GOALS AND PRINCIPLES OF THE INTERGENERATIONAL TRANSFER OF THE FAMILY FARM

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ABSTRACT

The intergenerational transfer of family farms was studied by means of semi-structured interviews with husbands and wives of both the *senior* generation and the *junior* generation of farm families. Particular attention was paid to the goals and the principles of the transfer. Responses to the interviews suggested respondents selected among three goals for the transfer process-- 1) preservation of the family farm, 2) maintenance of the financial viability of the family farm, and 3) use of the family farm as a retirement package. Respondents also selected among six principles to guide the transfer process-- 1) control of participation in the decision-making process, 2) equality in the treatment of the members of the junior generation, 3) commitment to the family farm, 4) provision of choice to the members of the junior generation to allow them to determine their own future, 5) allocation of the farm to the most senior male offspring, and 6) protection of the family from itself. The potential for conflict between and among these goals and principles is discussed.

INTRODUCTION

Decisions and procedures for the transfer of family businesses are often problematic and contentious. What is "fair and equitable" from one person's perspective may be "unfair and inequitable" in the eyes of someone else (Jonovic, Messick 1991; Russell, Griffin, Flinchbaugh, Martin, Ahlano 1985). The transfer of a family business is, in many ways, more difficult than the transfer of other family wealth (such as cash, stocks, and bonds) since there are often emotional attachments to the family business. Dividing up one million dollars worth of stocks and bonds among the children can be relatively simple. But the division of a million-dollar family business among the children is far more difficult. It may require the selling of a business that has been in the family for generations--one that an ancestor (or many ancestors) worked long hours and endured great sacrifices to establish (Rosenblatt, deMik, Anderson, Johnson 1985).

A special case of the transfer of a family business is that of the family farm. Few family businesses combine in such a complete way an economic enterprise and a way of living; the phrase "family farm" implies both an economic enterprise and a way of living in a manner the phrase "mom and pop grocery store" or "family-owned furniture store" does not (Geller, Gultena, Lasley 1988; Russell et al 1985). Further, few, if any, family businesses are supported and encumbered by such an elaborate mythology. Federal agricultural programs offer compelling evidence of the impact of that mythology--billions of dollars are allocated (at least theoretically) to maintaining the "family farm." While other family businesses are expected to compete in the free market, the family farm is thought to deserve special treatment through such programs as disaster payments for crop losses in the case of bad weather, taxpayer supported crop insurance, or crop price support programs.

While many families have successfully passed their family farm from one generation to the next, many have not. The process is not without challenges; those challenges can be financial, legal or familial (Anderson, Rosenblatt 1985; Jonovic, Messick 1991; Keating, Munro 1989; Russell et al 1985; Salamon, Gengenbacher, Penas 1986). In a study by Hedlund and Berkowitz (1979), 75 percent of the families reported problems with the intergenerational transfer. Both authors of this paper have seen our farming family in-laws struggle with the issues of transferring the family farm in a "fair and equitable" way. And we have both heard "horror" stories of how the transfer was done "poorly" (at least from the standpoint of some of the participants). Given the potential difficulties in the transfer process, we are investigating how farm families accomplish the transfer process.

As families face the transfer process, many decisions must be made. The nature of those decisions varies from family to family. For example, some families in our study report little communication about transfer issues, whereas others report they discuss these issues routinely.

Reports of the intergenerational transfer of family farms often focus on the techniques of the transfer. That is, they tend to focus on *technical aspects* of the transfer from an economic and financial planning perspective. While these "means" of the transfer are critical to its success, the part they play in the transfer only becomes

salient after the "ends"--the *goals*--of the transfer are established.

Clearly, the specification of the goals is one of the most important aspects of the transfer process. After the goals are specified, competent experts--whether financial planners, bank officials, or extension agents --can be retained by the family to develop the technical means to attain those ends.

But exactly what do families want to accomplish with the transfer? Some families do not know. Some families in our study had not yet begun to plan for the transfer precisely because they have not decided on the ends; they do not yet know what they want the transfer process to accomplish.

In this paper, we describe the results of an investigation of the intergenerational transfer of the family farm, focusing on the desired ends of the transfer. Specifically, we describe 1) the goals the participants have for the transfer and 2) the principles the participants use to attain those goals. While we acknowledge that the intergenerational farm transfer involves a complex family decision-making process whereby the family identifies and communicates goals and principles, that process is outside the purview of this paper. It will be explored in later investigations.

