



Tales from transition: A junior partner success story

FCC Knowledge Podcast: Talking Farm and Food

PODCAST TRANSCRIPT

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MS: Before we get to today's guests, I want to let you know that we're going to be releasing two episodes this month focused on farm transition. What you're about to listen to in part 1 is the junior partner's perspective and how their transition went. Spoiler alert, part 2 we're going to talk to a senior partner from a different farm and how their transition went. We've also got a special guest coming in from our advisory services team to give a little more perspective on what it's like looking in from the outside as a transition specialist. She knows these guests really well and can offer some really cool colour on what happened and how the journey went. If you haven't started talking about transition with your family farm, I hope this gets you going. If you have started, hopefully you're like me and you found these stories encouraging and inspiring.

PD: That was one of the big light bulb moments as we've been learning and developing this service. Every farm is in transition. A 100% of farms are in transition, it's just whether or not they're actually proactively planning and determining the strategy to reach what their vision is.

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MS: So, what you're saying is, if someone is listening to this podcast, that you keep listening because the content applies to them?

PD: It's about them every time. You can plan, or it can happen to you. Which do you prefer?

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MF: Envision yourself 30, 40 years from now. How do you think you would feel, as my dad's shoes in it? It really taught me a lesson to be patient, patient and open-minded, and just realize that no one really starts farming in their 20s and they get excited about retiring.

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MS: From FCC, it's the FCC Knowledge Podcast, a show that features real Canadian producers, real stories, and real good conversation about the business of farming. I'm your host, Marty Seymour.

Mike Ferguson, at Wilmar Farms, some would say is done transition. Or at least that's how I would have described it before I interviewed him. His family's transition is described in this episode as a beautiful outcome. It wasn't all sunshine and rainbows as you would expect. It seemed like Mike did everything right early on. He researched, and learned, and then researched some more, yet the Fergusons still hit a few roadblocks along the way. Present day, Mike and his wife, as junior partners in the operation ... and get to learn the term junior. That means that next generation coming up. But Mike and his wife, they've got decision-making control of the farm. Not only have they maintained the family relationship and the senior partners are still involved, but if you think about it for a second, how many of you know anyone who's really done successfully? It's not a lot. And for me personally, I don't have any examples before meeting Mike as part of this podcast. Today you're going to learn how the Fergusons made it to where they are, some of the lessons they learned, and a few takeaways that maybe you can use in your transition journey. Because all of us are in some sort of transition journey. Whether you call it succession, transition, or it's the elephant in the room that you've been avoiding, it's important, and it's certainly hard. So, let's hear from someone in the trenches, the transition trenches.

Welcome to the FCC Knowledge Podcast, Mike. Thanks for being here today.

MF: Thanks for having me.

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MS: All right. I want you to maybe paint a picture about where do you live. Where is the home farm?

MF: The home farm is just east of Melfort. Melfort is in Northeast Saskatchewan, so it would be two hours from Saskatoon which is a major centre for us. Melfort has a population of about 6,000 people, so it's a fairly good size too. But yeah, the farm is just east of Melfort, in between Tisdale, actually, right smack dab in the middle.

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MS: Oh, okay. That's canola country, Northeast Saskatchewan. Do you get isolation pay for living up there?

MF: No, not quite. Sometimes it feels like it, but yeah, not quite.

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MS: I always love to know what the price of land is. So, for all those people across the country, Northeast Saskatchewan where you're farming, what's land trading for?

MF: Good farmland is trading right around that \$3,000 an acre it seems. Of course, there's some that's traded a little bit higher, some that's lower based on quality, but I would say that \$3,000 is a new norm for this area.

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MS: Now, in a lot of my circles, we talk about labour as one of the biggest challenges in Canadian agriculture and food processing. And you're doing your part to solve the labour problem in this country. Tell us about your family.

MF: We have a young family. We have kids that are four, two years old, and then five-and-a-half months. We're working on that labour problem here. The two older girls actually just love tractors, the combines. And our youngest Evan here, he's just a little too young to grasp it, but we're working at putting him in that training program for that nice and early.

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MS: High-pressure sales by Dad to get him ready to drive tractor as quick as possible.

MF: Yeah, exactly.

