

# Planning for the Future of your Sugaring Operation

*Kathy Ruhf, Senior Program Director, Land for Good*

**O**f all the daily challenges that maple producers and other farmers face, farm succession is not usually high on the list. It's easier to put off planning, and to avoid uncomfortable subjects like death and taxes. But the future of your sugaring operation – and your own future – are important. With an aging farmer population, including maple producers, more attention must be paid to how farmers can successfully transition out of active farming. At the same time, burgeoning interest in farming from young (and not so young) folks – many of whom do not come from farm backgrounds – offers creative transition opportunities. Older farmers can arrange for the continuing productive use of sugarbush and other productive lands.

Farm succession is the transfer a farm or farm business from one generation or owner to the next. Historically, transfers within the family have been the typical pattern, but in recent decades, fewer older farmers have family members interested in taking over the farm. In fact, up to two-thirds of farmers do not have an identified successor. Whether or not there is a successor in the wings, what happens to the farm operation, the land and the senior farmer or farming couple is a family matter.

Farm succession (also known as farm transfer) planning refers to the process of determining how (or if) a business will continue after the senior/leader exits. The plan determines who will take leadership and/or ownership and how that transition happens. It ad-

resses the transfer of income, assets and management. It lays out the path to retirement.

A transfer just doesn't "happen." Inadequate planning can result in undesirable and sometimes catastrophic outcomes. Heirs may be forced to sell land, farm businesses may close down, sugarbush could be abandoned. But with timely and thoughtful planning, your personal, family and business goals can be met.

Succession issues are not unique to farm businesses, but agriculture poses particular challenges, and sugaring operations have their own special considerations.

Farm transfers can be more complex than in other business sectors, in part because a transfer typically considers both the land and the business. The land is often the most significant asset, and the business operator typically lives there. Many family-owned businesses have meaningful histories and assets, but farms hold unique places in the hearts of their owners, sometimes for generations. Farm businesses may transfer to a non-family successor, but the land may stay in the family. Conversely, the transfer of land does not equate to the transfer of business ownership. The land has unique standing, not just because of its monetary value, but also because of its non-monetary legacy.

Succession planning involves estate planning, retirement planning, land

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use planning and business planning. A will is necessary of course, and some farmers are fine with letting their heirs figure it all out. But desired succession outcomes often occur before death, particularly around notions of retirement and financially advantageous methods to transfer assets before death.

Retirement means different things to different people. In the non-farming sector, many people “retire” the day they leave their job, period. In agriculture, many older farmers keep farming for various reasons, and in various ways. Some farmers say they’ll never retire. Technology and mechanization alleviate the physical demands of farming allowing many to continue far longer than in the past. And while farmers may complain, most experience a strong attachment to, and continuing satisfaction with at least some aspects of farming. One farmer may say he’s retired, but continue to run the combine or help with harvesting hay or pumpkins. Others may claim to

be “partly retired” but still control the checkbook. In the maple industry, an older farmer might adapt technology (for example, going from a wood-fired evaporator to another fuel source or adding reverse osmosis) or hire more help to ease the more strenuous aspects of the operation.

If retirement is defined as providing no managerial control or labor to the farm, it’s easy to see shades of gray. In fact, retirement is a process that can take years, and unfolds according to the unique needs and preferences of the farmer and significant others. In one survey, nearly half the farmers reported they had not discussed retirement with anyone.

In the maple industry, the sugaring operation might be one enterprise in a larger, diverse farm, where most or all the land is owned by the operator. However, you might have few or no land holdings. You may access sugarbush owned by others through formal written leases or less formal, “handshake” use agreements with landowners. If you desire to continue and pass on the sugaring enterprise, it’s important to have a clear grasp on all land use agreements. Is a verbal agreement adequate for your future and subsequent operators? Who is the agreement between? Often, and where feasible, a written agreement is preferable. A savvy successor will want reasonable assurances provided by a lease or other written use agreement. The agreement should provide that the rights remain with the sugaring business, or for the assignment of the rights to the trees to a successor.