THE STUDY

BACKGROUND

Studies of the farm transfer tend to focus on three areas: 1) the study of the transfer as a family stressor, 2) the investigation of the relationships between family characteristics and the transfer process, and 3) the development of models describing stages in the transfer process.

The intergenerational transfer of the family farm has been identified as a potential source of stress for farm families (Anderson, Rosenblatt 1985; Russell et al 1985; Salamon et al 1986; Weigel, Weigel 1990). Reasons for the relationship between stress and the transfer include the shift in control of farm management and the differences in goals for the farm enterprise from one family member to the next (Jonovic, Messick 1991; Keating, Munro 1989).

The impact of family and/or farm characteristics on the transfer process has been the focus of other researchers. These researchers have found that the size of the farming family is important. Apparently, those farming families with a large number of children are more likely to produce an heir willing to take over the farm than those with fewer children (Lancelle, Rodefeld 1980). Other researchers have determined that the history of the family farm plays a part in the transfer. Families that have farmed on their land for a long time seem more intent on maintaining the farm within the family than those with shorter tenure on the land. In addition, farmers with larger farm operations tend to be more likely to plan on their children inheriting or buying the farm (Sharp 1995). Also, the majority of farm operators are recruited from farming families. The next generation is viewed as a critical component in the future of family-based agriculture. The need for extensive on-farm experience and access to land and equipment has helped make intra-family farm succession the predominant form of farm transfer (Lyson 1979). Finally, the family's ethnicity impacts the intergenerational continuity of the family farm. For example, Salamon et al (1986) have shown that farmers in a midwestern community of Swedish descent tend to have a strong commitment to family continuity of farm land which in turn relates to a greater degree of intergenerational harmony leading to very stable Swedish land ownership over the years.

Researchers interested in the transfer process have also attempted to develop models describing the process. For example, Keating and Munro (1989) have identified three stages in the retirement from farming. In the first, the farmer partially retires and begins shifting the field work to his/her children. In the second, the farmer continues partial retirement while transferring increased responsibility for the farm and land management to the children. The third and final stage is complete retirement, represented by complete withdrawal by the farmer from active participation in farming.

In summary, the intergenerational transfer of the family farm is often a long, complex process, potentially leading to internal family conflict. Further, it is affected by factors within, and external to, the family.

METHODS

SELECTION OF THE STUDY PARTICIPANTS AND PROCEDURES

Because of the sensitive nature of the topic, we sought volunteer families to help with our study. This uncovered a divergence

of opinions. While some families refused tersely our request for their assistance (we were not in the position to determine why they refused), others were not only willing to help, they actually thanked us for investigating the topic because of the difficulties they had experienced.

Study participants were located through several sources. Some families had participated in an earlier survey of farming families and volunteered to be interviewed. Other families had been identified by referral from earlier interview participants, and a few others had been identified by county extension agents. Because county extension agents are located in each county and provide educational resources to individuals and families for agriculture and family-related issues, agents are valuable in identifying potential study participants. After names were shared by county agents, a letter of introduction was sent to families, followed by a phone call inquiring as to whether the family was interested in participating in the study. Semi-structured interviews were conducted in the homes of the volunteer families at a time convenient for the families. (To date, the one exception to the home interview policy were interviews with two members of the senior generation of one family conducted at our office.) All interviews were audio taped and then transcribed.

Four different interview guides were developed--one each for the males and females of the two generations--the senior male, the senior female, the junior male, and the junior female. In general, questions were quite similar, yet variations in wording and time frame were added making the interview schedules responsive to the different roles played by the interviewees.

Interviews began with general questions about the history of the farm (e.g., how long had it been in the family and how had it been passed down from one generation to the next). The interviews then proceeded to more focused questions about present day farm operation (e.g., the degree of involvement of the interviewee and other family members). More specific questions were then asked about the current (or future) actual transfer process (e.g., had any plans been made for the transfer and how far along was the transfer process?).

THE GENERATIONS OF THE FARM FAMILIES

Significant participants in the process include the husband and wife of the *senior generation* (our label for the generation of the farm family currently having the responsibility for running and/or managing the farm), all members of the *junior generation* (our label for the generation that will ultimately take over the farm), and the spouses of the junior generation (who were also considered to be members of the junior generation). Given the different perceptions each set of participants might have of the process, we determined it important to interview family members from both generations.