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MS: Now, you farm with your mom and dad. And the reason for today's conversation is really around transition. So, help me understand who the players are in the business, maybe where your wife fits in, and draw that picture for us.

MF: My parents started the farm, I guess I started farming with them when I was, I'll call it, 18 out of school is really when I got involved. So, I got started then, came back from Australia actually from a custom combining experience over there, and then really dove into the farm being more involved. And I came back to the farm before I met my wife actually. I was involved with the family farm first, and then she came into the picture later on as a girlfriend, and eventually fiancée, and then wife. And then the wife and I, we slowly picked up more responsibilities on the farm, and picked up more land to help grow the farm. And then now we've, since we were engaged, started a transition program with the farm, and it's continuing to evolve every year.

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MS: All right, some background for you on the players in this transition. I always find this helpful. It's terribly confusing for me when I meet new people like this along the way, so let me level set for you here. Mike is married to Regan. Mike was clever and he married

wise. Regan is a sales agronomist. They're the two junior partners in this scenario. Both of them work on, as well as off, the farm. Mike's parents, the senior partners, are Bill and Mary. Bill farmed all his life and Mary was a teacher. Both are still involved in the farm made up of about 2,500 acres today.

Okay, well, let's try something different today. Let's start with the end in terms of transition. Where are you at in your transition today?

MF: I would say from zero to 100%, a lot of people think that our transition is done on our farm. But I would say we're only about call it 70% of the way through our journey. But it feels like it's 100% of the way for a lot of people on the outside looking in. But internally, it only feels like 70% of the way, so we've still got lots of room to go.

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MS: Wow, you have my attention now. I would have intuitively thought, as progressive as you guys are, that you got this done and in the bag. So, what's the last 30% that's hanging over you?

MF: I think the last 30% is continuing to work with my parents on making sure that their retirement is what they want it to be. Having purchased a business off of them, having payment structures, sometimes life changes and needs change for different people. And making sure that side of things continue to evolve so they still have land that's personally owned that wasn't part of the farm. So, I think that's a big portion of it too. That land obviously is a big component of the farm, but with it being outside of the farm, you still have rental agreements, what's the plan for those pieces of land going forward, and how does that work with the farm's plan going forward too.

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MS: Before we go any further, I want to give you a little bit more context on the Fergusons and what they've accomplished. Clearly, I'm no transition expert, but I do have a few transition expert friends. Let me introduce Patti Durand, as an ag transition specialist at Farm Credit Canada. She happens to be the one that recommended Mike for this podcast. So, hey, why don't you go straight to the source and ask a friend, as they say?

Welcome to the FCC Podcast, Patti.

PD: Thanks, Marty.

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MS: Why did you identify Mike Ferguson to be a great example of how to manage a transition?

PD: The Ferguson family, I met them actually after most of their transition was already complete in terms of the actual structure and the decisions that had been made. But I wanted to share his story and introduce him to you because it shows what's possible. It's a pretty rare situation in terms of how they've chosen to fully transfer responsibility, ownership, decision-making on this farm, and yet it's a beautiful outcome. And so, I really care to share and say, hey guys, this is where you might be caring to aim. And the Ferguson story inspires me and gives me a place to give an example of what's possible.

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MS: So, what was it that made this the story to dig into? What was the outcome, exactly? I was drawn into this curiosity. It all centres around decision-making control. Apparently, most senior partners don't transfer to the junior partners very easily. It doesn't mean it never happens, so I asked Patti to spell it out for me.

PD: In corporate transfer, and the way that corporations are structured, there is the ability to transfer, not only ownership, but also decision-making. So, voting control from minority to majority control over a period of time. And it's super rare on farms that that control is passed in early stages of transition as it was in this family. And so, what happens is, is that the senior partner, out of probably their own risk tolerance or lack thereof, holds the cards for a really, really long time and as a result, doesn't give the autonomy to the junior partner. And that's what happened in the Ferguson family, they passed that baton. And I love the way that Mike has told it to me. He said, I no longer have any legal reason to consult with my parents in terms of business decisions, but they're still the first place I go.

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MS: Oh man, it warms your heart actually, to think about somebody having that much respect for his parents and still taking their advice with no legal obligation. I think that's kind of neat.

PD: I'm going to just add, and his respect in return for them. It's a two-way street.

