification criteria, the respondents were grouped into three classes based on annual gross revenue: small farm = less than $250,000 (27%), large farm = $250,000 to $499,999 (22%) and very large farm = $500,000 or more (52%). Overall, respondents to this survey had more annual gross farm revenue than the state average. If farms grossing under $100,000 are excluded from the count, the State of Wisconsin has 50 percent in the small category, 28 percent in the large category, and 22 percent in the very large category. As we proceed through this report, the SRC will note any differences in the response patterns among the three USDA groupings. Due to the small number of respondents, relatively large differences are required to attain statistical significance. The report will note non-statistically significant differences where appropriate.

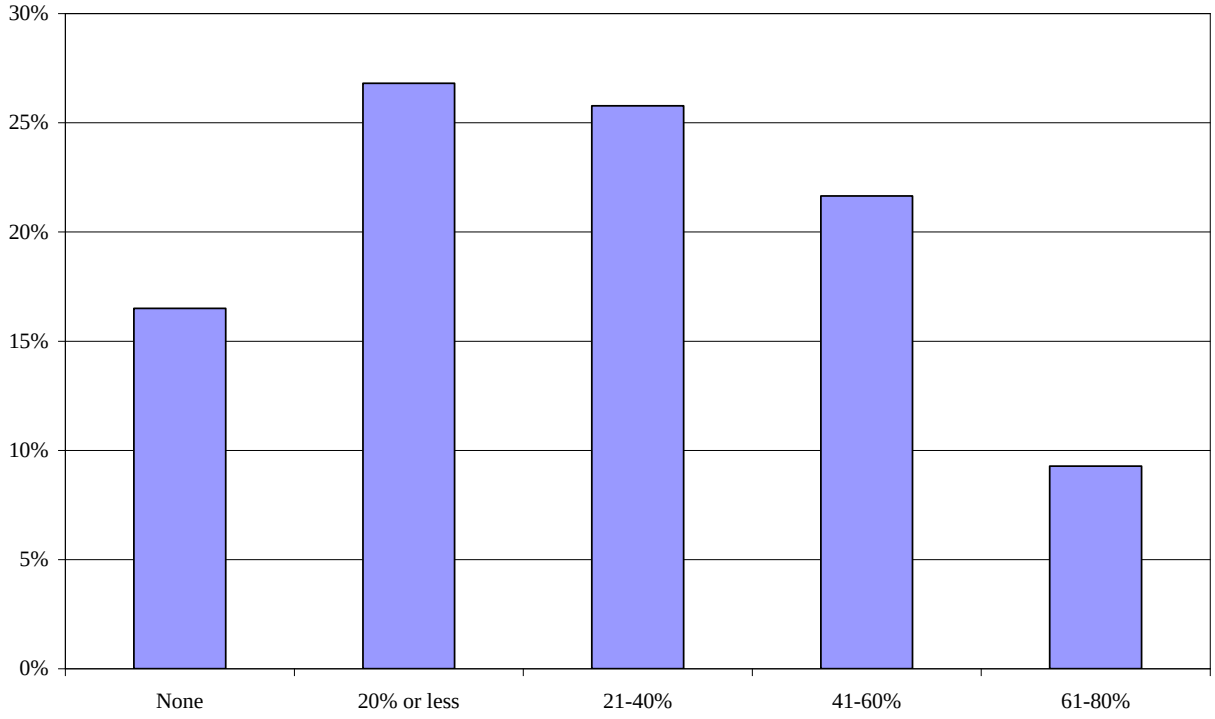
Chart 2. Gross Farm Revenue, 2007



Debt. Respondents were asked to indicate their debt as a percentage of total farm assets. As shown in Chart 3, more than four in ten respondents reported either no debt (16%) or 20 percent or less debt (27%). About a quarter said their farm debt is between 21 and 40 percent, and 22 percent indicated debt between 41 and 60 percent. Nine percent reported debt between 61 and 80 percent. These data indicate that a majority of respondents carry relatively light debt loads, which would be likely to ease the process of succession planning and transition.

Respondents with "small" and "large" farms tend to carry a smaller amount of debt than those in the "very large" category. About 60 percent of respondents whose farms fit the "small" or "large" classification said they have 20 percent or less debt. In contrast, only about 33 percent of respondents with "very large" farms had debt that is 20 percent or less. Another third of "very large" farms in this study reported debt loads of between 21 percent and 40 percent, and about one-quarter said their debt was in the 41 percent to 60 percent range.

