

Agricultural Outlook Forum 2005

Presented Friday, February 25, 2005

## WHO WILL GET GRANDPA'S FARM? COMMUNICATING ABOUT FARM TRANSFER

Sharon A. DeVaney  
Professor, College of Consumer and Family Sciences  
Purdue University  
sdevaney@purdue.edu

### Introduction

In a study funded by the U.S. Department of Agriculture's Cooperative State Research, Education, and Extension Service (CSREES) and the National Endowment for Financial Education in the spring of 2001, I asked farm families in five states about their plans for the future. The purpose of the study was to understand the processes involved in retirement and succession planning. In addition, I asked advisors such as attorneys, accountants, and Cooperative Extension Service educators about their interaction with farm families in regard to retirement and succession planning. This is a summary of what I found and how my colleagues and I responded to help farm families.

### Results of the Study

Many farmers did not have a vision of retirement. Instead they planned to work into their late 60s and 70s. Several of them talked about "slowing down a little." When a farmer says that he will slow down, it usually means that he will work about 50 hours a week instead of 70 hours a week. Most farmers do not know what they would do if they quit farming. Some said that they didn't know if they could afford to quit. Others said they didn't have someone to take over the farm.

There were farmers who had plans in place for farm transfer. There seemed to be at least two factors that made this more likely to happen. One was if their own father had planned for their eventual succession to the farm. If this had happened, they wanted to insure the same orderly progression for their son or daughter. Another factor was observing what had happened to a friend or family member who had not planned for farm transfer and who ran into problems such as a stroke or accident. In other words, they learned from the experience of others.

Another factor that encouraged the idea of retirement was if the farm operator or spouse had an off-farm job. If this job meant that there would be a pension, the farmer was more likely to talk about beginning to transfer the operation of the farm to a successor.

Many farmers spoke of barriers to the process of farm transfer. The barriers often involved the lack of a successor to the farm. Perhaps there were no children who wanted to farm. In some instances, the problem was determining if there would be enough income to feed three families such as a grandparent, the middle-aged farm operator, and a son. Another problem was if there were several siblings who expected a "share" in the farm. In many instances, off-farm siblings have not contributed to the farm during their adult life-time, but they expected to receive the same share of the farm as the son or daughter who has worked for many years on the farm.

Another concern was a lack of communication among family members. The most common situation was an inability to talk about farm succession with the oldest family member, usually grandpa, who held title to the farm. To meet these needs, I asked two colleagues at Purdue University, George Patrick and Janet Bechman to work with me on the concern about “I don’t know if I can afford to retire.”

### **A Website to Help Farm Families Decide If They Can Afford to Retire**

We felt that we could reach the largest number of farmers if we developed an Internet tool. We considered the findings of a survey on computer use from the Indiana Farm Progress Show in 2001. The survey showed that the majority of farmers who attended the Farm Progress Show used the Internet. Also, we wanted the tool to be readily available at no charge and we wanted to be able to update the tool without the cost of printing and mailing.

We knew that the evaluation of a six-week financial education program in three states showed that the participants who used their workbooks during and after the program adopted more financial practices (Gorham, DeVaney, & Bechman, 1998). Therefore, we decided to have farmers enter their information into a calculator on the Web site as opposed to the Web site being a source of information with no input from farmers or feedback to the farmers.

We included access to online calculators to estimate life expectancy and information about how expenses could change in retirement. In the section on Future Income, farmers are linked to the Social Security web site where they can obtain an estimate of their Social Security retirement benefits. In the Future Income section, farmers are asked questions about the amount of withdrawals from pensions, Individual Retirement Accounts, or other savings. The same information on life expectancy and future income can be entered for a spouse.

In the section Farm-related Income, farmers are prompted to enter annual income from crop land, pasture land, sale of assets, custom work, and other sources. In the section on Farm-related Payments, farmers are prompted to enter items such as bank notes, insurance on farm property, taxes, and other items. After the Retirement Estimator calculates the affordability of retirement, a change screen allows farmers to change the value of any of their previous entries. Then they are provided a statement about the affordability of retirement. The link for the Retirement Estimator for Farm Families is <http://www.ces.purdue.edu/farmretirement>.

A Retirement Tips section allows farmers to link to any of the Internet sites that have been mentioned and many other helpful links. Farmers can link to modules in Planning for a Secure Retirement on self-employed retirement plans, starting an IRA, or deciding what to do with a lump sum distribution from a pension plan. The link for Planning for a Secure Retirement is <http://www2.ces.purdue.edu/retirement>.

### **A Web Site to Help Farm Families Communicate about Farm Transfer**

After the Retirement Estimator was developed, there was still a need to help families communicate about farm transfer. The situations that had been described to me usually involved two or three generations, sibling relationships, and health-related concerns. I was inspired by research conducted by Melanie Morgan, an Assistant Professor of Communications at Purdue University. Dr. Morgan explored the relationships between mothers, daughters, and grandmothers (Morgan & Hummert, 2000). She based her study on the theories of Paternalism and Autonomy. Older adults often have a

need to be Autonomous; that means they need to retain some authority. A person who is trying to take care of someone may be acting out of feelings of Paternalism. I could see that this was happening in many of the farm families.

Another concept that I gained from Morgan's research was the use of direct or indirect strategies for communicating. When direct control is used, the person who initiates the conversation wants to maintain control. The farmer might say to his father, "You and Mom should think about taking it easy this summer." When Indirect Control is used, the person who initiates the conversation is giving the other person the opportunity to share in the decision. In other words, the person who responds can act with some authority or "autonomy." To illustrate Indirect Control, the farmer might say, "I want to make sure you feel comfortable easing up on the farm work."

A third type of communication strategy is No Control. In these conversations, there is no attempt to control the outcome by the person who initiates the conversation. Here is an example of No Control. The farmer says, "I am ready to slow down, but no one in the family wants to farm anymore."

The three types of control strategies are also related to the theory of Politeness. This theory is based on the idea that the person who initiated the conversation is respectful of the other person's opinion. At the same time, he is able to make the point that he wanted to make. The speaker "saves face" for himself and for the other person. Here is an example of the theory of Politeness. The spouse says to the farmer, "Could you sleep at night if we decide to sell the farm?"

After learning about Morgan's research, I realized that it would be an excellent technique for helping farm families. I decided that I would focus on the mid-life farmer because it was the mid-life farmer who was dealing with the communication issues. I decided to develop strategies for conversations for six of the most typical issues. Each situation would include only two people because it would be complicated to attempt the strategy with more than one person at a time. Also I would incorporate the theories of Autonomy, Paternalism, and Politeness in the conversations.