We attempted to interview both members of the senior generation. Sometimes, however, one of the members was deceased or incapacitated. In one family, a member of the senior generation suffered from Alzheimer's disease and was not interviewed. For the junior generation, the family identified the member (or members) of the junior generation who ultimately would take over the family farm. The research team then interviewed that person and his or her spouse. When possible, we interviewed the heir apparent's siblings and their spouses as well.

Thus, for any one farm, there was a wide range of potential interviewees. For the senior generation, the range was from one member to many members. Illustrative of the former were farming families where there was only one surviving parent. Illustrative of the later are families where the parents were both deceased and several siblings (and their families) were controlling (operating and/or renting out) the farm. As with the senior generation, for the junior generation the range of the number interviewed was substantial. In one case, only one person, an unmarried male was interviewed. In another family, three siblings and their spouses were interviewed.

THE FARM FAMILIES STUDIED

The information contained in this report is based on interviews with members of 24 farming families. In all, we interviewed 84 individuals from those 24 families: 36 from the senior generation and 48 from the junior generation. The average age of the senior generation females and males was the same, about 65, while the average age of the junior female was 40 and that of the junior male was 43.

Not surprisingly, most of our respondents grew up on a farm. Only one of the 15 senior males and two of the 16 senior females reported they had not grown up on the farm. Many of our interviewees currently had non-farm jobs. Among the senior generation, five of the 15 males and six of the 16 females worked off the farm. As for the junior generation, six of the 18 males and nine of the 16 females worked off the farm.

As for the farms/ranch operations themselves, the range in size was substantial; the smallest was about 160 acres while the largest was almost 7000 acres. Only one was strictly a ranch. The other 19 combined farming and ranching. Typically, these operations included cattle (and/or hogs or sheep) and some combination of different types of row crops and grain (principally corn, wheat, and soybeans). The one operation that was purely a ranch had, until recently, included both farming and ranching activities. But the operators (a father and son) had decided it was economically advantageous for them to abandon the modest amount of farming in which they were involved and to concentrate solely on livestock production.

RESULTS

As noted above, the primary focus of this paper is on the "ends" component of the intergenerational farm transfer process. Specifically, we are interested in 1) the goals the participants have for the transfer and 2) the principles the participants use to attain those goals. As we describe those goals and principles, we illustrate them using quotes taken from some of the interviews. Where we have felt it necessary to protect the identity of the family members, we have changed their names or *slightly* changed the description of their circumstances.

FAMILY CULTURE: The Context of the Transfer Decision-Making Process

Not surprisingly, the components of the transfer process tend to display consistency from generation to generation. The son or daughter of the senior generation generally shares the basic values and ideals of their parents. In that sense, we can talk of a "family culture." Included within that family culture are the goals and principles guiding the family farm transfer process.

There are two major exceptions to the general tendency of family members to share similar goals and principles. The first involves "outsiders" brought into the family--specifically, the son-in-law or the daughter-in-law--and the second involves situations where circumstances prevent the "family culture" from being sustained.

Sometimes, *outsiders* accept the culture of the family into which they have married. However, there are cases where they seriously disagree with that culture. It is in such cases we have uncovered intense disagreement and dissatisfaction with how the transfer process is proceeding.

An especially telling example of intense outsider dissatisfaction with the transfer process appears in what we call the "daughter-in-law problem." In these relatively infrequent special cases, a woman has married a son who is helping his father run the farm. The father (her father-in-law) is in control. While he relies heavily on his son (or perhaps sons) for labor and advice to run the farm, he clearly has the final say in the day-to-day operations of the farm. Further, he ultimately has the final say in the disposition of the farm. Sometimes--but not invariably--he invites his wife to participate in joint decision-making about the disposition.

Since they have lived within the same family culture, the senior male's wife and son(s) generally accept his definition of the situation. The elder wife knows that her husband makes (sometimes in consultation with his sons) the day-to-day decisions about the operation of the farm. Further, she accepts that he (after talking with her) will make the decisions about the transfer of the farming operation. His sons, almost invariably, feel the same way. About the farm operation, one young farmer said: "We talk about the farm operation, but ultimately it is his farm." About the transfer, a junior generation male stated: "It's their farm. They built it. They can do anything they want to with it" (May 1995, 4:30pm). In other words, when asked specifically about the transfer process, there is a great deal of agreement and comfort among those who have shared the family culture. The father, the mother, and the children insist they know how the transfer will take place, hold consistent goals for the transfer, feel comfortable with the principles that will be used, and are generally satisfied with the process as a whole.