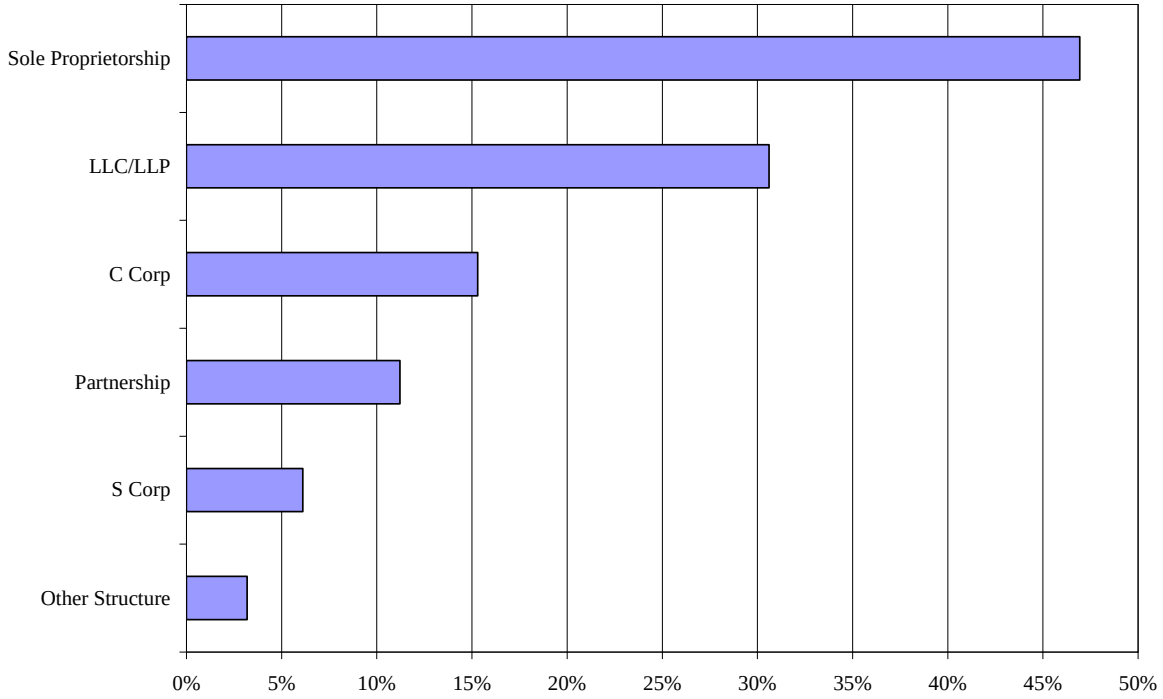
Chart 3. Percent of Debt



Business Structure. As shown in Chart 4, sole proprietorships are the most common form of business structure among respondents (47%); about a third are limited liability partnerships (LLP) or limited liability corporations (LLC). Relatively few respondents are C corporations (15%), partnerships (11%), or S corporations (6%). Even though there were fewer corporations (either C type or S type) or partnerships among the respondents, the use of these forms of business structure is more frequent than in the overall farm population of Wisconsin. According to the Census of Agriculture (2007), 87 percent of Wisconsin farms are sole proprietorships; 8 percent are partnerships; 4 percent are corporations; and 1 percent are "other."

Small farms are much more likely to be organized as sole proprietorships (77%) than large or very large operations. Very large farms more frequently use the LLC/LLP structure (48%).

Chart 4. Business Structure



Generational participation in the farm business. Participants were asked to complete a table with generational data regarding ownership, and participation in management decisions, assistance with labor, and the number of off-farm siblings. Table 4 presents summary data for each generation, including means and ranges (in parentheses).

The number of individuals involved in the farm business decreased in each successive generation, with 89 (91%) respondents providing data on the oldest generation and only 8 (8%) respondents providing data for the fourth generation.

Not surprisingly, the mean age decreased from the oldest generation (60 years) to the fourth generation (27 years) and the maximum age also declined with each successive generation.

The mean percentage of ownership also decreased from the oldest generation (59%) to the youngest (4%). The first three generations all have members who have up to 100 percent ownership in the farm, but the maximum for the fourth generation is only 15 percent.

The mean number in each generation with an ownership position is constant in the first three generations (approximately 1.5) and declines slightly in the fourth generation. Likewise, there is not a large difference among the first three generations in terms of participation in management decisions.

All generations but the fourth have members who provide farm labor without participation in management, and the mean increases slightly from the oldest (0.9 persons) through the third generation (1.3 persons).

There were no statistically significant differences regarding the generational participation among the small, large, and very large farms who returned their surveys. However, the SRC noted a few tendencies that may merit additional discussion. The oldest generation on small farms had fewer off-farm siblings (mean=1.0) than those from large farms (mean=3.7) and very large farms (mean = 2.4). The SRC noted that the oldest

generations in the small and large farm groups are, on average, slightly older than those on very large farms. One potential reason for fewer off-farm siblings among small farm operators is that more of their siblings have died. The percentage of ownership in the second generation was slightly smaller among small farms in the survey (33%) than reported by respondents from large farms (48%) or very large farms (45%).

Table 4. Generational Participation

Generation	Count	Mean Age	Mean Percent of ownership	Mean # in generation with ownership in farm	Mean # in generation who participate in farm mgmt. decisions	Mean # in generation who provide labor, but no farm mgmt.	Mean # of siblings in generation who are off-farm
Oldest	89	60 (24-91)	59% (0-100)	1.5 (0-6)	1.4 (0-4)	0.9 (0-3)	2.5 (0-10)
Second	76	39 (16-70)	38% (0-100)	1.5 (0-5)	1.4 (0-4)	1 (0-4)	2.2 (0-6)
Third	33	28 (2-65)	17% (0-100)	1.4 (0-22)	1.1 (0-5)	1.3 (0-6)	1.3 (0-4)
Fourth	8	27 (6-36)	4% (0-15)	0.8 (0-1)	0.8 (0-1)	0	2.3 (0-4)

Farm Succession Planning Process

Involvement in the Succession Planning Process. Respondents were given a list of types of providers and resources for developing a farm succession plan and asked to identify which were important in the four stages of succession planning (identifying the need, providing information, setting objectives, and developing/writing the plan). The results are shown in Table 5. Since respondents could choose as many as applied, the percentages total more than 100 percent.

Family members and accountants dominated need identification phase and were cited by 33 percent and 29 percent respectively. Attorneys were in third place with 21 percent. There were no statistically significant differences among the three USDA farm classifications. However, there were some notable variations in their response patterns. Respondents from small farms were less likely to cite accountants and attorneys as an important resource in identifying the need for a succession plan and were slightly more likely to say that family members play an important role in identifying the need for a succession plan.

Compared to the other steps in the process, a larger number of sources were important during the information gathering phase. Roughly one-fifth or more of the respondents reported getting information from accountants, attorneys, educational conferences, their lenders, UW-Extension, written materials and a financial planner. There was a virtual three-way tie among accountants, attorneys, and educational conferences as the most frequent sources of information about succession plans. Slightly more than one in three cited each of these three sources. Respondents who operate small farms were statistically more likely to use family members as an important source of information. Small farm operators in the survey were less likely to have included accountants and attorneys as important sources of information, although the difference is not statistically significant. Large farm respondents were more likely to have listed neighbors and UW-Extension Specialists as an important source of information.

When setting objectives for the succession plan, respondents were more likely to report using attorneys (32%) and accountants (30%). Respondents from very large farms more frequently cited accountants than respondents from small farms or large farms. Respondents from small farms were less likely to have included attorneys among the important sources for setting objectives. Although lenders were not frequently cited by any of the three groups, very large farm operators were more likely to include lenders among their choices.

The responsibility of developing the written plan was most frequently entrusted to an attorney (51%), with accountants a distant second at 16 percent. Respondents from small farms were much less likely to have

included an attorney among their choices when compared to respondents from large farms and very large farms. Respondents from small farms were more likely to use an accountant to develop their written succession plan.