The six conversations that I developed were: (1) the farmer and his father talking about the spring planting, (2) the farmer and the son talking about the son beginning to work full time on the farm, (3) the farmer and his "off farm" brother talking about the brother's share in the farm, (4) the farmer and his spouse talking about a farm successor, (5) the farmer and his father talking about the father's health, and (6) the mother talking to the son. I added suggestions about Attitude, Preparation, Timing, and Behavior for each of the six conversations.

After I had written the dialogue, I began to work with the web designers in Ag Information Technology at Purdue University. One of the experts who advised me suggested that the dialogues should be filmed so that the web site could include both a text version and a streaming video of each conversation. This necessitated finding participants, a farm for filming the video, and a videographer. The Ed Gruber farm near Delphi, Indiana was chosen for the location. Ed and his son Larry are the father and son in the streaming video portion of the web site. The filming was done in July 2003.

The web site was designed by Agriculture Information Technology at Purdue University. The site was available to the public in September 2003. It can be accessed at <http://www2.ces.purdue.edu/farmtransfer>.

The site includes Frequently Asked Questions which explain the theoretical framework and background for the site. There is also an online quiz called Using What You Learned. There is a

Presentation Guide in Power Point that can be used by educators who are conducting programs about the site. Funding for the development of the site was provided by a grant from the National Endowment for Financial Education.

All of the sites mentioned here can also be accessed at <http://www.csrees.usda.gov/fsll>. This site is known as Financial Security in Later Life. It provides access to many other sites and programs offered by USDA-CSREES. See Appendix B for more information.

### **First Scene from Who Will Get Grandpa's Farm**

Each conversation is preceded by suggestions for Attitude, Preparation, Timing, and Behavior.

**Attitude:** John needs to be respectful in making this request. Discuss the topic with as little emotion as possible.

**Preparation:** Have some alternative plans in mind and be ready to suggest them. For example, transfer control of the farm over a period of time so Ed gets used to the idea of transferring control.

**Timing:** Choose a time of day and location where a quiet thoughtful conversation can take place.

**Behavior:** Be prepared for resistance, but have a suggestion ready for follow up such as making an appointment with an accountant or an attorney to start thinking about alternative actions.

### **Direct Control Strategy from the first scene:**

Ed: What are you doing?

John: I am working with these numbers to see if there will be enough income when Mark graduates, gets married, and comes home to farm with us.

Ed: I can figure it out. Give me those numbers.

John: It is time for me to take charge of the planning. You and Mother should think about taking it easy this summer.

Ed: I can do it. I just got a little behind with the paper work.

John: Dad, you have done it all these years. I need to take some of the burden off your shoulders.

### **Indirect Control Strategy from the first scene:**

Ed: What are you doing?

John: I am thinking about Mark graduating, getting married, and coming home to farm with us. I wonder if there will be enough income for three families.

Ed: I can figure it out. Give me those numbers.

John: Dad, you are great with numbers. But, I need to think it over and see what changes we need to make. Maybe you and Mother should begin to take Social Security and ease up on the farm work.

Ed: I didn't think I would ever see the day that you wanted to take charge. This is something new.

John: I am ready to take over but I want you to feel comfortable with easing up on the work.

### **No Control Strategy from the first scene:**

Ed: What are you doing?

John: I am looking at the farm records and thinking about planting. Any new ideas?

Ed: I think the planting should be about the same as last year. Maybe we need more beans.

John: That sounds alright. We should include Mark in the work. You know he is graduating and getting married. He wants to join us on the farm.

Ed: I am glad to hear that. We can use another pair of hands.

John: I hope that yields will be better and prices will be higher so Mark can have a share of any profit.

Remember that there are 5 more conversations and each conversation has 3 scenes (one scene for Direct Control, one scene for Indirect Control, and one scene for No Control).

## References

DeVaney, S. A. (2004). A web site to help farm families communicate about farm transfer. *Journal of Extension*, 42(3). <http://www.joe.org/joe/2004august/tt5.shtml>

DeVaney, S. A. (2004). A web site to help farmers decide if they can afford to retire. *Journal of Extension*, 42 (1), February. <http://www.joe.org/joe/2004february/tt6.shtml>

DeVaney, S. A. (2002). Who gets grandpa's farm? Considering farm succession planning. *Small Farms Digest*, 5 (2), Spring/Summer, 1-3.

Morgan, M., & Hummert, M. L. (2000). Perceptions of communicative control strategies in mother-daughter dyads across the life span. *Journal of Communication*, Summer, 48-64.

## Appendix A

### List of web sites mentioned in this presentation:

Planning for a Secure Retirement <http://www2.ces.purdue.edu/retirement>

A Retirement Estimator for Farm Families <http://www.ces.purdue.edu/farmretirement>

Who Will Get Grandpa's Farm: Communicating about Farm Transfer  
<http://www2.ces.purdue.edu/farmtransfer>

Financial Security in Later Life <http://www.csrees.usda.gov/fsll>

Another site that could be helpful is Getting Ready for Estate Planning  
<http://www2.ces.purdue.edu/estateplanning>

Another site that was designed especially for minority farm families is Retirement and Estate Planning for Farm Families at <http://www2.ces.purdue.edu/farmriskmgmt>

## Appendix B Financial Security in Later Life

A five-year National Extension Initiative on Financial Security in Later Life was developed to deliver personal finance educational programs with the primary delivery medium being the Internet. The Initiative was approved by the Extension Committee on Organization and Policy (ECOP) in October 2000. Development funds have come primarily from CSREES, state Extension Directors, University Administration, partners, and collaborators.

Extension outreach via the web site is a cost-effective approach that facilitates the sharing of educational resources for targeted audiences and educators. Materials developed in one state or by a

collaborator are shared with a broad, diverse audience through the national Initiative web site, producing a multiplier effect. This approach represents a model for future collaborative efforts in addressing critical issues across the Cooperative Extension System and demonstrates what can be accomplished with minimal funding.

Visitors to the Financial Security web site at <http://www.csrees.usda.gov/fsl> will find Tools for Consumers and Tools for Educators as well as other resources. Some examples are:

Take the Road to Financial Security in Later Life,

Investing for Your Future,

Catch-up Strategies for Late Savers,

Planning for a Secure Retirement,

Plan Well, Retire Well: Your How To Guide,

Getting Ready for Estate Planning,

Who Will Get Grandma's Yellow Pie Plate?