But that leaves the daughter-in-law--the one person who did not grow up with the

family culture shared by the others. And she often feels very differently about what is going on. Sometimes she is expected to contribute in some way to the farm--either through her labor on the farm or perhaps by working off the farm and paying family (or sometimes even farm) bills. But--and here is the problem--she does not feel she is considered a co-equal in the farming operation. She is not granted any decision-making power pertaining to the farm nor, in some cases, even consulted on farming operations. Several daughters-in-law we interviewed expressed tremendous resentment at their situation: they felt they were being "used" as a farm resource but were not considered as part of the farming operation. Not only did they resent their powerlessness, they also expressed resentment at their own vulnerability; they suspected that if something happened to their marriage--a divorce or perhaps the death of their husband--they would be cut out of the farming operation and lose all they had contributed. In a few cases, they *were certain they would lose out* if they lost their husband since that contingency had been built into the inheritance plans. (This sentiment is consistent with prior research on the daughter-in-law (Marotz-Baden, Mattheis 1994).)

Thus, as we discuss the goals and values of the transfer process, the "outsider" can be expected to constitute a "fault-line" in a family culture. Those who are from the same family can be expected to hold much more consistent goals and principles than "outsiders."

The second major exception to the maintenance of the family culture is where circumstances intervene and force the family culture to "give way." Illustrative of such situations are family farms under such severe financial distress that they have had to adopt harsh measures just to survive. The financial distress might be so severe the family must sell out. Our sampling procedure--biased toward interviewing the owners/operators of currently operating farms--did not facilitate interviewing many farming families of "sold out farms." However, those familiar with the "farm crisis" of the early 1980s and with the persistent financial challenges family farms have faced since then know that being forced to sell a family farm because of financial difficulties is not an exceptional occurrence.

In the sample for this project, one family has been facing the issue of selling the farm and provides insight concerning this issue.

> A SENIOR FEMALE STATED:
> They (members of both the senior and junior generation in her family) basically had more than they could handle already, with rented ground and our ground and pigs and cattle. And decided that there's no way that one man can do it, so we sold all the equipment and rented the land, and then this last year we started selling some of the land, because there was still debt there that was not being satisfied, and you can't just keep on having debt and interest mounting, you know it doesn't make sense. And decided to sell the land and kind of clean up that end of it and take our losses and move on. Um, which is really frustrating, because you sell all that, which has been in the family for a long time, and you'd like to keep it in the family. (September 1995, 2:00pm)

The death of a family member sometimes prevents the continuance of the family culture. In one of our case studies, a two-brother team inherited the family farm and ran it for several years. When one of the brothers was killed in a tragic farming accident, the second brother had to sell the family farm since he could no longer operate the farm by himself.

Finally, the farm family culture might not be maintained because the junior generation rejects it. We have interviewed several families for which there is no "farmer" in the junior generation simply because there are no members of the junior generation who want to run/manage the farm. In one family, there are three siblings who could take over the farm. None wants it. The most influential sibling wants his parents to sell the farm and enjoy the proceeds of the sale. He wants his parents to enjoy life now. He indicates that if he ultimately inherits any wealth from his parents, that will be OK. But for him, the enjoyment of life by his parents comes first. He stated:

> I don't have an interest (in operating the family farm), I don't think my sister has an interest, I don't know if my brother has an interest, probably not. None of us three children have an interest in it, sell it. Enjoy the money that you're going to make on the sale. You know, it's sad that it's a century farm, and have to start over, being a century farm with a new

name on it. But I don't have the time, my brother down in (another state) surely doesn't have the time, and I'm not sure what my sister is going to do. She may live out there because, just because of the homestead. I don't think they would start up the tractors and the plows again and start farming. It'd just be for the acreage. (October 1995, 1:00pm)

The following example also illustrates the lack of a junior generation individual or family to take over the farming operation.

A JUNIOR MALE STATED:
I don't think my sister is going to have any interest in maintaining it (the farm) as a family farm. If I do...boy that's going to be a tough decision, when the time comes. I don't know if I want to or could. Most of the time I tell people that I'd like to farm, but I don't think I can. It's too difficult to farm today...I question whether or not I would be personally able to farm. (May 1995, 4:30pm)

THE GOALS AND PRINCIPLES OF THE FARM TRANSFER PROCESS

We asked the farming families what goals they held for the family farm (and thus for the transfer). In their responses to our queries, the families seem to divide into two different camps -- 1) those who had specific goals for the family and were searching for means to attain those goals and 2) those who embraced specific principles they wanted to use to guide the process and who were not overly concerned about goals for the farm. While determining characteristics that distinguish "goals-oriented" families from "principles-oriented" families is a potentially valuable exercise, it is not investigated here. The determination of differences between those two sets of families--if they exist--will be pursued in a later investigation.

