



Family Farm by Scott D. Abel

While a family farm may be treated or viewed as a business like any other business, it has one distinction – the “family” aspect.

That is not to say that the family business which, for example, is in manufacturing, or operates as a restaurant is not also distinct. However, certain unique dynamics are at play when one discusses the family farm.

While a family farm, from an economic or taxation point of view, may best be organized as a partnership or a corporation, one must also consider the family dynamic.

The family farm may have to sustain two or more families on several parcels of land. External factors will make farming difficult as it is, let alone if there is internal arguing or disagreement among the family members.

Accordingly, before one even discusses the form of business organization the family farm should take, whether it be a partnership or corporation, one fundamental question needs to

be asked – should these people be farming together in the first place?

If the answer is no, some other arrangements will have to be discussed. One person may decide not to farm at all, or will have to find new land on which to operate.

If the answer is yes, then, and only then, should the focus then become what form of business organization should the family farm take. However, getting to the answer of ‘yes’ may be more difficult than determining the form of the family business.

If two friends decide to go into business, they first of all had to choose to become friends in the first place, and then decide to go into business together. They were able to make decisions and choices. Whether in farming or otherwise, we do not choose our family.

Accordingly, how you relate to other family members may determine whether you wish to enter into a business relationship with that family member. Is the parent going to

allow the children an active role in the farming? Are the children going to be allowed to determine the type of crop, the method and timing of marketing, and other important business decisions, or are these decisions going to be pre-determined, without any input?

These fundamental family relationship issues ought to be determined before any discussion takes place as to whether the family farm will be a partnership or a corporation.