Retirement Estimator for Farm Families,

Who Will Get Grandpa's Farm: Communicating about Farm Transfer,

Retirement and Estate Planning for Farm Families, and

Financing Long-Term Care: A Resource Center for Families,

# **Who Will Get Grandpa's Farm? Communicating about Farm Transfer**

**Sharon A. DeVaney, Ph.D.**

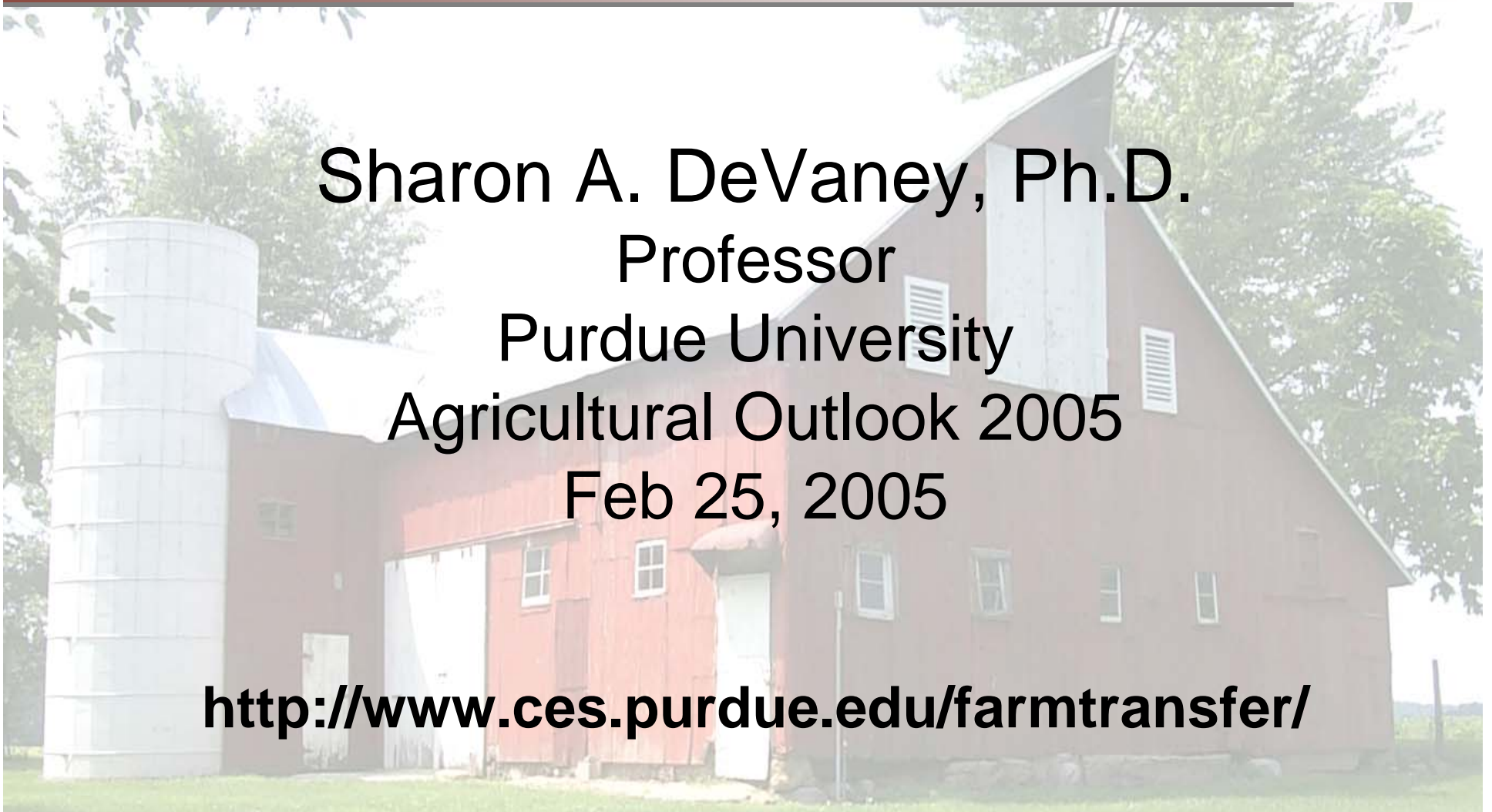
**Professor**

**Purdue University**

**Agricultural Outlook 2005**

**Feb 25, 2005**

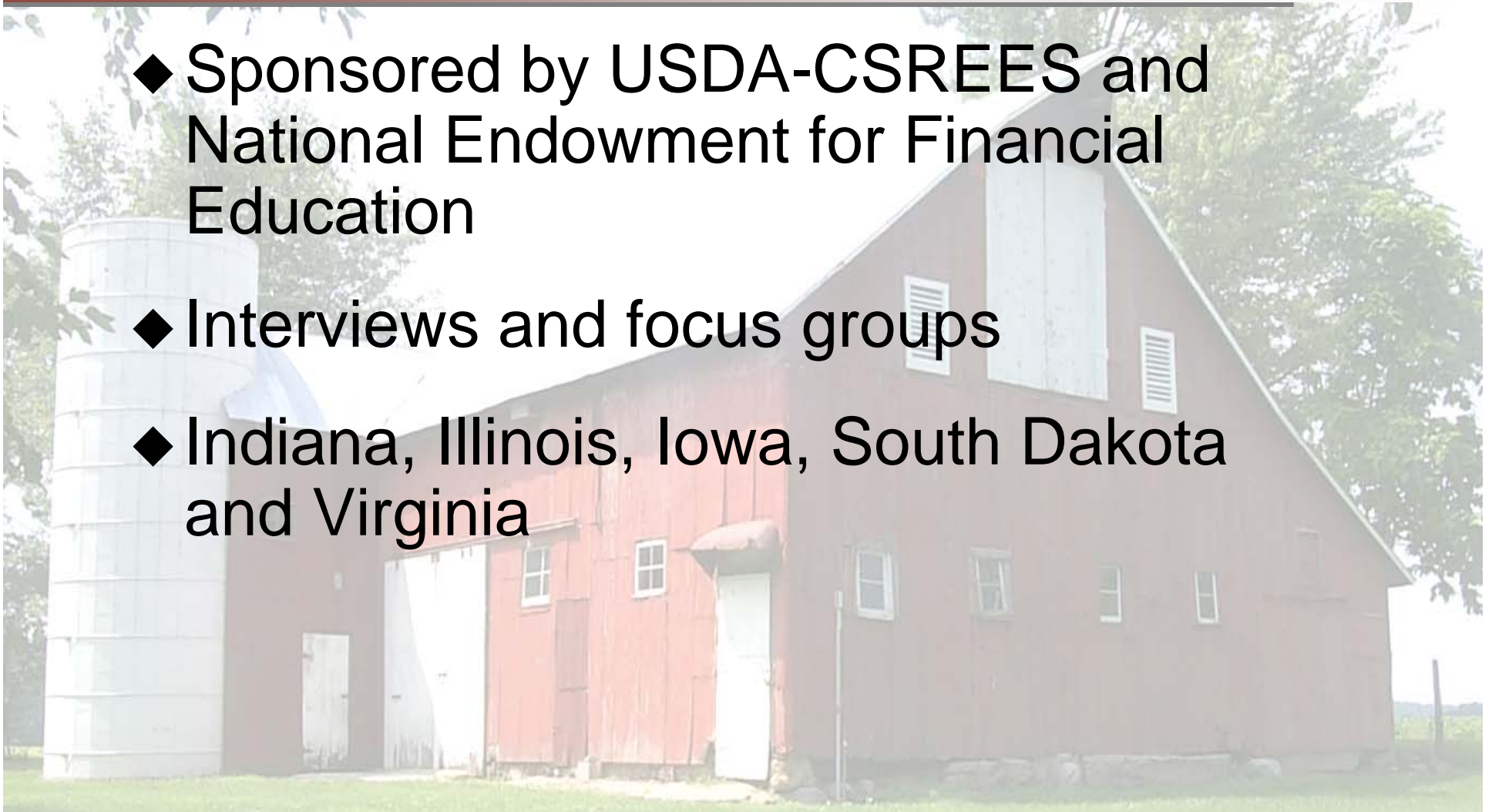
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# Study with Farm Families