Overall, accountants and attorneys were the most commonly cited resources for most of the stages of farm succession planning. The only exceptions were the increased influence of family members for identifying the need for a succession plan and for the use of educational conferences for information. In terms of UW-Extension, the most prominent roles for County Agents and State Specialists are in helping farm clients recognize the need for succession planning and providing them with information once that decision has been made. In addition, it is likely that UW-Extension is a frequent sponsor of the educational conferences and meetings that respondents rated near the top of the resources utilized as sources of information about succession planning.

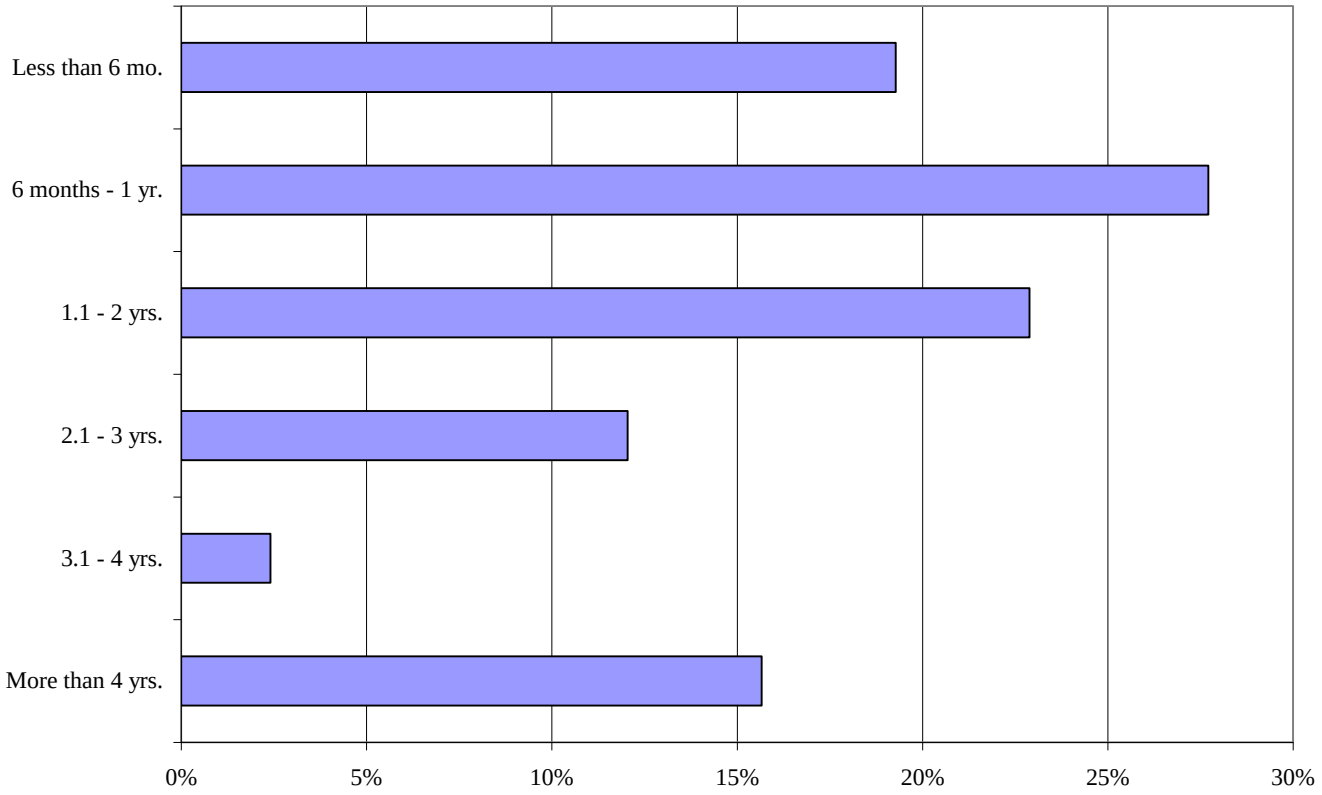
Table 5. Important resources in various stages of farm succession plan.

	Count	Identified the need for a succession plan	Provided information about succession plans	Helped to set succession plan objectives	Development and writing of succession plan
Accountant	97	**29%**	**38%**	**30%**	16%
Attorney	97	21%	**36%**	**32%**	**51%**
Educational conferences/Meetings	97	17%	**35%**	12%	3%
Family Members	97	**33%**	14%	18%	5%
Financial Planner	97	11%	19%	15%	6%
Insurance Agent	97	9%	7%	5%	1%
Lender	97	17%	23%	16%	4%
Neighbors	97	6%	8%	1%	0%
UW-Extension County Agent	97	16%	20%	11%	1%
UW-Extension State Specialist	97	8%	11%	4%	0%
Vo-Tech Instructor	97	10%	12%	6%	2%
Websites	97	4%	6%	0%	0%
Written Materials	97	9%	20%	9%	1%
Other: specify _____		2%	2%	2%	3%

Time needed for development. Respondents were asked how long it took to develop their succession plans. Their answers are shown in Chart 5. No single length of time stood out from the available choices. About one in five plans were completed in less than 6 months. However, the most frequent response category chosen was between 6 months and a year (28%). Twenty-three percent said their plans took between a year and two years to complete, and another 12 percent said their plans took between 2.1 and three years. Two percent said their plans took 3.1 to four years. That being said, 16 percent said their plans took longer than four years to complete.

The size of the farm operation made no difference in the time needed to complete the succession plan. In addition, the SRC tested to see if the number of generations participating in management and the number of individuals participating in management had an impact on the length of time taken to develop the succession plan. Neither were statistically associated with the amount of time needed to complete the plan.

