

Common Ground

There is similarity in succession and grazing-management plans.



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Story by
DAVE SPECHT

Above: As you think about succession planning, there is a crucial need to “build fences” of understanding so that owners of the operation and those that operate the ranch have clear boundaries and expectations for their roles and rights as owners or employees.

Running a cattle ranch is hard. Buying a cattle ranch is harder. Transitioning a cattle ranch to your next generation may be the hardest thing yet. It doesn't have to be. With the average age of cattle ranch owners continuing to rise, the industry is facing a transition conundrum. How do you do it? When should you start? Who can help you?

The most important thing to realize with your creation of a continuity plan for the family ranch is that it is a process, not an event. This plan will evolve over time as family circumstances change, health events occur and industry challenges are confronted.

Maybe the easiest way to know how to start is to begin with a correlation with which you are very familiar: grazing-management plans.

What does a grazing-management plan have to do with succession planning? Let's discuss five correlations that you can make between your grazing-management plan and how you should think about your continuity plan for the family ranch.

1. Developing water sources

With any good grazing plan, the water sources are always considered early. You want to think about getting water to your cattle in a place they can access freely, without destroying sensitive areas. In much the same way, you can think about these water sources as a cash-flow plan for both

the retiring rancher and the next generation. Fred Bruning, fourth-generation rancher and banker from Nebraska, agrees.

“Based on my experience with multi-generational bank customer families, it is critical for families to maintain cash flow for the older generation without making it difficult for the younger generation to continue operating or purchasing,” he says.

There needs to be a clear path for the senior generation to have access to the cash flow that they need without seriously disrupting the ongoing operation of the ranch. Creating sources of cash flow through land rents or acquiring other productive assets will be very important for the senior generation.

Of equal importance is a clear understanding of the next generation as to how much cash flow their family needs to be able to live day-to-day, as well as operate the ranch. Just as not having enough water or not having it in the right location can create stress for cattle, not having a cash-flow plan for both the senior generation and the next generation will cause stress for the family and the operation.

2. Fence construction and maintenance

One key to a successful rotational-grazing program is to have fences that are properly placed and well-maintained. It is important to keep the cattle in the right location to enable the plan to function properly.

As you think about succession planning, there is a crucial need to “build fences” of understanding so that owners of the operation and

those that operate the ranch have clear boundaries and expectations for their roles and rights as owners or employees. By establishing and maintaining these “fences,” you will position the ranch for success by managing expectations for the next generation.

One example of a fence that needs to be built is to clarify the rights of nonoperating owners if you have any in your operation. It will be crucial for them to have an expectation for how operators communicate with them and how profits from the ranch are, or are not, distributed. Without fences, these family members will lack boundaries and expectations for how they should interact with the family operation and what rights they have regarding cash flow from the operation.

3. Forage requirement: type and how much

The key to every grazing-management program is to know the type and quantity of forage that will be needed for the breed of animal and the number of animals you are managing on the land. Similar to forage requirement, families and family members have specific needs that should be addressed.

An obvious parallel lies in creating a reasonable expectation for how many families the ranch can support financially. Just as managing too many cattle on a piece of ground for too long can deplete the resource and damage it for the future, so too can having too many owners or employees without carefully considering what the operation can sustain from a cash-flow perspective.

Another point to consider is individual personalities within a family unit. Bruning says, “Keeping communication lines open is a two-way street and sometimes even requires an unbiased third party to help keep it constructive and productive.”

It may be that some non-operator family members like to be communicated with about what is happening on the ranch, while other members need less communication or simply appreciate it in a different way — a phone call home vs. a printed quarterly report.

4. Summary of sensitive areas

Every ranch has sensitive areas that need to be monitored more carefully. It could be the need to protect against “blowouts” if you are a rancher in the Sandhills of Nebraska. It could be that the water

source or erosion control that needs specific attention in your region.

Similar to this, every family and ranch has sensitive areas that require more attention. In your family it may be a customer base or supplier that needs to be cared for in a specific way. It may be environmental issues that could seriously threaten the future of the ranch. For some, the sensitive area may be a hot-button topic that causes hurt feelings among family members. Only you know your family and ranch and the sensitive areas that will need extra care.

5. Grazing management system

In your operation, do you use a continuous, simple or intense rotational-grazing system? Every operator has an opinion as to what is best for the land and for the cattle. Just as important as it is to move cattle from one location to another, young people joining the operation need to also rotate through the operation to see and experience the different aspects of the business.

Formalized and intentional leadership-development plans for the next generation will allow the senior generation to see how they perform and also how the rest of the operation does when the rising generation works in certain areas of the ranch. This process allows the young people to experience a variety of tasks, determine what their talents are and be exposed to areas in which they struggle.

While most families move into a ranch transition without much prior experience from which to draw, you can apply some of the concepts from grazing management to think about and prepare for the process. It will be crucial to remember that continuity planning is not a single event.

Says Bruning, “Every family is unique, but it is important to develop a transition plan that all family members, despite their age, personality or interests, can understand and support.”

The path of generation transition should be monitored and modified, just like a good grazing-management program. The key is to get going early on establishing a plan, communicating your intentions and then be flexible as you learn what will work best for your operation and family.

Editor's Note: Dave Specht is founder of Advising Generations LLC, a family business consulting firm located in Connell, Wash.