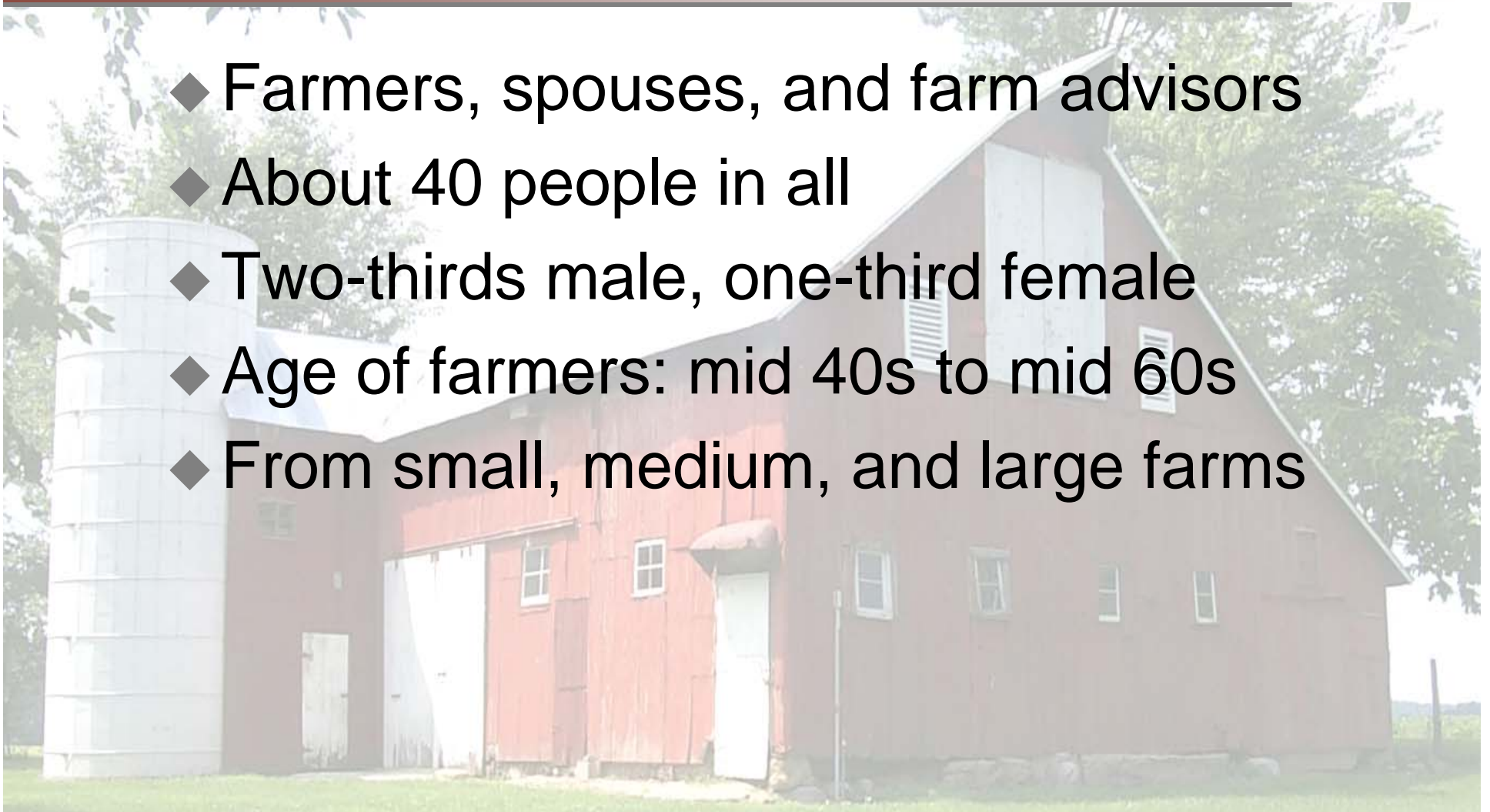
- ◆ Sponsored by USDA-CSREES and National Endowment for Financial Education
- ◆ Interviews and focus groups
- ◆ Indiana, Illinois, Iowa, South Dakota and Virginia





# Participants in the study

- ◆ Farmers, spouses, and farm advisors
- ◆ About 40 people in all
- ◆ Two-thirds male, one-third female
- ◆ Age of farmers: mid 40s to mid 60s
- ◆ From small, medium, and large farms