Chart 5. Time to Develop Farm Succession Plan

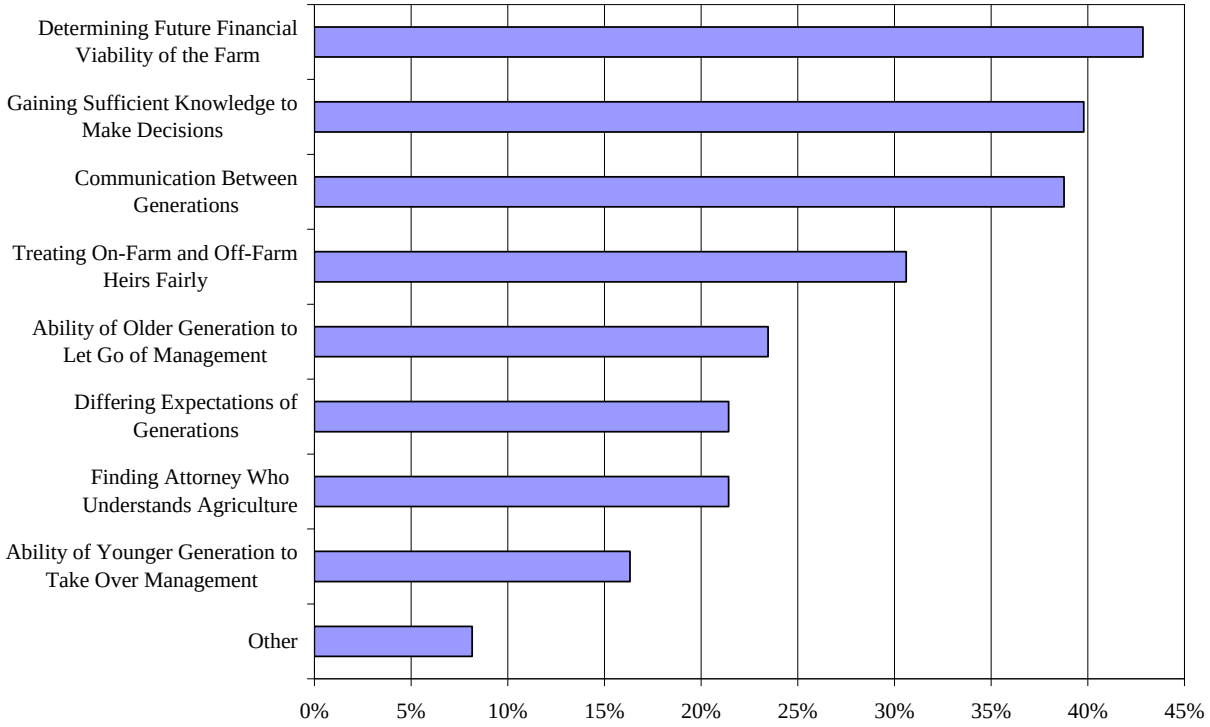


Challenges to succession planning. Respondents were presented a list of eight aspects of developing and implementing a farm business succession plan and asked to choose three items from the list that were most challenging to them. As shown in Chart 6, the top three challenges were determining the future financial viability of the farm, gaining sufficient knowledge to make decisions for a successful plan, and communications between the generations. These three were grouped closely together at the top with about four in ten respondents picking them in their top three. There was only a four point spread (43 to 39 percent) separating them.

About a third of respondents said that fair treatment of on-farm and off-farm heirs was among their top three challenges. Between 20 percent and 25 percent included the ability of the older generation to let go of management, differing expectations among the generations, and finding an attorney who understands the unique aspects of agriculture among their three priority challenges. The ability of the younger generation to take over management was seen as a priority issue for only 16 percent of respondents.

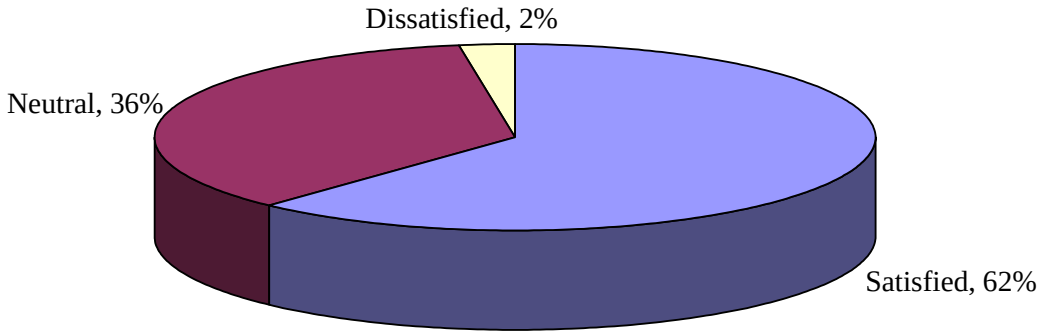
Determining the future financial viability of the farm was more often a challenge to respondents from very large farms. While about one in four respondents from small farms and large farms included this issue among their top three challenges, 56 percent of respondents from very large operations said it was one of their top three. Although it did not rise to the level of statistical significance due to the relatively small number of responses, the SRC notes that respondents from very large farms were more likely to say that the ability of the younger generation to take over management was among their top three challenges (24%) compared to respondents from small farms (8%) and large farms (10%).

Chart 6. Three Largest Challenges to Farm Succession Planning



Satisfaction with the farm succession plan. As shown in Chart 7, six in ten said they are satisfied with their succession plan, and only two percent said they are dissatisfied. However, about one in three had a neutral opinion about their plan. Among the neutral responses were seven respondents who later stated in an open ended question at the conclusion of the survey that they had yet to complete their farm succession plan.

Chart 7. Satisfaction with Succession Plan



Respondents from small farms were more likely to have a neutral opinion (44%) than owners of large farms (26%) and very large farms (35%), although the differences are not statistically significant.

Distribution Methods.

Respondents were asked to complete tables regarding the methods used (or to be used) for the transfer of farm real estate assets and farm assets other than real estate. For each method, respondents were asked to indicate the percentage that went to (or will go to) on-farm heirs and to off-farm heirs. Seventy-two of the survey

respondents completed the two data tables. The results are summarized in Table 6 and Table 7. For each transfer method, the summary table contains the following tabulations:

- Count of responses, followed by the percentage using that method (based on the 72 responses)
- Mean percentage transferred, followed by the range

Regarding the transfer of farm real estate, on-farm heirs were more likely to receive farm real estate than off-farm heirs. As shown in Table 6, the frequency of use was higher and the mean percentage transferred was higher for on-farm heirs. The mean percentage transferred to on-farm heirs at time of death and via purchase was the same – 33 percent. Although gifts were used nearly as often, the mean percentage transferred to on-farm heirs is significantly less (17%). The mean percentage transferred to off-farm heirs was substantially less across all three methods: transfer at time of death (8%); purchase (3%), and gift (1%).

Although a majority reported using only one of the methods to accomplish their real estate asset transfers, about four in ten respondents said they use two or more of the methods.

There were no statistically significant differences among the three farm sizes, but the SRC notes a tendency for small farms to transfer a higher percentage of farm real estate assets to on-farm heirs by means of purchase.