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MS: Patti told me that she'd shared this story with a bunch of advisors at conferences, doing presentations one time, and asked around the room if anyone had seen this type of transfer of the decision-making control so early. And there wasn't a single person in the room that raised their hand. It's all starting to make sense to me now.

Now, you started your transition journey quite a few years ago. Walk us back to that first experience you had trying to initiate the transition, and you worked with an external on that. Tell us about it.

MF: Well, what we thought we were going to do is work with an external advisor on succession transition. And myself, I have done a lot of homework on this. My parents thought it was a good idea. And we sat down and said, yeah, let's do this, let's get the ball rolling. And I think that was one of the toughest things when it comes to transition to do, is really get it started. And so, it was really good. It opened up a lot of questions. And there's a lot of questions, to be honest, that we weren't prepared for, we hadn't thought about, hadn't talked about. And we dove into that water and it was ice cold.

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MS: Okay, so what were those couple of surprises when that first conversation started?

MF: A couple of the biggest surprises is needs versus wants on especially my parents' side. I think that was something that really needed a lot of thinking and a lot of talking it through, a lot of planning. And it was kind of, well, what do you need versus what do you want?

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MS: So, what does that mean? I've got an idea. Tell me what you mean by a need, what they thought they needed versus what they wanted.

MF: I think the needs versus wants, you have to break it down into a couple of portions of it. Financial needs and wants versus non-financial needs and wants. So, they still want to be a part of the farm. We still need them to be involved with the farm as we continue to step into their shoes. The financial side, it's relatively easy, I would say, but some of those non-financial needs and wants are a little bit tougher to deal with.

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MS: Take me back to that first interaction when you went into that external meeting. You had this person, this advisor who was going to help you. Paint a picture for us of what happened in that room.

MF: They came out, sat down at the kitchen table, and we were all sitting around. And I'm just excited we're going to get this ball rolling and it's going to happen so quick. And Mom and Dad are sitting there ready to listen, and ready to move forward. And a lot of questions came up. And I thought I had the answers for my part, but also then you need the answers from my parents' side. And all of a sudden, when the answers didn't quite jive, we had to sit back and go, oh, okay, well we both had different opinions or different visions of how this would work. Different expectations maybe is a good word for it. But then it was kind of a shock of reality where we thought we were all on the same page, and then it turned out we really weren't.

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MS: Intuitively I would have said that the gap would have been around the money. I can pay you this much, Mom and Dad, over this much time. But I get a sense it's more complicated than just the money. What was the other thing that was making noise in the room?

MF: To be honest, I'd say the money was the easy part. But a lot of the other things making noise in the room was things like trust, communication, expectations. Some of the things that you can't put a value on. So, there's financial talk in there too, but what about the support from their side? And I would say those are the things that really made it a tough journey, but also a successful one, is working on those trust expectations, things like that.

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MS: Patti has talked to the Fergusons about their experience of having to hit the brakes. So, I asked her perspective on it.

Now, Mike admits they stumbled a little bit on their first try at this. Can you colour that in for us a little bit, Patti?

PD: Yeah, totally, I love that story, actually. Because Mike said, he had worked off farm, he had off-farm education, he had been attending these meetings, he had peer groups and influencers, and had really got his head around what transition could look like. Came home, told his parents, had a great advisor, got a meeting with them. But they hadn't had the same time to digest that he had, so that meeting did not go well. And it wasn't really the advisor's fault, but they just weren't there yet. Here, we're going to take everything you've worked for and put it in someone else's hands. And they resisted strongly. So, it was back to square one, back to conversations, communication. And eventually they were able to get there, but it took some time.

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MS: Up next, Mike gives some advice on how he might have changed his approach, and we talk numbers, after this.

If I was to look at my own farm situation, where could I save the most time in approaching this entire transition conversation?

MF: I would say, being open-minded and respectful of others. Because lots of times, if you want to be efficient with time, you have to be willing to listen to what other people have to say.

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MS: I bet you didn't know FCC has a whole suite of content and resources related to farm transition. This includes the Focus on Farm Transition YouTube video series which also

features Patti. She provides really good advice on how to get unstuck in transition. Check her out on fcc.ca/knowledge/transition. Pretty cool stuff.

So then, if you think back to that first time, if you would say that that first interaction wasn't as fruitful as you wanted, would you have a do-over on how you might have approached that? Maybe some advice for our listeners?