GOALS: THE ENDS OF THE TRANSFER PROCESS

In reviewing responses to the questions we posed about the goals family members have for the family farm, we have identified three goals often embraced by these families. They are 1) the preservation of the family farm, 2) the maintenance of the financial viability of the family farm, and 3) the use of the family farm as a retirement package.

Preservation of the Family Farm

For many families, the farm has been in the family for generations and has become part of the family story. Some--but certainly not all--families develop a sense of moral obligation to preserve the family farm. They feel that to allow the ownership of the farm to pass into other hands would be a betrayal of their ancestors. They feel that every effort must be made to ensure the farm always stays in the family.

During our interviews, we were told stories about grandparents who had lost the family farm during the 1930s and felt so bad about the loss that they worked exceptionally hard to buy the farm back and return it to the family. We also interviewed family members who have no interest in operating the farm, but who want the family farm to stay in the family. Finally, we interviewed family members who would be very willing to sell the family farm, but who are reticent to do so because of how the other family members would feel.

A JUNIOR MALE STATED:
It's been in our family since my great grandfather. It's his (the junior male's father) grandfather's homestead. To see that go out of the family may be very, very difficult for my parents. It's kind of a stigma on your name if you broke that tradition. It's like they started it and they expect it to be handed down. And you've worked all this time with the same idea. This is the way it should be, it should stay in the family. (May 1995, 4:30pm)

Maintenance of the Financial Viability of the Family Farm

A second goal clearly articulated by some families is to ensure that the family farm remains a viable financial entity. These families noted the extreme financial difficulties members of the junior generation often face when they receive a family farm that is not profitable. Such families are very sensitive to the difficulties faced by the junior generation and are determined to prevent the struggle. Thus, they search for ways to pass the family farm from the senior generation to the junior generation so that the needs of the senior generation (for example, financial security) are met without sacrificing the economic viability of the farm.

Such families feel the family farm must be passed to the junior generation in sound financial condition. They feel the junior generation must not be so indebted it must labor for years (or, in one of our case stud-

ies, for decades) merely to re-establish the farm as a viable financial enterprise.

A JUNIOR FEMALE STATED:
I think you have to have people like his (her husband's) folks who are really helping. His folks are unselfish enough to say, "Yeah, we'll contract this out, we want you to keep farming, we will help you." They could have easily said, "We're selling everything right now, take whatever profit we have left, invest it, and live off of that and you guys go do something else." I mean, they could have done that. But they were unselfish enough and loved the farm enough to say, "We would love to help you." (September 1995, 2:00pm)

We interviewed one family which had a tradition of having the junior generation buy --through debt financing--the family farm from the senior generation. Of course, that debt financing meant the family farm had to produce an income stream substantial enough to service the debt AND to support the junior generation. It could not. So members of the junior generation had to work off the farm to pay the debt. Bitter at the financial consequences of the transfer pattern, one member of the junior generation asked rhetorically, "How many times does the family have to buy this one farm?" Because of his experiences with the crushing amount of debt this transfer procedure caused, this respondent and his wife were determined to ensure their children will inherit the farm without having to borrow money to buy the farm *again*.

Use of the Family Farm as a Retirement Package

The third major goal identified for the transfer process is the use of the farm as a retirement package for the senior generation. For the families adopting this goal, the aim is to use the wealth built up in the farm to fund the senior generation retirement.

A SENIOR MALE STATED:
I worked for this (his farm). Why should I skimp now so my kids get an inheritance when I worked for it? I didn't inherit anything. I got a good price when I bought the farm, because I took care of my mother for quite a few years--not as long as she lived here but... (pause)...looked after her...(pause)...the rest of my family was all away. So why should I pinch my pennies now in retirement? (September 1995, 7:00pm)

Thus far in our project, we have uncovered two variations in the attempt to accomplish the "farm-as-a-retirement-package" goal. In the first, the senior generation depends on the wealth that has been invested in the farm to provide an income for their retirement years. In some cases, this goal provides no financial strain on anyone since the farm is so successful it can easily maintain two families--both the senior generation family and the one from the junior generation that is taking over the farm.

However, in other cases the income stream is not sufficient to support the two families. In these cases, the only way the senior generation can tap the value of the family farm is to rent or sell the farm either to the junior generation or to some one else. In either renting or buying the farm, the junior generation faces financial challenges.