Table 6. Approximately, what percent of the farm real estate property (land, buildings, etc.) will be or has been transferred to succeeding generations by:

	Percent Transferred to:			
	On-farm heir		Off-farm heir	
Method	Count (%)	Mean (range)	Count (%)	Mean (range)
Transferred at time of death	35 (49%)	33% (0-100%)	11 (15%)	8% (0-100%)
Purchase	35 (49%)	33% (0-100%)	2 (3%)	3% (0-100%)
Gift	30 (41%)	17% (0-100%)	6 (8%)	1% (0-29%)
Other: specify	6 (8%)	5% (0-90%)	1 (1%)	13% (0-25%)

Regarding transfer of farm assets other than real estate, as shown in Table 7, the pattern is similar to the transfer of real estate. Again, on-farm heirs were more likely than off-farm heirs to receive non-real estate farm assets. The mean percentage transferred to on-farm heirs ranged from 39 percent for purchases to 14 percent for gifts. Compared to the data in Table 6, there was a slightly greater spread in overall frequency of use of the three methods to non-farm heirs. Purchase of assets by the on-farm heir was the most frequent and was cited by 55 percent. Transfer at time of death to on-farm heirs was reported by 42 percent; and the use of gifting was reported by 35 percent. Again, relatively few respondents reported using any of the three methods to transfer non-real estate assets to off-farm heirs and the mean percentages were also substantially smaller than for the on-farm heirs.

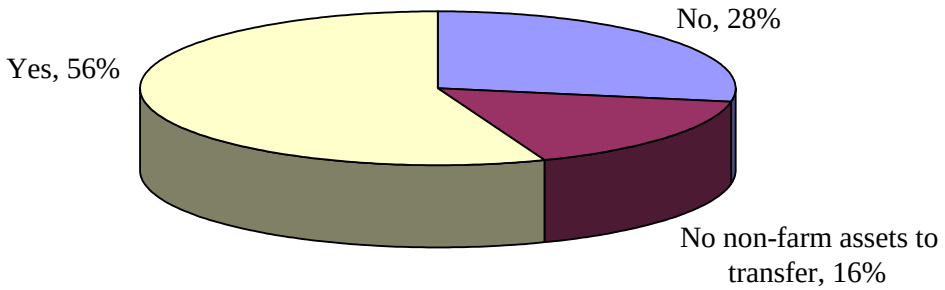
As reported for the transfer of real estate assets above, a majority reported using only one of the methods to accomplish their non-real estate asset transfers, but use of multiple methods was not infrequent, with about four in ten respondents using two or more methods.

None of the differences in the response patterns among the three farm sizes achieved a level of statistical significance. However, the SRC again notes a tendency for small farms to transfer a higher percentage of non-real estate farm assets to on-farm heirs by means of purchase.

Table 7. Approximately, what percent of the farm assets other than real estate (equipment, livestock, feed, etc.) will be or has been transferred to succeeding generations by:				
	Percent Transferred to:			
	On-farm heir		Off-farm heir	
Method	Count (%)	Mean (range)	Count (%)	Mean (range)
Purchase	40 (55%)	39% (0-100%)	2 (3%)	3% (0-100%)
Transferred at time of death	30 (42%)	29% (0-100%)	4 (6%)	2% (0-100%)
Gift	25 (35%)	14% (0-100%)	6 (8%)	3% (0-100%)
Other: specify	9 (13%)	9% (0-100%)	0 (0%)	0%

Non-farm asset transfer. The last question in this section asked respondents whether they have transferred or will transfer non-farm assets to off-farm heirs. The results are shown in Chart 8. The majority (56%) said off-farm heirs will receive or have received non-farm assets. About one in six respondents said they have no non-farm assets to transfer.

Chart 8. Transfer of Non-farm Assets to Off-Farm Heirs?



Farm Succession Plan Objectives

Near the end of the survey, respondents were asked to prioritize their farm succession objectives. A list of six objectives was provided, and respondents were asked to rate each on a 7-point scale, where 1 equals the highest priority and 7 equals the lowest priority. Table 8 presents the results in two ways. The SRC calculated the mean rating for each objective, which is shown in the column adjacent to the count of respondents for each objective. The list of objectives is sorted in descending order based on the mean ratings. Secondly, the table contains the distribution of percentages along the 7-point for each objective.

Maintaining the long term viability of the farm for future generations was the highest rated objective. Slightly over half of respondents gave this objective the highest priority rating and an additional one in five respondents gave it the second highest priority rating. The mean rating was 2.0.

To provide for the financial security of the older generation and to have the farm and/or farmland remain in the family were in a virtual tie for second place in the ratings. About four in ten respondents gave each of these objectives the highest priority rating and their respective means were 2.27 and 2.32.

The fair treatment of on-farm heirs was the overall fourth highest rated objective with a mean rating of 2.48. It received the highest rating from 36 percent of respondents and the second highest rating from an additional 23 percent.

The remaining two objectives had distinctly lower priority ratings than the top four. Fair treatment of non-farm heirs had a mean rating of 3.80, and 15 percent of respondents said it was in the highest priority category. Equal treatment of all heirs received a relatively lower mean rating of 4.24. Its last place rating was secured by having the largest percentage in the lowest priority category (29%).

There were no statistically significant differences in the response patterns of the respondents from the three farm size classes. While not achieving a level of statistical significance, the SRC notes that a smaller proportion of respondents from large farms placed the maintenance of long term viability in the highest priority category.

Table 8. Farm Succession Plan Objectives – Priority Rankings

			Highest Priority						Lowest Priority
Objective	**Count**	**Mean**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
Maintain long term viability of farm for future generations	88	2.00	**53%**	19%	14%	6%	3%	5%	0%
Financial security of older generation	90	2.27	39%	27%	17%	10%	1%	2%	4%
Farm and/or farmland remains in the family	90	2.32	43%	26%	9%	13%	3%	3%	2%
Fair treatment of on-farm heirs	88	2.48	36%	23%	20%	10%	3%	1%	6%
Fair treatment of non-farm heirs	88	3.80	15%	15%	18%	16%	15%	8%	14%
Equal treatment of all heirs	90	4.24	18%	17%	9%	8%	7%	13%	**29%**
Other	5	2.0	60%	20%	0%	0%	20%	0%	0%

Comments

At the end of the survey, respondents were asked for any additional comments they would like to make. Thirty of the 98 surveys contained written comments. They are listed in Appendix B. With the exception of the 13 respondents who said they had not yet begun a succession plan or were still working on theirs, there were no particular themes or patterns to the content.