MF: Oh, 100%. Yeah, I've taken a personality quiz before, I think it was a Kolbe. And so, I know my personality, what I'm like. And I would start off with something like that. Just because when you can go through that, it would really open your eyes up to how maybe your mom and dad see things, or your uncle sees things, or other people that are involved in it see things, and how they handle things. So, I would start off with that, and then eventually, I would say, setting expectations right from the start. Because in my head I had these great expectations that were going to happen, and I was kind of disappointed, frustrated, when those expectations didn't meet. But at the same time, other people had different expectations. And understanding what everyone's thoughts are around certain issues is really important to gain that understanding so the communication is better and it's not so much of a surprise.

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MS: Yeah, it kind of sounds like your transition journey is full of surprises and so what I heard you talking about is making sure you've got some clear expectations up front on both sides. I'm kind of interested also then in what this whole thing would cost. Lots of our listeners are like, well, I don't know if I've got to set aside 10 years of time and \$200,000, or 2 weeks of time and \$20,000, or what that looks like. Help us understand what you think the costs are associated. Maybe give us some real numbers.

MF: Well, I think for us, probably what we spent on external advisors, it would be around that \$25,000. But I think the biggest cost was the time it took, personal time, to really figure out some of your goals, needs versus wants. And I'll say this because I'm bad for it being a farmer, but a lot of farmers, producers, don't put enough value on their time. There's a lot of legwork that went into it, a lot of conversations. But I think that was the biggest cost in my head was just the amount of time invested into it. And it was a great investment to that because I continue to learn stuff. I think my parents learnt stuff about their operation by putting in that work for it, so it was time well worth putting in.

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MS: I have this huge passion for efficiency and using my time best. Do you have any advice for me? If I was to look at my own farm situation, where could I save the most time in approaching this entire transition conversation?

MF: I would say being open-minded and respectful of others. Because lots of times, if you want to be efficient with time, you have to be willing to listen to what other people have to say, and being open to new ideas, being willing to work with other people. So, if you

have that line, I like that saying, if you want to go fast, go alone, if you want to go far, go with a team. I think that's what it is, because in the transition, you have to go as a team, you can't go by yourself.

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MS: Mike's first real skin in the game was not unlike a lot of other farmers. He bought his first quarter section from his neighbour in 2009 with a little help from his parents. He had to manage his own inputs and cash flow, pay the bills, kind of the way lots of people start out, and really live the implications of his financial decisions. He explained to me that motivated him a lot, the whole skin in the game piece. He was now more than a labourer. He was really in it. After meeting Regan and getting engaged, you can imagine transition conversations start to pick up. Regan and Mike started to take on more and more responsibility. In 2015, they became shareholders. In 2016, they also gained voting control of the farm and bought the farmhouse from Mary and Bill. The transition happens in increments, a piece at a time, not all at once.

MF: When my farm started, he would say, go ahead, it's your money, it's your farm. And having that confidence to make those decisions really helped me have the confidence to make decisions for our farm, I'll call it now. And so, I think that was a really important part of the process is being comfortable making decisions, and making big ones. And then it just kind of instilled confidence in myself. And I think too, there's a control factor where I don't know any farmer who's just starting out that's not going to make mistakes, and I don't know any farmer that's farmed for 40 years that hasn't made mistakes. So, letting someone make decisions is good, and realizing they might make a mistake, but having a plan B to go with it in case that mistake does happen is a critical part of it.

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MS: It sounds like in your model that you got to go in phases. I always use the analogy like going to school, Grade 1 to Grade 12. Mom and Dad didn't just hand over the keys and start you at Grade 12, because you got to make some small mistakes along the way with some coaching. Is that how your experience played out?

MF: Yeah, 100%. So, when I started farming it was actually a horrible time. We were so wet here in Northeast Saskatchewan, and it was really tough. A lot of acres didn't get seeded. What did get seeded, the yields weren't there because there was too much moisture. So, I got to experience some tougher times right from the start, and it wasn't just easy free sailing right from the get-go. So, having some of those phases come in has really taught a lot of valuable lessons going forward. And then leaning on the experience that my parents have had through talking about, this happened back in this year, and I've done this. Learning from their experiences has really helped me grow as an individual, and then I think it's really helped our farm too.