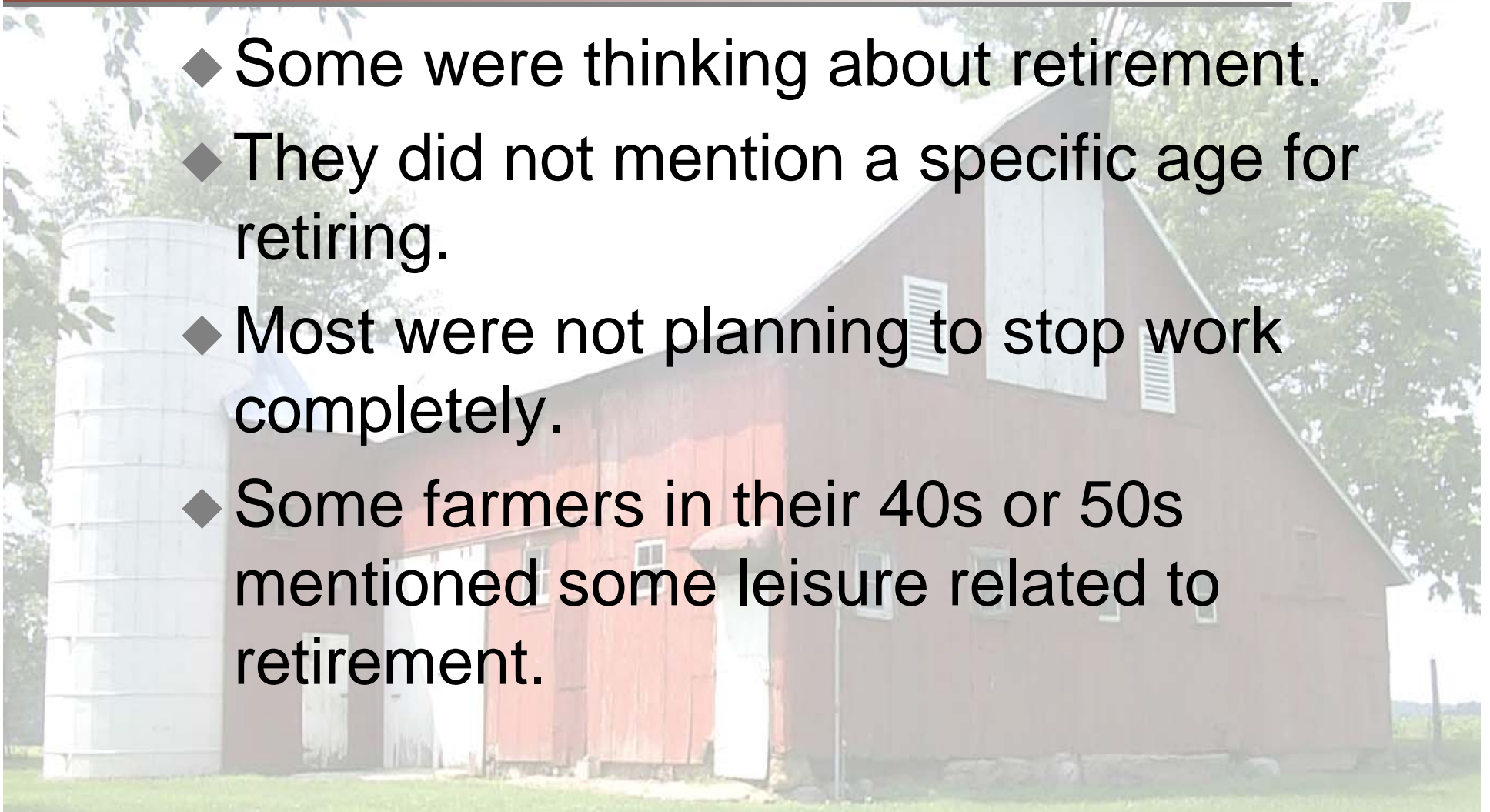
# How the study was conducted

- ◆ Contacts through Cooperative Extension Service
- ◆ Took notes, audio taped, or video taped
- ◆ Phone, in person, singles, couples, groups



# Did farmers have a vision of retirement?

- ◆ Some were thinking about retirement.
- ◆ They did not mention a specific age for retiring.
- ◆ Most were not planning to stop work completely.
- ◆ Some farmers in their 40s or 50s mentioned some leisure related to retirement.

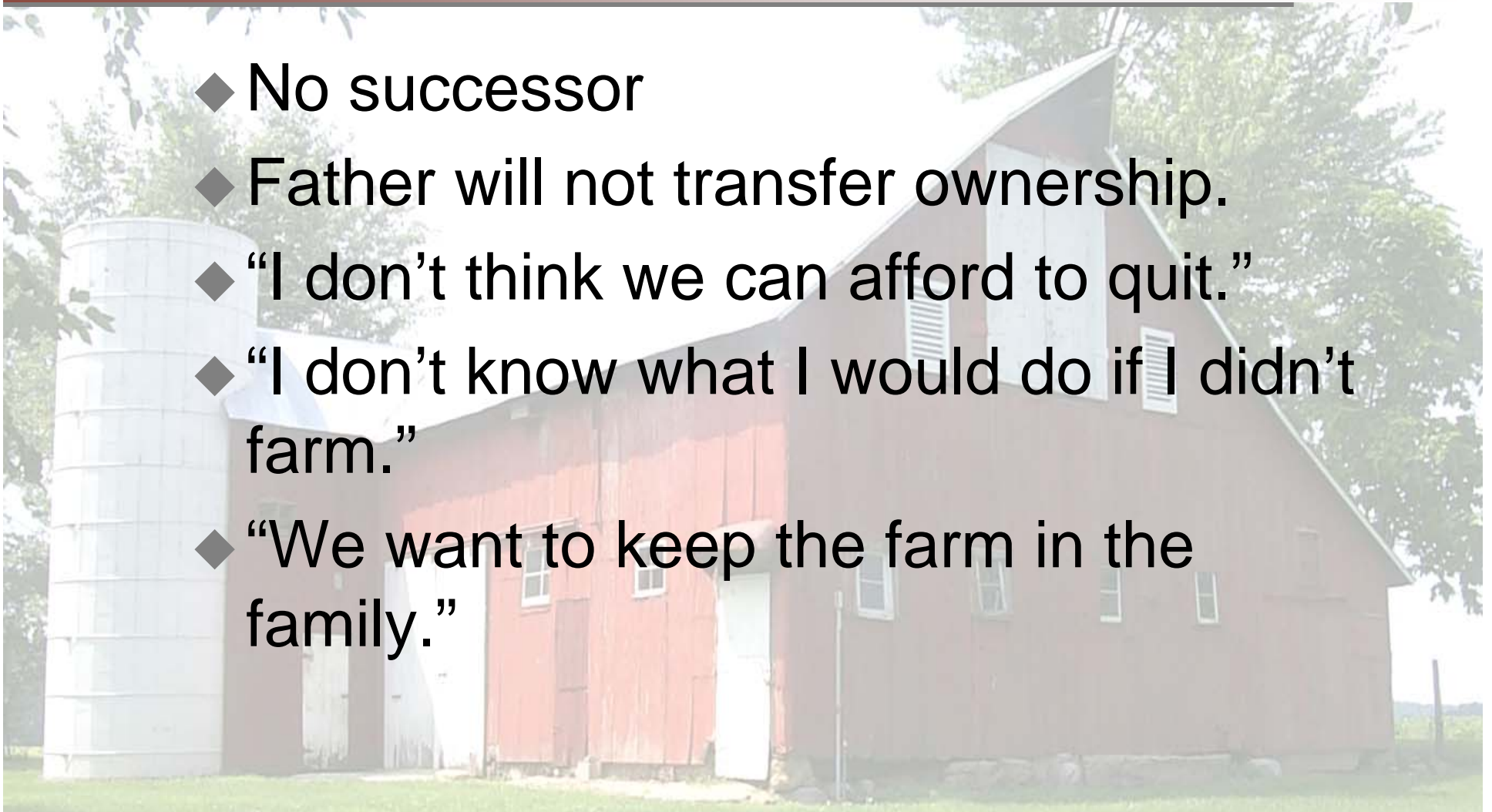


# What prompted you to plan for retirement?

- ◆ “My 50<sup>th</sup> birthday started me thinking.”
- ◆ “This was what my father did for me so I wanted to do it for my son.”
- ◆ Change in health of farmer or spouse.
- ◆ Son or daughter wanted to take over.
- ◆ Divorce, remarriage, etc.
- ◆ Watching how other farmers did it.