Conclusions

Farm families face particular obstacles when they wish to develop a farm succession plan, including determining the financial viability of the farm, gaining sufficient information to make decisions, and overcoming communication obstacles between the generations involved. In preparing their succession plans, the most frequent objectives are to maintain the long-term viability of the farm for succeeding generations, to provide financial security for the older generation, to keep ownership of the farm and/or farmland in the family, and to provide for the fair treatment of on-farm heirs.

In order to create succession plans, farm families seek the assistance of professional service providers, most frequently accountants and attorneys. The process generally is not quick, with half taking at least a year and about a third taking at least two years to complete their succession plans. The process of asset transfer frequently utilizes multiple methods, including gifting, purchase, and transfer at time of death, and farm assets are more likely to be transferred to on-farm heirs than to off-farm heirs. In the end, a majority are satisfied with their succession planning efforts.

UW-Extension is an important resource in the succession planning process through individual contact with farm families and educational meetings. Its primary roles center around educating farm families about the need for succession planning and providing information about this process. Extension likely also plays an important role in organizing workshops and informational meetings on this topic. This survey identified accountants and attorneys as the most commonly used resource providers regarding farm succession planning. Extension may want to investigate the applied research and professional development needs of these two professions on farm succession planning topics.

Appendix A — Non-Response Bias Test

Any survey has to be concerned with "non-response bias." Non-response bias refers to a situation in which people who don't return a questionnaire have opinions that are systematically different from the opinions of those who return their surveys. For example, suppose most non-respondents are not satisfied with their farm succession plans (Question 12), whereas most of those who returned their questionnaire said they are satisfied their succession plans. In this case, non-response bias would exist, and the raw results would overstate respondents' opinion about their satisfaction with their succession plans.

The standard way to test for non-response bias is to compare the responses of those who return the first mailing of a questionnaire to those who return the second mailing. Those who return the second questionnaire are, in effect, a sample of non-respondents (to the first mailing), and we assume that they are representative of that group. In this survey, 63 people responded to the first mailing, and 35 responded to the second mailing.

We found only nine variables with statistically significant differences between the mean responses of these two groups of respondents (Table A1) out of 138 tested (7%). As shown in Table A1, there was no systematic pattern among the nine variables with statistically significant differences. **The Survey Research Center (SRC) concludes that there is little evidence that non-response bias is a concern for this sample.**

Table A1 – Statistically Significant Differences Between Responses of First and Second Mailings

Variable	Mean First Mailing	Mean Second Mailing	Statistical Significance
6. C Corporation	.10	.26	.033
7. 3rd generation # siblings off-farm	.73	2.4	.015
9. Meetings provided information	.44	.23	.042
9. Insurance agent helped set objectives	.00	.14	.002
9. County Agent helped set objectives	.16	.03	.048
13. Off-farm gift percentage	.21	2.66	.016
14. Off-farm gift percentage	75.0	14.8	.024
14. On-farm transfer at time of death percentage	60.0	27.5	.047
16d. Fair treatment of on-farm heirs	2.16	3.03	.017

Appendix B — Farm Succession Survey Comments

Question 1. In what County is your farm primarily located?

- Buffalo - 5
- Burnett - 2
- Calumet - 3
- Chippewa - 5
- Clark - 3
- Dunn - 3
- Eau Claire - 8
- Green - 4
- Iowa - 5
- Jackson - 4
- Juneau - 1
- Lafayette - 1
- Marathon - 1
- Pepin - 5
- Pierce - 6
- Polk - 1
- Richland - 4
- Rusk - 3
- Sauk - 1
- Sawyer - 1
- St. Croix -11
- Trempealeau - 2
- Washburn - 2
- Washington -1
- Waupaca - 6
- Wood - 9

Question 3. Describe your current farming operation as it is today. Place the number of animals or acreage in the appropriate box.

"Other" animals – 1 (16 responses)

- Heifers/Dairy heifers (9X)
- Dairy Calves (2x)
- Boar
- Breeding stock
- Hogs
- Goats
- Min Donkey

"Other" animals – 2 (6 responses)

- Heifers/Dairy heifers (4x)
- Beef Calves
- Ram

"Other" crop – 1 (7 responses)

- Alfalfa (2x)
- Cash forage, rent barn out
- Corn-silage, grain
- Forages
- Forest
- Grow crops to feed

"Other" crop – 2 (2 responses)

- Alfalfa
- Pasture

Question 6. Mark all business structures that apply to your current farm business operation.

"Other" responses (3 responses)

- Family Trust
- Life estate turned to my youngest sister
- Rent Out

Question 9. Please mark which of these resources were important in the various stages of your farm succession plan.

"Other" responses (4 responses)

- Me the father
- Past Experience
- Self
- We need help with all of these

Question 11. Mark the THREE most challenging aspects of developing and implementing a farm business succession plan.

"Other" responses (8 responses)

- Communication and differing personal agendas
- Determining fair value of farm
- Finance and Expansion
- Health issues
- Just taking the time to slow down and do it.
- Keep up on tax laws
- Tax Issues and affordability
- To create a plan for our operation, every farm family is different; no one's plan works for every operation.

Question 13. Approximately, what percent of the farm real estate property (land, buildings, etc.) will be or has been transferred to succeeding generations by:

"Other" responses (7 responses)

- Acquired equity through work
- Depends when death would occur
- I still own
- Sale of land = oldest generation's retirement income
- To be sold at retirement of parents
- Trust
- Will be

Question 14. Approximately, what percent of the farm assets other than real estate (equipment, livestock, feed, etc.) will be or has been transferred to succeeding generations by:

"Other" responses (11 responses)

- After initial gifting LLC purchases land and equipment now
- I still own
- Lease to Purchase
- Partnership owns
- Purchased as Treasury Shares by Corp
- Sale of stock in company
- Sell machinery later
- Shares owned yet by shareholders
- Sold
- Still in contract
- Trust

Question 16. What is the priority of your farm succession objectives? Please rank the following objectives from 1 (highest priority) to 7 (lowest priority).