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MS: Your story reminds me of something, your first year of farming wasn't all roses and bouquets. It was tough. It reminds me of an old cattle feeders' expression where, the worst thing that could happen to you is make money on your first turn of cattle. And maybe that humility that comes with you having a tough start maybe also is part of your recipe here that probably isn't appreciated until you're looking in the rear-view mirror.

MF: Yeah.

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MS: You mentioned earlier that you had described your transition at 70% of the way through. I want to ask you a scenario question to paint a picture for our listeners. So, it's time to go out and upgrade the sprayer. You and your dad, you're co-managing the farm working together. In the scenario today, you've got to make a \$200,000 sprayer decision. How does that play out in your farm dynamic?

MF: Probably I'd do a lot of the research initially off the start, looking at different models, the price comparisons between model A, model B, what our options are, if we want to finance it through dealer financing, or FCC, or a bank. You like that one?

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MS: Thank you for the plug there. My colleagues appreciate that. FCC finances sprayers.

MF: Yeah. But I would be the one doing a lot of the technical and research on it, just because I'm more the numbers guy. We'd go look at it together, and then ultimately it would come down to my dad and I saying, yeah, this is the one. Then go from there and try and work out the numbers to solidify them.

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MS: So, does Dad give you ... obviously, he's a sounding board for you, but do you get autonomy to pull the trigger on that? You're sounding it off of him, but have you already got your mind made up?

MF: I think we have a plan for expenditures. So, whether it's equipment or whether it's long-term assets on the farm, we know in the next two to three years what pieces of equipment we want to upgrade and why we're upgrading those pieces. So, it's part of our business plan. Being organized on that I think helps make that decision easier.

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MS: You said something that twigged for me, that you have a plan. Maybe you can even go as far to say a business plan. I work with lots of different business owners and the idea of a business plan for some it's paralyzing, for some it's easy, for some they see it as really

complex, and others see it as simple. Help us understand what a plan means in your operation.

MF: A plan for us is essential, and we use that business plan to help communicate our goals and vision with my parents. So, when they can see that plan, we can go over that plan hopefully every year, it gives them that confidence that yes, the transition was the right call, yes, these guys do know what they're doing. They are organized, and not just running day by day.

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MS: If I hear you right, in a successful transition, a plan, and I'm assuming it's written down to some degree for you, is that's a critical element to success.

MF: Yeah, I would say so.

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MS: Okay, so I'm always looking for thumb rules, and advice, and triggers to make people buy into this idea of the value of transition. When should I start transition?

MF: Today. I'm a firm believer. We're a relatively young couple and we're already trying to focus on our own transition potentially down the road. We have kids that are four, two, and five months, and there's tax implications down the road. You look at some of the tools that are being used, like life insurance, the rates are changing as you get older, and having somewhat of a plan for your own transition succession is key. Having wills in place is key because you never know what tomorrow is going to bring.

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MS: Patti agrees with Mike's today response, by the way.

PD: Very much. And I would say too that I've never sat at a table too early. I have sat at tables where it's kind of the eleventh hour and some of the choices are getting made for the family because they left it too long. So, not to make that as a threat, but just an observation. And this isn't a long slog. It isn't something that takes forever and is painful. This is a progression of the passing of the baton in manageable bites, and it can be a real pleasure to be on both sides of that table when it's done with intention.

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MS: Okay, so the clear consensus was, don't wait, start now. I feel like it was like a movie. I should have seen that coming. The other consensus from these two was that transition planning is not just tax planning, which is kind of interesting to me because admittedly I always thought it was about tax planning.

MF: I always just say, you're going to pay taxes regardless, whether it's now or later.

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PD: And the kicker with tax planning is, though that next generation you're talking about, when they're the cost of trying to avoid tax, that when the focus is the dollar instead of the people, that's a hurt that can run pretty deep, and that's where some of these things go sideways. So, let's maybe realign our priorities a little bit. There's going to be taxes. That's how it works. Taxes, generally when you're successful, that's a good thing. It's generally a measurement of that. You don't want to pay more than you need to, and so that's where the advisors come in. But letting the tax tail wag the dog has not proven successful.

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MS: So, how did structuring the buyout work? That's coming up next.