A SENIOR FEMALE STATED:
He (her husband) basically has a legal agreement that they (her son and his spouse) would take over the father's debt for assets, and then kind of contract-for- deed[1] for the land. It was all just kind of on paper that they would continue the farming operation as is, but they would be paying off the debt that he (her husband) still had. (September 1995, 2:00pm)

The second variation on the farm-as-a-retirement-package establishes a *quid pro quo* "contract" between the two generations. In this arrangement, the farm is turned over to the senior son[2] who understands that he will FOREVER be obligated to care for his mother and father. This belief is reminiscent of the principle of primogeniture, in which the eldest son is identified as the one who should be given his inheritance (the farm). The primogeniture principle was mentioned only by this family and appears to be somewhat of a variation in that the eldest son would receive the farm only in return for caring for his parents.

A SENIOR MALE STATED:
Jess (the son who will get the farm) and I were always together. But Jess's going to take care of me like I took care of my Dad, is the way I think. I don't know what Jess feels. But that's what he's stuck with. (September 1995, 3:00pm)

PRINCIPLES:
THE PROCEDURES OF THE TRANSFER DECISION-MAKING PROCESS

As families face the transfer process, they have to choose principles that will allow them to accomplish whatever goals they have identified. As a result of our review of the responses to the interviews, we have been able to identify six principles used by these farming families to guide the transfer process: 1) control of participation in the decision-making process; 2) equality in the treatment of the members of the junior generation; 3) commitment to the family farm; 4) the provision of choice to the members of the junior generation to allow them to determine their own futures; 5) the allocation of the farm to the most senior male offspring, and 6) protection of the family from itself.

Participants: Who Should Be Involved in the Transfer Process?

Perhaps the first issue a family must address is the question of the inclusiveness of the range of participants in decision making about the transfer process. There are three sets of potentially significant participants, each of which may have a very different perspective on the farm transfer decision-making process: 1) the senior generation; 2) the junior generation; and 3) the spouses of the junior generation. In addition to these three sets of significant participants, there are several other sets of people who could possibly be involved in the decision making. For example, there are the children of the junior generation (who may or not be grandchildren of the senior generation, depending on divorce and remarriage) and miscellaneous other relatives (such as brothers and sisters of the senior generation--the uncles and aunts of the junior generation).

To date, we have found that families tend to embrace one of three different formats guiding the level of involvement in the decision-making. We have labeled them: 1) the senior generation format, 2) the family format, and 3) the inclusive format.

The Senior Generation Format:

Several respondents--from both the senior and junior generations--were emphatic that the only people who should make the decisions were the members of the senior generation.

> A SENIOR MALE STATED:
> I don't know if we told all the girls. It's our decision. We didn't talk it over with them. We know what we wanted to do and we did it. It's our business...and uh, ok, so one kid isn't getting so much, if it weren't for us he wouldn't get nothing. (September 1995, 3:00pm)

When the senior generation insists it alone will make the decisions about the transfer and will then inform the rest of the family about the decision, typically the children feel the same way. Children of such parents routinely said (in effect)

> It's their farm, they worked hard and sacrificed to get where they are. They are the ones who should make the decisions. We will accept their decisions.

The Family Format:

Some families wanted all family members included in the decision making pertaining to the transfer, but felt that "in-laws" should not be included as family members. One junior member--adamantly opposed to including in-laws in the family discussions about the transfer--stated that when the discussions begin, "We will send them [meaning the in-laws] out for pizza."

Another junior member, obviously sensitive to the "fringe" status of the in-laws, indicated that the opinions and ideas of the in-laws could be taken into account because his or her spouse was participating in the discussions. This person suggested that the positions taken by a married family member should represent the position of himself/herself and the spouse since the two should have discussed the issues beforehand and have settled on a collective position.

> A SENIOR FEMALE (an in-law) STATED:
> Well, I still feel, it may not be the way (my spouse) feels, but to let me stay out of it at first, so that they can...brothers and sisters and mother can get together and talk it over, because they're the ones that are directly affected. I'm just kind of along for the ride. (July 1995, 7:30pm)

The Inclusive Format:

Families characterized by the inclusive format include ALL families members--the senior generation, all members of the junior generation, and all spouses of the junior

generation--in the decision-making discussions. Families characterized by this format justify the inclusiveness by asserting that since all family members would be affected by the decisions, all family members should have a say in making the decisions.