"Other" responses (5 responses)

- Discussing and agreeing on objectives
- Everyone is happy
- Fair, not equal treatment all heirs
- Least money to government
- Liquid assets to non farm heirs

Question 17. Do you have additional comments regarding your farm succession plan? (30 responses)

- No succession plan (13x)
    - Have not started a plan yet. Just purchased farm
    - I have no idea what we are going to do with this operation.
    - No succession plan has been done but trying to figure out how and when to do it.
    - Our farm plan is not yet completed.
    - Our succession plan is not complete. A succession plan requires continual review and updates.
    - Still needs work
    - This is the second survey that came. I trashed the first one. You can see, I don't know what to do. Our son Rick wants to keep the farm going. He helps a lot but he is blind. Grandson Mick says he wants to farm but he is 17. Needs a much more time to know.
    - We are in the middle of setting up an LLC and have not completed all of it so this questionnaire's timing is not quite appropriate at this time.

    - We are just starting our farm succession plan so I can't answer all the questions.
    - We are not completely done making succession plans.
    - We are not yet in the 1st stage of a succession plan. (So we didn't answer many of the questions)
    - We need suggestions and how to actually do it. The daughter that lives across the road and farm with us can not afford to purchase the farm right now. We want to get out of milking-but still have enough money to live on. We did attend a UW Extension workshop couple years ago. Been thinking about how to do this and what to do ever since. Our daughter that farms with us wants the farm, just can't afford to purchase it right now. Our other two children do not want the farm. We want the daughter that farms with us to have it. We want to live in house. We are past retirement age-husband does have some health problems and we want to watch our grandkids play sports. And right now games are same time as milking time. Thinking about raising heifers or steers or something. My husband feels something should be kept in barn or it will hurt it, as it is in pretty good shape with up to date features. Right now our daughter has about 25 head of animals-dairy & beef-as her children are in 4H and FFA, but they're both school teachers-they don't want milk cows either. Right now they get 10% of milk CK for helping us milk, etc. Can you help us transfer farm to them and us still be able to pay taxes and ins, etc.
    - We really don't get your survey. We own stock in our farm corporation instead of personal property. The real estate is personally owned and we have no children to leave it to.
- #15. We don't own anything else. CD's 401K etc. I believe you cover in our estate plan. #7. Our son does own a few cows/calves and machinery as a start to acquire equity/assets.
- As I stated before the succession plan or will for grandparents is not viewed or disclosed. However, they still run the home farm property which is rented and is about 50% of the farms assets used; not owned by the farm. We are told that the will not be 50/50 and that there will be a buyout not anymore then the current family living expenses of that generation. Of the current corporation I am buying out 25% from my dad.
- Family trust worked well for continuation of real-estate property.
- Four years ago, we deeded the farm to our son. Our daughter approved. We had been through a bankruptcy in 1986. When our son was a junior and senior in high school he started rebuilding our barn and in 1998 he made in once again able to house milk cows. He redid the milk house, installed a pipe line, built a new silo, and drilled a new well. He began a fertilization program to bring the fields back in to production.
- Have a good attorney who knows the tax liability you might have, and make your transfer of property at the best time for your situation.
- I sold a young couple 100 acres and well maintained building for $200,000 in 2003. If I would have divided the farm up, I could have gotten $500,000.
- It seems like we have just finished transferring the property, except for real estate, and it is a non-ending process. We currently do not have any of the next generation returning to the farm, but if they do, more decisions will be necessary.
- Most likely we not be transferring.
- My wife is in stage 4 (lung cancer, breast cancer). When she passes on, 30% of her life insurance money will go to on farm heir, to buy personal properties. Her life savings will be split up 1/3, 1/3, 1/3. Every 3 years I have to renew my will.
- Non farm heirs all have good jobs.
- Our farm has been in our family for over 125 years and hope it can continue to be a "big challenge" the present generation has to be willing to step aside and watch! We had a feasibility study done and developed a business plan that helped in obtaining financing (a must!).
- Our father died in 2004 and my mother wanted to keep the farm in the family. Fair and equal are not the same. It's a hard thing to do for all involved.
- Sorry I'm late, I was sick.
- The older generation is not willing to take time to talk about this, but they realize it needs to happen. Our generation has done all the work. Another problem is the husband/wife of the older generation don't agree.
- Trying to arrive at what senior generation needs to survive comfortably vs. what junior generation can afford.
- We have a life insurance policy which pays the 3 siblings not receiving the farm. They, by the way, all farm near us and they all work together sharing labor and machinery. A tight family relationship really helps especially including in-laws!
- Wife and I have already bought back from one family member - did not want ownership.

Appendix C — Quantitative Summary of Responses by Question
2009 UW-Extension Farm Succession Questionnaire

GENERAL FARM INFORMATION AND STRUCTURE

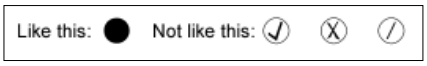
1. In what County is your farm primarily located? See Appendix B

2. Total number of acres your farming business managed in 2008: Mean = 772 Acres

3. Please describe your current farming operation as it is today. Please place the number of animals or acreage in the appropriate box to the right of the farm enterprise. Please fill in all boxes that apply to your farm.

Farm Enterprise	Number of Animals	Farm Enterprise	Size in Acres
Dairy (# Cows)	Mean = 234	Cash Grain (# Acres Owned)	Mean = 383
Beef Cows/Calf (# Cows)	Mean = 56	Cash Grain (# Acres Rented)	Mean = 319
Steers (#)	Mean = 61	Veg., Fruit, or Nuts (# Acres)	Mean = 168
Poultry (#)	Mean = 96	Other Type: _____	Mean = 328
Sheep (# Ewes)	Mean = 32	Other Type: _____	Mean = 110
Swine (# Sows)	Mean = 12		
Other Type: _____	Mean = 186		
Other Type: _____	Mean = 47		

Fill the circle that most closely describes your perspective toward the following statements:



4. Estimated gross revenue (total dollars generated by your farm in 2007): Mark (•) one only.

Under $250,000	$250,000 - $500,000	$500,001 - $1 million	$1,000,001 - $2 million	Over $2 million
27%	22%	20%	19%	**13%**