Don't forget that we're going to hear from a senior partner in one of our upcoming episodes later this month. Garnet Martin is going to provide a whole bunch of great advice. You won't want to miss it.

GM: You know, everything aligned really good. Yeah, there was bumps in the road, but I think everything that we have done has smoothed those bumps. And you mentioned it, it was a journey, and it was fun, and it was my end goal to have the family take over and be a part of that. And I was.

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MS: And while I have you, don't forget to rate this podcast. Give us some feedback. It's great to know if we're on the right track. You can even share your feedback with us on social media.

How did you structure the buyout of the business? Help our listeners understand the numbers because I think a lot of people don't necessarily understand the formula maybe in a buyout structure.

MF: So, what we did was what was called an asset freeze starting at a certain date. So, there was an attached set value, and that set value was helped by the third party to come up with that, as well as both my parents and I, to make sure that we all agreed on that value. And having that third party there for that was very good. And then also taking a look at your financial strength on the farm. Sometimes a farm doesn't maybe have the ability it needs right now for certain buyouts or payments. So, what we ended up doing was we selected a monthly payout. We've since increased that monthly payout a little bit because the farm is able to ... again, we looked at the financial capabilities and say, yeah, we can pay a little bit more now. And then having a plan for some of the capital expenditures really played into that because we knew where we wanted to go, and what

financial commitments we wanted to have down the road. So, looking at that, it changes every year. Not drastically, but between our meeting with our accountants going over our year-end data, that really continues to play into the rest of our succession plan going forward.

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MS: So, your structure then is you've created a monthly cash flow for your senior partner, in this case your mom and dad, so they can buy groceries and live the life they want to live. Is there a provision in the money side of it that in 10 or 15 years, if you haven't serviced that buyout of that debt, that it all rolls back to them?

MF: Oh, now you're testing my memory. I don't think there is on that side of things because I think the trust component was there, that we would continue to service those payments. But remember too, my parents also had assets outside of the farm that the farm used. So, if I start missing payments, to be honest, they're the last payments I want to miss. They're our biggest lender for my wife and I, and they're our number one priority.

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MS: That's great. I appreciate you sharing that. I think our listeners really value some of these nuances and how these things are structured. And I think you said something really clever is, there's the business side of what we've done with the parents, but at its core, you have to trust your business partner. So, the senior partner and the junior can't come up with a deal unless there's an anchor of trust that both parties will be emotionally invested in the success.

Trust. That's the piece that comes up time and time again in these conversations with Mike and Patti. That's the Ferguson secret sauce. They developed trust. They trust one another, and that foundation is where it got them to today. I asked Patti what else was part of the secret sauce, and she agreed on trust, but she also agreed to elaborate a bit.

PD: I think another key piece that they really spent a long time educating themselves, and researching and getting in front of people who had done it, and seeking advice. And they weren't all on board at the beginning. This took time. And so, that's the other thing. For me, I'm like, how did you get that way? That's amazing, you must have always been like that. And that's just not the case. It took years.

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MS: The other theme that kept coming up, and I should have seen this coming too, is you've got anchors in trust, but it was communication. Trust and communication.

So, communication, obviously, is part of one of the anchors to building trust. Mike Ferguson as a junior, and his mom and dad in the senior side. I guess, where did you see them really putting their back into the conversations around trust?

PD: I think in particular his mom. So, Mary, as a schoolteacher, she just would not let things go unsaid. Because there is some frustration. At one point they had the expectation they weren't going to have a farming child, they were probably going to sell the farm, and so they kind of got their head around that. And then the plan changed. And it was hard. Change is hard for humans. So, it was very key, and she was a great leader in saying, no, we're coming back to the table. We've got to dig into this and figure out how to get there. She was a real catalyst. And she just was very focused on preserving the relationships, and it showed.

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MS: Of course, Mike echoed Patti's sentiments. You'd think these two coordinated their answers if you didn't know them better. Almost in some ways maybe they spent their whole life preparing for this podcast.

What do you think people end up fighting about most commonly in these transitions? Where are the points of tension?

MF: Oh, I would say the number one thing is communication. Whether it's what they're fighting about is maybe not even the issue. It's maybe how things were communicated and different, call it, visions and ideas. Not being able to communicate properly why they would like to do this, or why they would like to do that. So, I think communication plays a role in at least probably 90% of arguments on succession and transition.