Consider too the succession planning – or lack thereof – by the owner of the sugarbush that the maple operator is using. If the landowner has not done

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adequate planning, the land might get fragmented and/or sold. New owners might not appreciate the tubing through the woods or having other people on their property. So it's a good idea to find out what the landowner has planned, and to express any concerns you have.

The foundation of successful succession planning is built with a clear vision, specific goals and open communications. Once these are in place, you can resolve financial, tax, legal matters and management transfer.

Yes, it's hard to get started—to ponder your legacy, pull a family meeting together around the future of the farm, or to sit down and figure out your anticipated retirement income and expenses. But the “no plan” option can be costly, disadvantageous and divisive.

Succession planning advisors often say, “The hard issues are the soft issues.” The “soft issues” are around vision, goals, family dynamics, and decision-making. Who needs to be involved? Do you and your spouse have a shared vision? Are your children on board? What about key employees? Neighbors? Owners of sugarbush that you tap? Some farm families get stuck right at the beginning. They stumble in their family communications and can't make effective compromises or decisions.

With good communications, some specific questions can be addressed. Is the operation healthy enough to transfer? What changes are needed? What are the retirement income needs of the exiting farmer or farm couple and what portion of those must be met from the farm? Can those needs be accommodated while enabling an affordable transition to the next farmer? How and

when will decision-making and control shift? How will heirs be treated equitably? A lot of these answers depend on the financial profile of the business and the farm family's total assets. And often these are more obscure than farmers might want to admit. Getting the business' financial ducks in a row is essential, whether it's a part-time, sole proprietor sugaring operation or a land extensive, multi-enterprise, multi-generation farm.

As important, and sometimes the most challenging, is transferring management skills to the successor. Important topics include financial management and marketing of syrup and maple products. For many senior farmers, letting go of control is hard. And not everyone is naturally gifted at mentoring.

Succession planning takes time – sometimes a year or more. And the actual transition can take a decade. For farmers without identified successors, recruiting and training a non-family successor requires patience and relationship-building. Good planning means lining up some important documents such as your will, power of attorney and medical directives, your farm's financials, relevant leases, and insurance and tax forms. A young farmer noted that one of the greatest gifts her farmer-father gave her was a binder with all this information in one place. It made settling his estate and transitioning the business relatively painless.

Succession planning also takes a team of advisors. Some groups and institutions have well established programs to assist and educate farm families about succession planning. More are emerging. These include so-called “farm link” services, succession tech-

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nical assistance, and land access programs. The Northeast is fortunate to have organizations and agencies that help farmers find land, connect with landowners, and plan for the future of their land.

Land For Good ([www.landforgood.org](http://www.landforgood.org)), a New England-based nonprofit, specializes in land access and transfer. Its toolbox on farm succession contains numerous resource links and guides, including one for farmers without identified successors. LFG's state-based field agents provide succession coaching and facilitation. LFG and Farm Credit East will offer a three-session "Farm Succession School" starting in November 2016 in Vermont, New Hampshire and Maine. For more information on this, contact [info@landforgood.org](mailto:info@landforgood.org).

The Farm Transfer Network of New England ([www.farmtransfernewengland.net](http://www.farmtransfernewengland.net)) has a searchable database of lawyers and other professionals. There are many online tools such as retirement calculators and sample leases.

The Vermont Housing and Conservation Board and Massachusetts Department of Agricultural Resources offer farm viability programs that support farm succession planning. Several land trusts such as Maine Farmland Trust ([www.maineFarmlandtrust.org](http://www.maineFarmlandtrust.org)) and Vermont Land Trust ([www.vlt.org](http://www.vlt.org)) work with farm owners and seekers. New England Farmland Finder ([new-englandfarmlandfinder.org](http://new-englandfarmlandfinder.org)) posts farm properties and links seekers and owners to other farm link programs and service providers. In some states, university extension services have specialists to assist with succession planning. Farm Credit East ([www.farmcrediteast.com](http://www.farmcrediteast.com)) also offers succession planning assistance. In areas outside New England, Cooperative Extension might be a good first contact.

Succession planning is a practical as well as emotional process. It's as much about legacy as it is about taxes – maybe more. Successful planning takes time, and it takes a team. It's never too early and it's never too late to start succession planning.

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