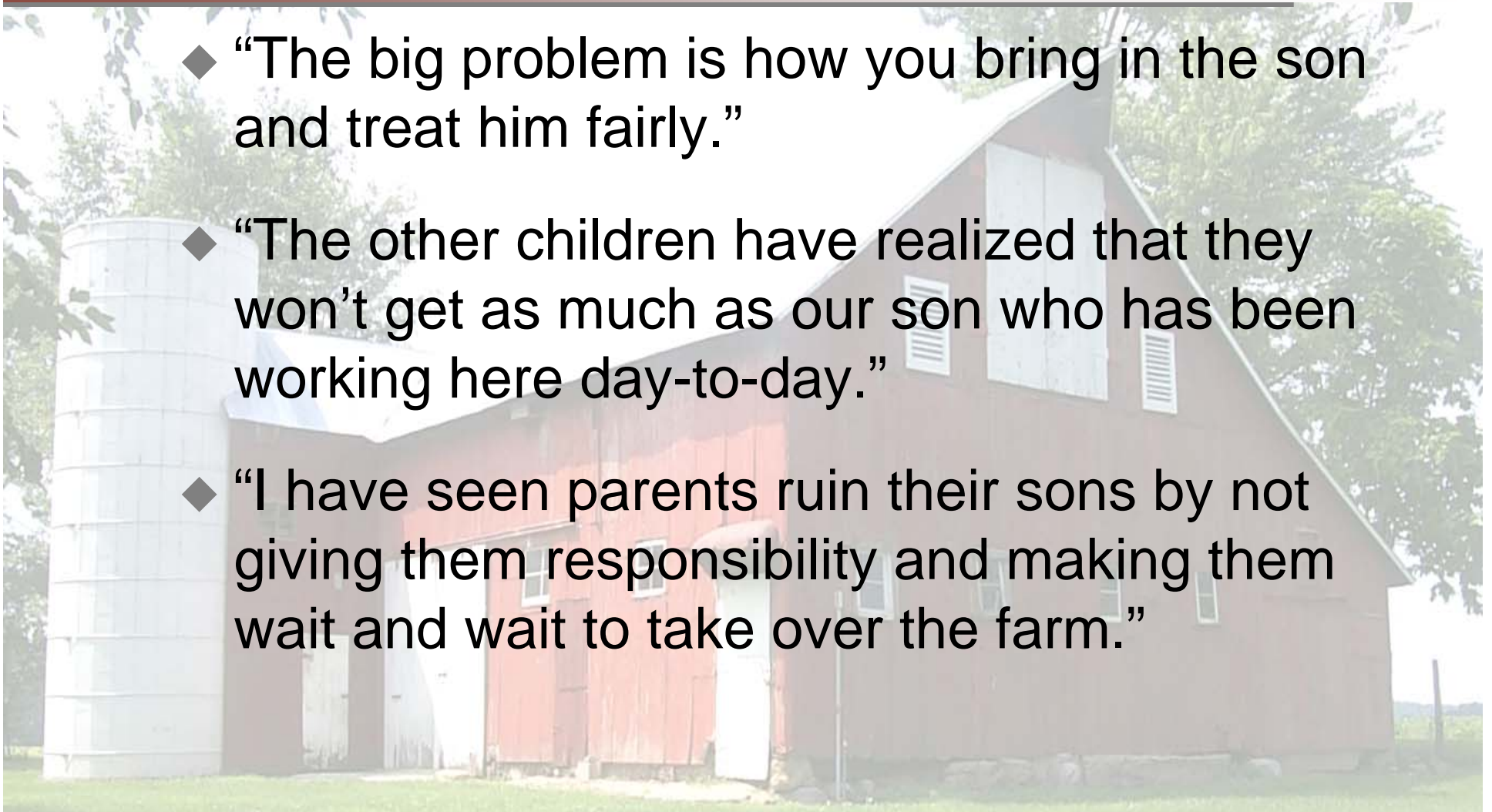
# What barriers exist to planning for retirement?

- ◆ No successor
- ◆ Father will not transfer ownership.
- ◆ “I don’t think we can afford to quit.”
- ◆ “I don’t know what I would do if I didn’t farm.”
- ◆ “We want to keep the farm in the family.”



