Succession Stories

These Hereford operations are continuing a legacy through careful succession planning — although no two are alike.
God said, ‘I need... somebody who would bale a family together with the soft strong bonds of sharing, who would laugh, and then sigh, and then reply, with smiling eyes, when his son says that he wants to spend his life doing what dad does,’ so God made a farmer.”

That part of Paul Harvey’s 1978 speech to the National FFA Organization captures a romanticized version of farm and ranch succession that so many of us hold in our hearts. What an honor it is to have so much respect, love and admiration for one’s parents to want to be just like them when grown up. The problem, though, is often not one of desire or good intentions but one of undergoing the lengthy, confusing and heart-wrenching process of making decisions and then literally transferring ownership of assets, methods and values from one generation to a next.

This is a process in which Hereford breeders are involved with varying stages and styles all of the time. Some are like Bob and Jami Goble, who actually bought out their former employer, whom they weren’t related to at all, and are making a go of their very own Hereford operation for the first time. Others are like Kevin Schultz, who is the sixth generation in his family to make a living on the land and is in the process of incorporating his son into the operation. And then there are Rausch siblings Trudy and Dana, who are the fourth generation of their family in the Hereford business and, even though they aren’t actively involved on-farm, still contribute from town jobs.

If there’s one common thread among all of these successful successions though, it’s that the families made communication a priority and weren’t afraid...
to ask for help. In fact, all three families sought advice, not just from professionals but also from other cattlemen and farmers. That’s why they want to share their stories, because those stories might help somebody else make the right choices for continuing an operation.

**Non-family**

Ridgeview Farm is an excellent example of a succession between two parties that aren’t related. From 1999 to 2007, Bob and Jami Goble managed Ridgeview Farm, Alto, Mich., for owner Burt Lake. In fact, Bob and Jami spent most of their careers working as managers for other people. Success they had plenty of, but when the opportunity seemed close to buy out their boss, they were excited.

“We knew this was where we were wanting to stay,” Jami says.

So in 2007 she and Bob purchased the land and showbarn on one side of the road within the farm. It was not done without great discussion and planning though, Jami says.

“There was some paperwork so that Burt could still use the facility because that’s where the sale barn was,” Jami explains. “Also we took that opportunity to talk about the cow herd in general. Bobby and I owned some cows at that time that ran with Burt’s and that needed to be considered.”

Two years later, Burt, who was in his mid-80s, remarried and decided it was time for him to retire from the farm.

“We had the opportunity to go to a different farm to manage it, but Burt gave us the chance to buy his cow herd,” Jami says.

They knew this was their chance to go into business for themselves, and despite the stress of being in debt and the incumbent responsibility, they jumped on the opportunity. But they were careful to get everything in writing.

“We bought the cows, but rented the main farm. He held the note for us for three years until we could pay off the cow herd,” Jami says. “Each year after the production sale, we made a payment until we were paid off. At that time, we also got first right of refusal to buy the main farm in the event of his death. We set the price then. We were very clear and Burt too, on the dollar amount it was going to cost to purchase the farm.”

Burt was ready to sell earlier than anticipated, and in 2010 the Gobles obtained a mortgage to purchase the main farm and all of the equipment.

The Gobles’ situation is unique because there were no familial ties between the two parties. Jami says their arrangement was successful because everyone kept open lines of communication.

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— Jami Goble

Tyler Schultz, left, recently returned to work on the family operation alongside his father.
“Talking about it is critical,” she says. “Everybody needs to have a conversation on the ‘what ifs’ because if that doesn’t get talked about, when it comes up no one knows how to handle it.”

The Gobles and Lakes wrote up an informal agreement between the two parties and then took it to an attorney to have it made legal.

“Everything was in writing. We wanted to make sure everything was legal with an attorney because we didn’t want to see the agreement not followed through,” Jami says. “My best advice is to be completely open. Ask as many questions to other people as you possibly can. And it doesn’t have to be just businesses in the ag industry. There are businesses that transition all the time. Some of us can get very set in our minds, but there are other ways to look at things. Don’t be afraid to ask questions; that’s how people learn. There is a wealth of knowledge out there if you are willing to ask for it.”

Multiple generations

In contrast to the Gobles, the Schultz family of Sandhill Farms in Kansas has been in the farming and cattle businesses on family-owned land for going on seven generations. Kevin Schultz is the sixth generation, and his son, Tyler, has recently returned to the family business as well.

When Kevin returned to the conventional cattle and farm operation, he brought something new to the table.

“We had pretty much been just a commercial cattle operation, but when I came home it was my direction to start the registered program,” Kevin says. “The land is still the same, I just tweaked it or started a new enterprise.”

Although Kevin added the registered Hereford herd to the Schultz family business, he continued to farm as well. His father really gave him a leg up in that respect.

“We shared equipment to help me get started,” Kevin says. “I worked on Dad’s land in return for the use of his equipment to farm some land I rented. I was able to take on more and do more over time, and when I was financially able I bought machinery and grew my operation where I could be a participant at different levels.”

Now that Tyler has returned to the operation, Kevin and Tyler have arranged a similar agreement.

“The seedstock operation is going to be set up as an LLC and be its own business, but the farming side of our operation will be handled as it was between me and my father,” Kevin explains. “Tyler will have his ground that he rents, and he will use my machinery and work on my land as well until he gets his feet under him. Then he will be able to buy his own machinery, his own land, and move forward.”

The Hereford operation is handled differently in the succession plan because of the possibility of shared ownership between Tyler and his two sisters, who are currently not working on the farm, and for tax implications.

Kevin stresses that he and the entire family have open lines of communication.