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MS: I think oftentimes I take communication for granted. I think it's so straightforward. And I think it's rather naïve on my part to think that all farm operations would be as well equipped and trained as I am in some of my jobs about the importance of communication in business models. So, I wanted Patti to explain. Here's what she said.

PD: I would say that communication is a learned practice. So, if you were to put yourself in their shoes, you take your corporate role, or your business role, and I can do the same. And I remove the meetings that I'm accustomed to, the feedback that I'm accustomed to, the clear job description and compensation information that I'm accustomed to. You take that out of the equation, and you work on a promise for 20 or 25 years, and lo and behold, that lack of communication, of clarity, it's hard. It's really hard. And it makes sense why people struggle. And there just isn't a structure often to support really good lines of open transparency.

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MS: Okay, so that makes sense. So, then the Fergusons clearly worked on communication a lot. They had a lot of serious conversations. So, when Regan came along, did the touchy subject of divorce come up? How did that work?

Let's talk about the unsaid part of transition. And I'm actually not sure how you guys dealt with this. But you talked about, you come home, and you're working at home, and now all of a sudden you have a girlfriend, you're going to get married. And every family starts to have this, well, what if they get divorced? How does this play out in the transition? Did you guys address this? And if so, what did that look like?

MF: Yeah. So, that was one of the questions that was brought up through our third-party consultant. And divorce was a part of it, but they called it the three Ds – death, divorce, and disability. They grouped those three classes together. And it made everyone really think deep and hard about all of them. And those weren't easy conversations, but all of us knowing we needed to have those conversations really, I think, provided a lot of clarity for everyone. You don't want to have a conversation, and you know it's going to be a hard conversation, but it sure feels good when you do have that conversation and everyone's still talking at the end. And it's a load off your chest when you're able to talk about some of those hard things. And everyone was open to it, everyone respected it. I would say that was a critical part of our succession.

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MS: That maybe segues a bit to the value of some sort of external advice. And help our listeners understand how they can help with a difficult conversation, and why someone should reach out and get some outside support.

MF: They hold you accountable. It's a critical role in what you need to do for succession. And I didn't wake up in the morning saying, man, I want to have a tough conversation about death, and divorce, and disability with my parents and wife today. But when you book a meeting, when you have the meeting, and that's on the agenda and you have to talk about it, you actually do it, versus pushing it aside and pushing it aside. So, having that third party there is really going to hold everyone accountable, which is great because everyone needs to be held accountable as the process goes forward.

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MS: I actually talk about the role of advisors with our senior partner guest in our next episode on transition. Be sure to check it out.

So, what's your do-over in this whole thing? It clearly is never a smooth road. If you had to do one thing over, what would it be?

MF: That's a tough one. A do-over. I think one of the do-overs I would have, let's see. I think probably one of the biggest ones would be my expectations. I'm a guy who's rather hard on myself. I have high expectations. If I could do it over, I'd go in there with different expectations than what I had. And I think that would help with a lot of the hard conversations that we've had as a family. It would help with being frustrated when

things are going as quick. To be honest, I think that would just make the process even better.

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MS: When I think of expectations, I could take your comments two ways. 1) You could have expected more, or 2) maybe you should have been more patient. How do you fit in?

MF: Oh, patient, for sure. Patient, yeah. I walked in there thinking, within two years or a year and a half, our succession would go from zero to 100%. And now we're, call it year eight, and we're at 70%. So, yeah, definitely more patient.

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MS: Now, your mom had some really good advice about looking at something through your father's eyes. It's a very wise statement that your mom had. What did she mean?

MF: Yeah, she's a very smart woman. I think too, that comment is, just envision yourself 30, 40 years from now. How do you think you would feel, as in my dad's shoes? And it really taught me a lesson to be patient, and open-minded, and just realize that no one really starts farming in their 20s, and they get excited about retiring and handing the farm over. I shouldn't say no one, there's probably a few. But that next phase, when there's unknowns there, it's kind of scary, that you don't know how things are going to pan out. It's something new that you've never done before. So, coming into this succession transition, I was on one end, and my dad was the same way with his dad, but now he's on the other end. And it's a different spectrum, different way of seeing things. And I think that comment really makes me slow down and think about it from his view, their view, and try and be appreciative of the opportunity that we have in front of us, my wife and I.