# Concerns about farm transfer....

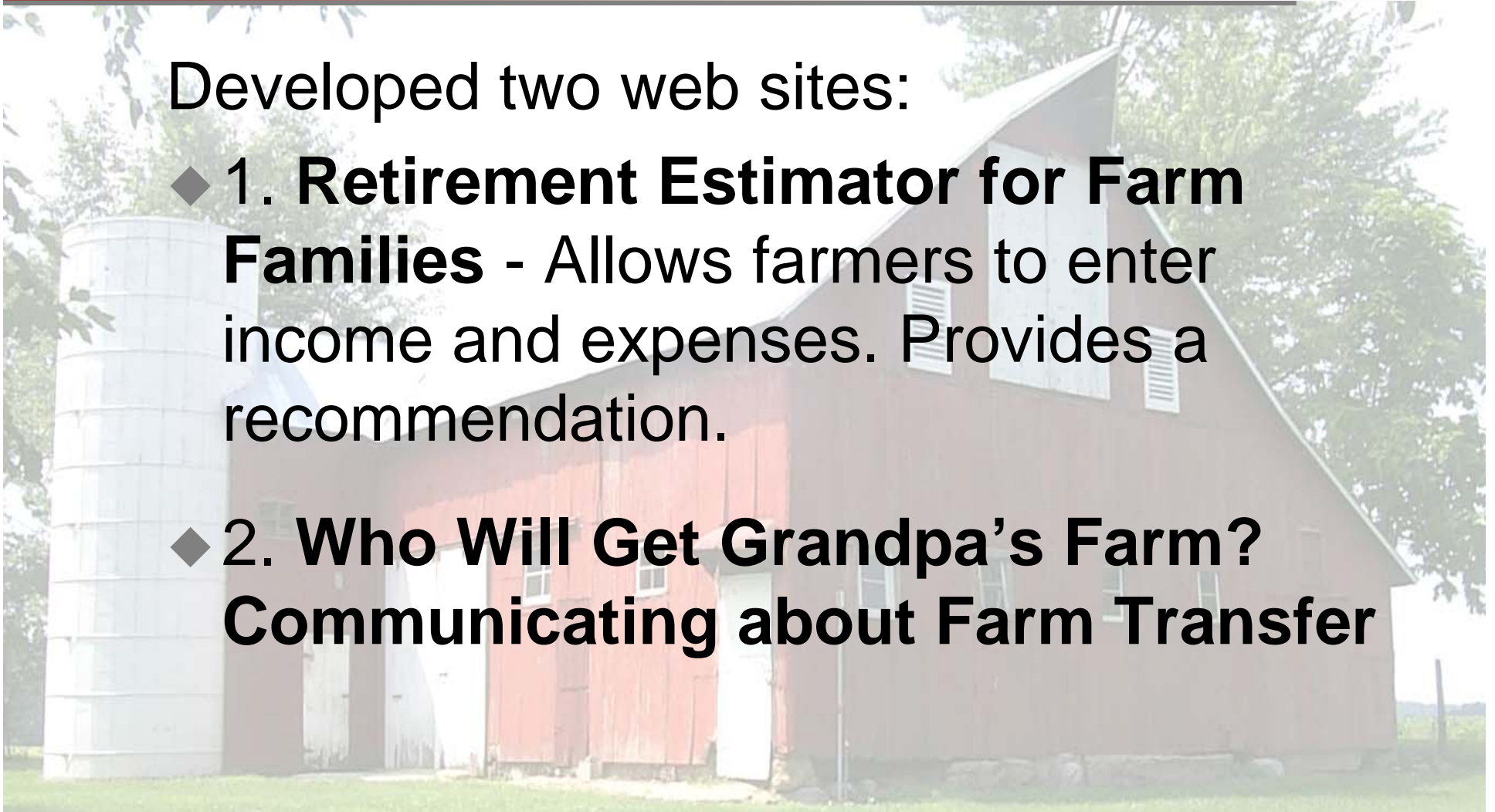
- ◆ “The big problem is how you bring in the son and treat him fairly.”
- ◆ “The other children have realized that they won’t get as much as our son who has been working here day-to-day.”
- ◆ “I have seen parents ruin their sons by not giving them responsibility and making them wait and wait to take over the farm.”



# What did I do with this information?

Developed two web sites:

- ◆ **1. Retirement Estimator for Farm Families** - Allows farmers to enter income and expenses. Provides a recommendation.
- ◆ **2. Who Will Get Grandpa's Farm? Communicating about Farm Transfer**





# **Who Will Get Grandpa's Farm? Communicating about Farm Transfer**

Presentation Guide & Internet Site Developed by

**Sharon A. DeVaney, Ph.D.**

Purdue University

**<http://www.ces.purdue.edu/farmtransfer/>**



# The site is based on 3 theories

- ◆ Theory of **Paternalism**: is about wanting to take care of someone.
- ◆ Theory of **Autonomy**: is about a person retaining their independence.
- ◆ Theory of **Politeness**: each person is considerate of the others' feelings.



# Paternalism & Autonomy Theories

## *Examples from Scenario 1*

- ◆ **Paternalism:** Son wants Dad to slow down.
- ◆ **Autonomy:** Dad wants to remain his own boss.



# The site includes 3 strategies for communication

- ◆ **Direct control:** The speaker wants to take control.
- ◆ **Indirect control:** The speaker is flexible and will share the decision making.
- ◆ **No control:** The conversation is neutral.