5. What is the percent debt of the total farm business? Mark (•) one only.

None	20% or less	21-40%	41-60%	61-80%
16%	27%	26%	22%	9%

6. Mark all business structures that apply to your current farm business operation: Mark (•) all that apply.

Sole Proprietorship	Partnership	S Corporation	C Corporation	Limited Liability Co./ Partnership (LLC/LLP)	Other: specify _____
47%	11%	6%	15%	31%	3%

7. Please describe your farming business arrangement in terms of generational participation.

Generation	Range of Ages	Percent of ownership	# in generation with ownership in farm	# in generation who participate in farm mgmt. decisions	# in generation who provide labor, but no farm mgmt.	# of siblings in generation who are off-farm
Oldest →	Mean = 60 yrs	Mean = 59%	Mean = 1.5	Mean = 1.4	Mean = 0.9	Mean = 2.5
Second →	Mean = 39 yrs	Mean = 38%	Mean = 1.5	Mean = 1.4	Mean = 1.0	Mean = 2.2
Third →	Mean = 28 yrs	Mean = 17%	Mean = 1.4	Mean = 1.1	Mean = 1.3	Mean = 1.3
Fourth →	Mean = 27 yrs	Mean = 4%	Mean = 0.8	Mean = 0.8	Mean = 0	Mean = 2.3

8. Are you…? Mark (•) one only.

Of the generation that has recently or will next transfer farm assets to a succeeding generation	Of the generation that has recently or will next receive farm assets from the previous generation
81%	19%

FARM SUCCESSION PLAN: PROCESS

9. Please mark which of these resources were important in the various stages of your farm succession plan. Mark (•) all that apply.

		Identified the need for a succession plan	Provided information about succession plans	Helped to set succession plan objectives	Development and writing of succession plan
a.	Accountant	29%	38%	30%	16%
b.	Attorney	21%	36%	32%	51%
c.	Educational conferences/Meetings	17%	35%	12%	3%
d.	Family Members	33%	14%	18%	5%
e.	Financial Planner	11%	19%	15%	6%
f.	Insurance Agent	9%	7%	5%	1%
g.	Lender	17%	23%	16%	4%
h.	Neighbors	6%	8%	1%	0%
i.	UW-Extension County Agent	16%	20%	11%	1%
j.	UW-Extension State Specialist	8%	11%	4%	0%
k.	Vo-Tech Instructor	10%	12%	6%	2%
l.	Websites	4%	6%	0%	0%
m.	Written Materials	9%	20%	9%	1%
n.	Other: specify _____	2%	2%	2%	4%

10. How long did it take to develop your farm business succession plan?

Less than 6 months	6 months – 1 year	1.1 - 2 years	2.1 – 3 years	3.1 – 4 years	More than 4 years
19%	28%	23%	12%	2%	16%

11. What were the THREE most challenging aspects of developing and implementing a farm business succession plan? Mark (•) three only.

Determining future financial viability of the farm operation	Finding an attorney who understands the unique aspects of agriculture	Communications between the generations
43%	21%	39%
Differing expectations of each of the generations on the farm	Treating on-farm and off-farm heirs fairly	Ability of the older generation to let go of the management
21%	31%	23%
Ability of the younger generation to take over true management responsibilities	Gaining sufficient knowledge to make the necessary decisions to create a successful plan	Other: specify
16%	40%	8%

12. How satisfied are you with your farm business succession plan?

Satisfied	Neutral	Dissatisfied
62%	36%	2%

PLEASE USE THE EXAMPLE BELOW AS A GUIDE FOR FILLING OUT QUESTIONS 13 AND 14

EXAMPLE: Approximately, what percent of the farm real estate property (land, buildings, etc.) will be or has been transferred to succeeding generations by: (TOTAL MUST SUM TO 100)

EXAMPLE ONLY - do not mark this question	**Transferred to:**		
	On-farm heir	**Off-farm heir**	
Gift	10%	5%	
Purchase	10%	%	
Transferred at time of death	75%	%	
Other: specify _____	%	%	
TOTAL	95%	5%	= 100%

13. Approximately, what percent of the farm real estate property (land, buildings, etc.) will be or has been transferred to succeeding generations by: (TOTAL MUST SUM TO 100)

	Transferred to:		
	On-farm heir	**Off-farm heir**	
Gift	17%	1%	
Purchase	33%	3%	
Transferred at time of death	33%	8%	
Other: specify _____	5%	1%	
TOTAL	88%	13%	= 101%

14. Approximately, what percent of the farm assets other than real estate (equipment, livestock, feed, etc.) will be or has been transferred to succeeding generations by: (TOTAL MUST SUM TO 100)

	Transferred to:		
	On-farm heir	**On-farm heir**	
Gift	14%	3%	
Purchase	39%	3%	
Transferred at time of death	29%	2%	
Other: specify _____	9%	0%	
TOTAL	91%	8%	= 99%

15. Have non-farm assets been or will they be transferred to off-farm heirs?

Yes	No	No non-farm assets to transfer
56%	28%	16%

FARM SUCCESSION PLAN: OBJECTIVES

16. What is the priority of your farm succession objectives? Please rank the following objectives from 1 (highest priority) to 7 (lowest priority). Mark (•) only one circle per row.

OBJECTIVE	Highest priority 1	2	3	4	5	6	Lowest priority 7
a. Maintain long term viability of farm for future generations	53%	19%	14%	6%	3%	5%	0%
b. Financial security of older generation	39%	27%	17%	10%	1%	2%	4%
c. Fair treatment of non-farm heirs	15%	15%	18%	16%	15%	8%	14%
d. Fair treatment of on-farm heirs	36%	23%	20%	10%	3%	1%	6%
e. Equal treatment of all heirs	18%	17%	9%	8%	7%	13%	29%
f. Farm and/or farmland remains in the family	43%	26%	9%	13%	3%	3%	2%
g. Other: specify _____	60%	20%	0%	0%	20%	0%	0%

17. Do you have any additional comments regarding your farm succession plan?

See appendix B

Thank You for Completing the Survey!

Please return your survey in the enclosed postage-paid envelope **by February 11, 2009** to:

Survey Research Center
University of Wisconsin - River Falls
124 Regional Development Institute,
410 S. Third St. River Falls, WI 54022-5001

BARCODE

Would you be willing to be contacted by an author of the survey to discuss unique aspects of your farm business succession plan? If so, please complete the following information. When the survey is received, the contact information you provide will be removed from the survey.

Name:	
Phone Number:	
Address:	
Email Address:	