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MS: Mary's advice for her son really resonated with me. So, I wanted to ask on behalf of a senior partner who might be listening to this podcast, what is it that junior partners are spending their time worrying about.

So, take yourself back. You're in your 20s, you're starting this conversation on transition. What do you think, in the frame of mind you had, was your number one priority?

MF: I think back when I was 20, my number one priority was land. And that's a big component of a farm. You've got to have control of the land. You have to a plan for the land. I guess when I was in my 20s, land prices were climbing every year, so you get sometimes in a bit of a panic that you've got to have more of it, and you've got to have control of that. But I wouldn't say that looking back would be my number one priority now.

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MS: So, tell your present-day version of Mike what's your number one priority.

MR: Number one priority is the business plan. And making sure that business plan is solid today. That's where I would have maybe put more effort onto that in my 20s is having that solid business plan for the farm. And that business plan can change every year if land does come up, or vice versa. But having everyone on the same page when it came to the business plan.

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MS: I think that's great insight, which really segues me to one of my favourite questions. What advice would you give your 20-year-old self?

MF: On succession you mean, right? Because there's a lot of things.

0:44:26.0

MS: Yeah, there's probably a lot of rakes in the grass you've stepped on over the years. But what advice would you give your 20-year-old self?

MF: I'd say one thing with succession is a lot of people think it's going to be a quick fix, or a quick process, and oftentimes it's not. And it's a lot of tough conversations, a lot of things that aren't fun that has to get done. So, I would say it's not a sexy, hey let's go do this, this is awesome and it's fun, but it's crucial to your long-term success.

0:44:59.5

MS: Great comments. Thanks for being here today, Mike, and being so open about your experience.

MF: No problem.

0:45:06.2

MS: I think we need to hear from Patti and what her final advice would be on what we heard today.

PD: A key thing is, just because someone is not understanding an idea within transition, or a proposal in terms of the strategy, it's not a question of their intelligence. It's literally time to digest. This is outside of their area of expertise. Most people only transition once, maybe twice in their farming career. Why would they be good at it? Why would they have a good intimate understanding of it? So, giving that space to just digest, which Mike experienced with his parents, is a step 1. But for that reason, you've got to start. This takes time. And so, waiting until those last twilight years of your farming career to

start this conversation can be a real wake-up call, because it takes longer than most people anticipate.

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MS: Mike and Patti taught me a lot in this episode. For some reason I thought transition was simple, and I think I was naïve and looked at it through the lens of estate planning or tax planning. And Mike and I had a really extensive conversation, well over an hour. Patti and I probably spent more time on this one, her bringing me along. And so, there's a lot of room in this conversation for learning, and there's definitely steps forward that all of us can take. So, what I did learn is you can transition the farm and maintain the family relationships. It isn't easy, and the sooner you start the better. If I did learn one thing from Mike, the more patience you have the better. The more honest conversations you have the better, and the more open you are, the better. So, here's what I learned today. Set expectations at the outset. Even if you think you're all on the same page, it's very likely that you aren't. Don't leave things unsaid. Once those expectations are set, write them down. Remember that those soft conversations about the needs and the wants, they're likely just as important as the stuff about the money. Regular, transparent communication is going to be key, even if it's hard. Junior partners, put yourself in the senior partner's shoes. You've got to remember that when they probably got the farm from their parents through that transition, things were a lot different. You need to be patient and give them some time to digest things. And this one's my favourite. Transfer responsibility in increments. You think about it, as a junior partner, look for things you can take on. Learn as you go. Pace yourself. Senior partners, think about giving the junior partner opportunities to take things on. Let them learn from you. If I had one thing that I could take away from Patti, and that's just get started. The sooner you start, the more options you have. Getting started could look different for many people in many different ways. It could be, attend an event. Watch Patti's video series. Have a conversation. Read some articles. Talk to an expert. Whatever it takes, take the first step.

You can check out our second episode focused on farm transition to hear directly from a senior partner, as well as some great stuff from Patti. In the meantime, check us out at fcc.ca/knowledge/transition for a ton of great content and resources to help you get started. Even better, share this episode with your senior or your junior partner. Get the conversation going.

Discover all the ways to learn at FCC.ca/Knowledge

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