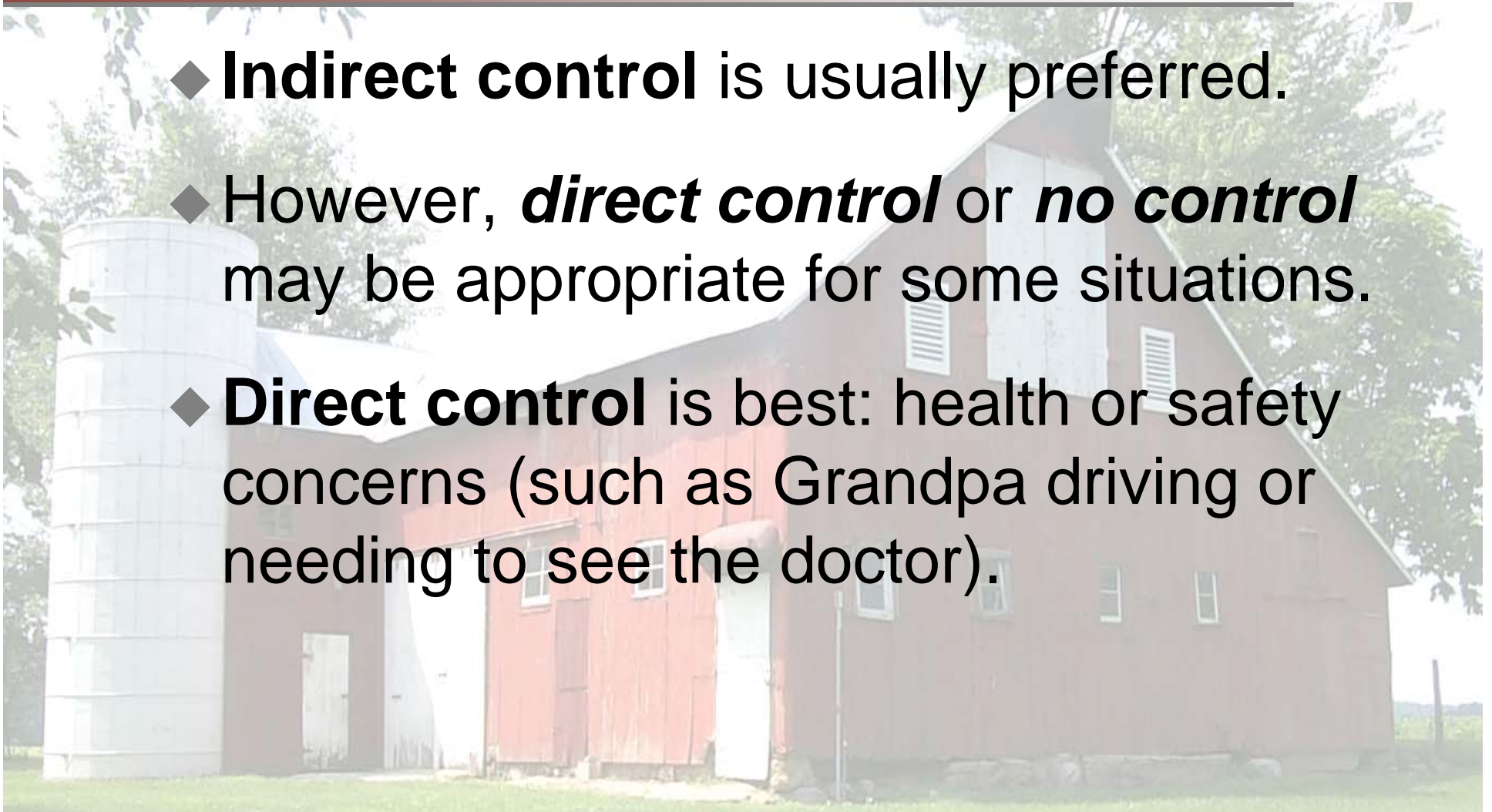
# Examples of communication strategies

- ◆ **Direct control:** Son: I'm taking you to see the doctor tomorrow Dad.
- ◆ **Indirect control:** Son: I would feel better if you went to see a doctor.
- ◆ **No control:** Son: I'm worried about your breathing.



# Which strategy is best?

- ◆ **Indirect control** is usually preferred.
- ◆ However, ***direct control*** or ***no control*** may be appropriate for some situations.
- ◆ **Direct control** is best: health or safety concerns (such as Grandpa driving or needing to see the doctor).



# How does Politeness Theory work?

- ◆ The person who starts the conversation is respectful of the other's opinion.
- ◆ The speaker allows the other person to “save face.”



# Example of Politeness Theory

- ◆ Son: Do you see yourself coming back to the farm?
- ◆ Brother: I always assumed you would take over.



# Attitude, Preparation, Timing & Behavior

- ◆ **Attitude:** (*From Scenario 1*) Be respectful.
- ◆ **Preparation:** (*From Scenario 2*)  
Son should remember how he felt when he was young.





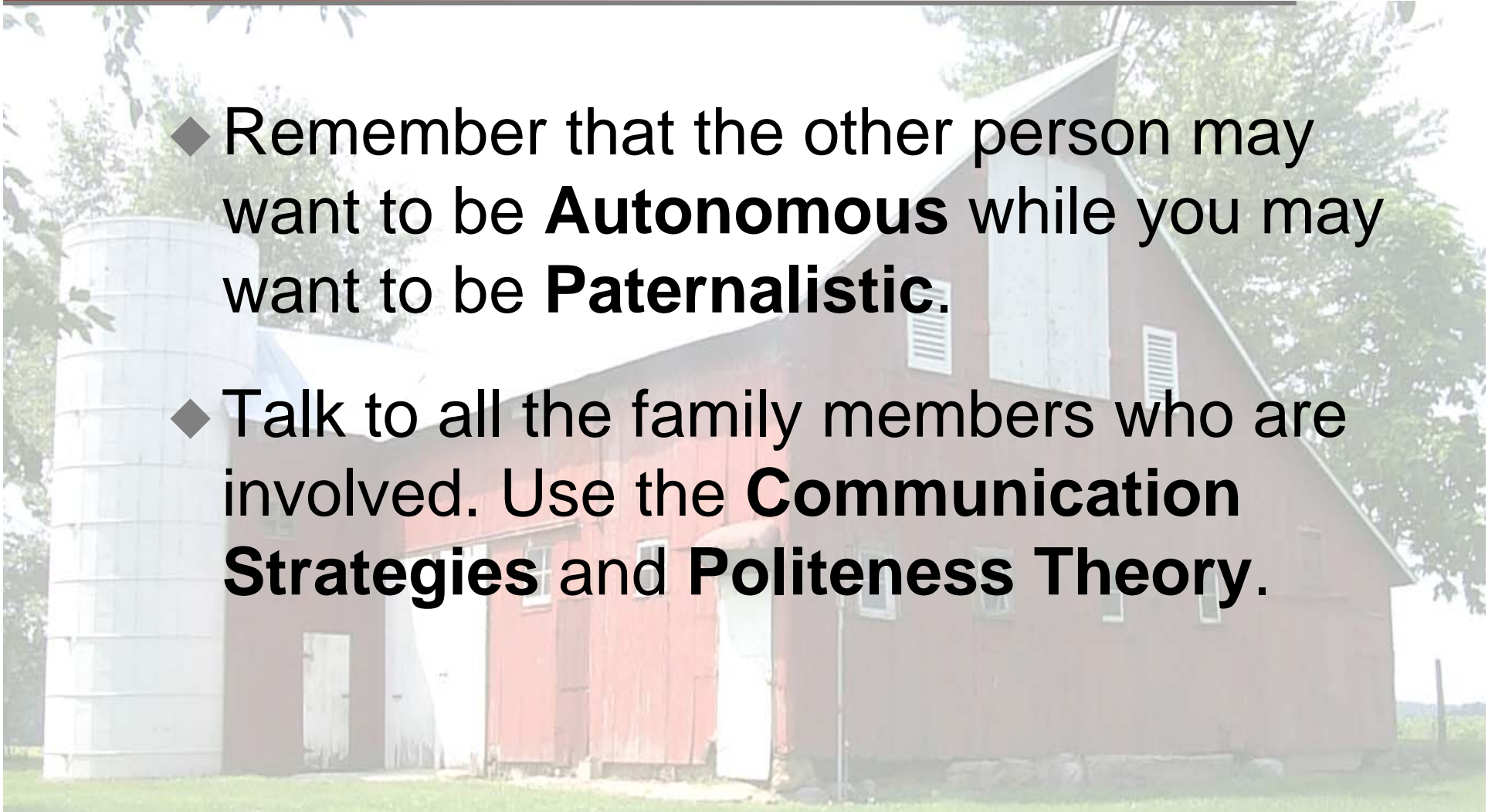
# Examples cont.

- ◆ **Timing:** (*From Scenario 4*) Ask family members if they want to be involved in the transfer.
- ◆ **Behavior:** (*From Scenario 5*) Always reinforce that the parent is in charge of his/her own health.



# My recommendations

- ◆ Remember that the other person may want to be **Autonomous** while you may want to be **Paternalistic**.
- ◆ Talk to all the family members who are involved. Use the **Communication Strategies** and **Politeness Theory**.



# More recommendations

- ◆ Make plans while you are in good health
- ◆ Discuss with your attorney how much time is needed for the farm transfer plan
- ◆ Think how your estate plans will affect those who are left behind
- ◆ Are there any special concerns?
- ◆ Share your plans with all concerned

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