A SENIOR FEMALE STATED:
I think husbands and wives should work together on things like that. And I know like Ellen (the senior female's daughter) and Mark (Ellen's husband), they do work together. In order to make things go, I think you have to work together. (August 1995, 10:00am)

Clearly, there should be no assumption that all families accept the format that is used. There are instances of disagreement. Two comments are in order about that disagreement. First, there tends to be agreement within the family about the "appropriate" format. Dissatisfaction with the format often comes from the "outsiders"--the ones who are shut out of the discussions if either the senior generation format or the family format is used. Second, since members of the senior generation own the family farm, they ultimately select the format they want.

Equality of Treatment of Members of the Junior Generation

For some families, the equality of the treatment of each child is of paramount importance. In fact, they are willing to sacrifice other important goals of the transfer process --maintenance of the family farm, for example--to sustain this principle. If necessary, the farm will be sold and the resulting financial assets evenly divided among the children. For such families, all other goals and principles are secondary to the principle of equality.

A SENIOR FEMALE STATED:
As I say, we have a trust. Then we have a residual trust, and it states that everything is divided equally. Now, that may present a problem, as you'll find out from all farm families, I think, in this situation, because of the value of farmland differences. And many factors...(pause)...if there is anybody who wants to remain on the homestead, you know, on the homestead area...(pause)...we probably will not have anybody living there (on the homestead). But we've always said we had four kids and they're each going to share equally. I mean, that is all there is to it. (August 1994, 2:30pm)

Commitment to the Family Farm

For some families, equitable treatment must be earned through a commitment to the operation of the family farm. In their view, equality of treatment would be unfair. Here, to be "fair" means that only those who have shown a commitment to the family farm through their hard work on the farm have any claim to the farm. A family member that has shown no commitment to the family farm cannot expect to be treated in the same way as a family member who has shown such a commitment. If he or she left the farm at some earlier time and has constructed a life apart from the farm, he or she should not expect to be able to come back and have any part of the farm.

A SENIOR MALE STATED:
Steve, the older boy, is real interested in it (the family farm). Scott, the younger boy, we have a hard time getting him just to mow the lawn. So I'm going to lean for that other one. I'm probably going to take care of Scott some other way...(pause)...Steve has always been out there helping, I can depend on him. (September 1994, 1:00pm)

The Provision of Choice to the Junior Generation

One principle which was articulated again and again was the desire on the part of the senior generation to allow their children the opportunity to choose their own future. Several senior generation members said they would like for their children to take over the family farm, but only if they really wanted to. If their children chose not to run the farm, that was fine. They would then select a course of action consistent with their childrens' choice. They might even sell their farm. They felt that while selling the family farm was not desirable, it was *less undesirable* than having their children do something they did not want to do.

A SENIOR MALE STATED:
I said, "Go to school and get an education and come back and be a bank president or work some place where you are close to town, get a good job and stuff. Then do a little farming on the side." Or if he showed a real desire in this place, and if I think he could handle it, I'll go to town, pump gas at a filling station or something and let him have it (the

farm). See, I'm not going to put that (the obligation to maintain the family farm) on them and tell them that they should (maintain the family farm) because it was a homestead and a family farm and all that. I'm not going to put that on them. (September 1994, 1:00pm)

One Child Will Inherit the Family Farm But Will Take Care of the Parents

One family had developed over several generations[3] a very specific inheritance principle encompassing both the inheritance of the family farm and the care of the parents. In this family, the eldest son would receive--with very few exceptions--the entire farming operation (the land, livestock, and equipment). Other brothers MIGHT receive small pieces of land, and sisters MIGHT receive some money in the inheritance. But the eldest son received the lion's share of the farm family wealth. In return for that wealth, the senior son was obligated FOREVER to take care of his parents. Since he received the family resources from his parents, it was his moral obligation (and his wife's, if he was married) to care for his parents.

PROTECTION OF THE FAMILY FROM ITSELF

Among some families, there was a concern over the possibility of disruptive behavior on the part of other family members. Some family members were concerned about the behavior of "blood relatives," others were concerned about the behavior of in-laws, still others were concerned about the behavior of both.

Protection of the Family from "Blood" Relatives

Some families--watching the conflict that sometimes erupts among family members as they divide up family resources--have come to fear the outbreak of such conflict in their own families. They worry that the self-interested behavior of one or several family members could be so injurious that it could threaten the welfare of the family.

