

BUSINESS AGREEMENTS

In addition to shareholder or partnership agreements, it's important to consider all business agreements that may need to change in structure or name, as part of the transition plan. These agreements can include supplier and customer contracts, lending agreements and other business agreements.

Why is this relevant?

Once the transition plan is mostly in place, a technical part of implementation is changing the names on, or the structure of, business agreements. The personal relationships that accompany the business agreements will, at some point in time, transition to the succeeding generation.

How will this help transition planning?

- The exercise can be a good teaching tool as the succeeding generation learns about the different agreements that are in place.
- Being proactive in making arrangements with business partners can be beneficial to the farm.
- It will reflect positively on the family.
- Making sure the arrangements, agreements and relationships are kept current can help to keep opportunities open. For example, a landlord heard that there may be a change in ownership and management and decided to sell to someone else, not knowing that you would have been interested.

Instructions

All family members who are actively involved in the business should complete this exercise. Consider the following list of agreements:

- supplier contracts
- customer contracts
- lender agreements
- trade-credit accounts
- marketing contracts
- landlord contracts
- leasing contracts
- other business agreements
 1. Gather all the business agreements in effect on your farm.
 2. Review the business agreements and discuss the history and terms with the succeeding generation.
 3. Determine which agreements need to be adjusted.
 - a. Do names or addresses on these contracts need to be changed on transition?
 - b. If yes, decide who will ensure the changes take place and when.

4. Decide who is going to be responsible for contacting the other parties to inform them of the impending transition.
5. Store the documents for future reference.

How does this apply?

Agreements will often survive the transition. Attention must be taken to make sure that the succeeding generation knows and understands the agreements in place.



PLANNING POINTERS:

- Consider taking the succeeding generation to meetings with business partners and making formal introductions as a first step in the transition.
- After an appropriate time, let the succeeding generation independently conduct some of the business with partners.



WHAT TO WATCH FOR:

- Once agreement is reached on how some of the transition is going to be implemented, it is easy to defer formalizing the agreements.
- Do not let this topic slip through the cracks.

Next steps

Congratulations on completing this topic. You are now a step closer to having a transition plan for your farm. Please proceed to the next topic area on your Transition Plan, but don't forget to add any assigned tasks that were generated by working through this topic.

Planning progress