“Everything’s been discussed,” Kevin says. “And we’ve written some things down. As we move forward, some of what we wrote down will change; continued on page 62...
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— Dana Rausch

it will be fluid. So even though we want to have it written down for clarity, it’s all written in pencil.”

Kevin also points out that each operation is unique, and they’ve consulted with many others about what’s been done before.

“We’ve taken in a lot of opinions from other operators, estate planners and lawyers,” Kevin says. “Some ideas have worked, others don’t apply to our operation. My advice is to get information and consult with others, but remember each operation and family is unique. And each person in the family has a special talent. You have to make your plan unique to match.”

For instance, his daughters have an interest in being a part of the family operation, but at this point, their future involvement has yet to be determined. And that’s OK.

“I want to have it planned so they have the opportunity to do what they want to do,” Kevin says. “If they want to come back and change the focus of what we do, I want to have a structure set up where they have that freedom. They don’t have to do what I did, or what my dad or grandpa or even his parents did. But it’s important to me to have things set up where they have the opportunity to succeed.”

Consider off-farm family

The Rausch family of South Dakota has been in the Hereford business for many generations and, by making succession planning a priority, plan to keep it that way. William and Alice Rausch helped their children get started in the Hereford business through 4-H projects in the 1940s. Ever since, the Rausch family has made getting the next generation involved a priority. And they’ve taken a unique spin on the process by keeping off-farm heirs as a valuable part of the business and process.

Dana Rausch is William and Alice Rausch’s grandchild, and he is one of Vern Rausch’s five children.

“I remember back in the late ’70s, all the way through the early ‘90s, farm families were encouraging my generation not to come back to the farm,” Dana says. “We were all taught the right work ethic and encouraged to go to town and put that work ethic to use so that we could raise a family because of the farm crisis.”

Dana did just that, earning his bachelor’s degree, then his law degree and then getting a good job working for Koch Industries even though it was a long drive from the family’s Hereford operation in South Dakota. But when the opportunity came to move to Sioux Falls, S.D., in 2008, Dana did. Now, as a financial advisor for Principal Financial Group, Dana uses his expertise to help farm and ranch families with succession plans.

Dana’s sister Trudy took a similar path and works as an estate-planning lawyer in Mitchell, S.D. Both use their personal experiences to help professionally counsel families.

At Rausch Herefords, the youngest generation gets a taste responsibility by working the calves.
through succession issues. And at the same time, they are part of a succession plan at Rausch Herefords, where their siblings, cousins and other relatives work day in and day out.

“I am one of the ‘inactive’ kids in the home operation,” Dana points out. “I don’t make any of the breeding decisions for the cow herd at home. That’s all left up to my dad, uncles, brothers and cousins that are there and active in the business. It’s my job to keep them aware of changes in the industry from a planning perspective. Our contribution is at an advisory level, as well as all of us kids are involved ever since a young age, we were all investing back into the herd itself. So every one of us kids still own cattle back there and that keeps us coming back for a lot of reasons, not just holidays.”

Trudy adds, “I am blessed. Some families would not have allowed a child who moves away to have any participation in the family business when they are so committed to their own business. On a deep personal level, I am grateful that my farming and ranching family members have allowed me to continue to be a tangential part of their operations. Although circumstances would never work out for my children to have the benefit of being part of the day-to-day operations, they are very aware of the hard work and sacrifice that is necessary for their on-farm grandparents, aunt, uncles and cousins. By allowing my children to invest in a few head of livestock and participate in the annual production sale, for example, my children experience a small part of the work and have an appreciation and understanding of the livestock industry.”

And because of the family’s all-encompassing and dynamic ranch succession plan, off-farm family members can still return to the operation if the desire is there.

Dana says, “My son has been drawn to the farm from a young age. We’ve left the door open (through planning) for my son’s generation being the fifth to come back in. But we always encourage each generation to get some world experience first and try to bring that experience back. Fresh eyes, fresh ears, fresh ideas are an asset.”

So even though Dana doesn’t live or work on-farm any more, his children can if they choose and make that commitment.

“We are trying to keep the plan flexible so that the door is open and the invitation is outstanding,” Dana says. “Because there is a quality of life on the farm, there are things that you are going to learn out there that you are not going to learn living in the suburbs or living in town.”

Dana and Trudy are full of advice for families at any stage of the succession process because they deal with it so often on a personal and professional level.

“The most common impediments to successful business transitions, from my perspective, is either paralysis from fear of making a wrong decision, or failing to think like a business. For example, a person who has been in and out of bankruptcy may be a well-paid valuable employee, but may not be the best person selected to manage,” Trudy says.

She also points out that farming and ranching enterprises may need to be a more complex type of arrangement than just a mom-and-pop joint tenancy. Setting up a limited liability company, family limited partnership or even a trust might be the best way to tailor a plan to fit the family business.

Dana encourages families to seek professional help throughout the process.

“A lot of people start out and go to the highest paid attorney or highest paid CPA firm. I don’t care how smart one or two individuals are, they are going to miss something. If I am the client, I want a team of people and that teamwork approach is going to enable me to shift as life changes and stay in the best graces with my family generation by generation. I think that team concept requires somebody on the team to be the coordinator. There are really good bankers, really good lawyers, really good academia, so families have tons of information. Oftentimes what they need is somebody to help them walk the path,” he says.

It’s important to remember, too, that while these families seem as if they have it all figured out, there are always conflicts. Those should be expected and planned for.

“Any time you have more than one child you are going to have some sort of a conflict,” Dana says. “The key is to have a system in order to discuss the conflict and a way to resolve it.”

— Trudy Rausch