Families concerned about such behavior responded in different ways. One ranch family incorporated the farm family enterprise under a special legal arrangement explicitly to head off internal family conflict. By incorporating as a "limited liability company," the members of the senior and junior generation operating the ranch ensured that the non-ranching members of the family (some of the cousins owned part of the land but were not involved in the ranching operation) could never (at least for the 30-year duration of the limited liability company) interfere in managing the ranch.

A second family used a different tactic. The senior generation inserted a provision in their respective wills that mandated unanimity among the children in all decisions pertaining to the disposition of the farm; no major decision concerning the farm could take place without unanimous agreement among all the siblings.

Protection of the Family from In-Laws

Some families were concerned about what in-laws--current and future--might want to do with respect to the farm. In some cases, the potential for disruption is realized --at least, as viewed from the perspective of some family members. In one case, the senior generation was so upset at the behavior of the daughter-in-law that they did not want us talking with her. In their view, she was a total drain on the family; they felt she took family resources but never contributed to the family at all. It turned out that we were never able to interview the daughter-in-law because she never lived in South Dakota during the study, and left the family through a divorce very early in the study.[4]

In another case--albeit an extreme case--a senior generation male was so embittered with what the second wife of his father had done he had decided that he would never remarry unless both he and his future wife signed prenuptial agreements forswearing ANY claim to either's possessions. He stated that no matter what future in-laws said before marrying into the family, they could always change. Apparently, his step-mother had claimed *before she married his father* she wanted nothing from his father. But on his father's death, she ended up with an indivisible one-half of the father's property. In order to consolidate the farm, the senior generation male in this case had to buy from his step-mother the land she had previously claimed she did not want. Clearly, his insistence on signing a prenuptial agreement was a defensive measure to protect the family from the potential disruptive behavior of in-laws.

POTENTIAL CONFLICT BETWEEN GOALS AND PRINCIPLES

As many of our interviewees have noted,

the potential for conflict between and among the goals and principles of the transfer process is substantial. It is very possible--in fact, very likely--that adherence to certain goals will preclude adherence to other goals. For example, trying to accommodate the goals of passing on a financially viable family farm while using the family farm as a retirement package might in fact be an impossible task (as the junior generation members of one of our farm families forcefully and bitterly pointed out).

It is also possible that adherence to some goals might prevent the adoption of certain principles. For example, the attempt to accomplish the goal of passing on a financially viable farm while maintaining the principle of equitable treatment among the members of the junior generation is simply impossible for some families. The maintenance of the family farm as a financially viable operation sometimes REQUIRES that the farm remain intact--that it not be divided up and allocated to the members of the junior generation. But keeping the farm intact may mean that some members of the junior generation (the ones that inherit the farm) receive far more of the family resources than do other family members.

CONCLUSION

Agriculture is an important component of the economy and the character of the United States. The continuation of farming as a viable means of support for families and communities in rural America is in part contingent on the successful transfer of the farm from one generation to the next. For many young people who hope to farm or ranch, the only way to get into farming is through support from parents who are on the farm.

Clearly, farms have been, and will continue to be, successfully passed from one generation to the next. Yet this process is not without challenges.

For many families and professionals involved with facilitating farm transfers, the focus of the intergenerational transfer is on the financial and legal components. While these factors are critical to the process by which a farm is transferred, farm management specialists (bankers, accountants, attorneys) must also acknowledge the role of familial aspects. Most families are concerned about family harmony as well as economic well-being. The cost-benefit analysis needs to include not only economic assets and liabilities, but family strengths and challenges as well.

The challenges can be financial, legal, or familial. Moreover, the process and outcomes of the transfer of the family farm can be a potential sources of stress for individuals and families (Anderson, Rosenblatt 1985; Russell et al 1985). Professionals working with farm families need to acknowledge that the transfer may be a source of stress and encourage families to discuss the transfer process and outcomes. An important component of the intergenerational transfer of the family farm is the selection and adoption of the goals and guiding principles of the transfer process. They are the ends that must be accommodated. It is only after the family--through its own unique decision-making process--selects the ends of the process that the means become important. And it is only then that the techniques for the transfer process can be selected.

ENDNOTES

1 A contract for deed is a type of financial arrangement often used to buy land that allows the purchaser to spread out the payments over many years.

2 In the one family we have identified that employs this variation, the farm is always--generation after generation--turned over to the senior male of the junior generation.

3 In our interviews with the family, we were able to document this principle had been in effect for at least three generations.

4 We have endeavored several times to interview her during one of her infrequent visits to her husband's farm (she was in graduate school at the time), but we were never able to make contact with her. A year into the study, we were told about the divorce.

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