2 long-term family business owners worry about their futures

By Stan Van Vleck and John Taylor

This year, our two family-owned farming companies are celebrating major anniversaries. Van Vleck Ranch in Rancho Murieta turned 160 years old, while Taylor Brothers Farms in Yuba City is celebrating its centennial. We wouldn’t be here today without the hard work and leadership of our parents and grandparents, and we hope that our businesses will still be in our families decades from now.

Unfortunately, the never-ending deluge of taxes and regulations imposed here in California makes that dream less and less likely. And new tax regulations proposed by the outgoing Obama Administration would make it much harder for families to pass down their businesses to the next generation. And that would be a shame, because family businesses like ours are more than just employers. We are the bedrock of our economy and our communities and need to be preserved.

Our businesses have deep roots in Northern California. The Van Vleck family began farming operations in Apple Hill in 1856 after coming to California by covered wagon from Wisconsin, and expanded operations to our cattle ranch in 1915. Today I’m the fifth generation owner of the business and have created a thriving operation specializing in ultra-premium beef for many of the nation’s top restaurants, including Michael Mina and The French Laundry.

The Taylor family has a similar story, settling in the Loomis area before the turn of the last century. In fact, Taylor Road is named for our family. Earl Taylor moved north to begin farming the rich soils of Sutter County in 1916. His son, George, carried on the family tradition until my brother, Richard, and I took over in the early 1980s. Today we are the world’s largest organic prune grower and processor.

Our families have both been success stories at a time when it’s harder and harder for family-owned businesses to grow and thrive. That’s why we are proud members of the Family Business Association of California, because family businesses absolutely have to make sure our voice is heard at the Capitol. As the old saying goes, if you’re not at the table in Sacramento, you’re on the menu.

Only about 30 percent of family businesses survive into the second generation, about 12 percent make it into the third generation and just 3 percent operate in the fourth generation and beyond.

These statistics should trouble everyone. A recent study showed California has 1.4 million family businesses that employ 7 million people. Nationally, family businesses generate 57 percent of the nation’s gross domestic product, employ 63 percent of the workforce and create three-quarters of all new jobs.

Studies have found that family businesses tend to pay their employees better, train them better and provide more generous benefits than nonfamily companies. And we’re less likely to significantly downsize during tough economic times. Because our families are in it for the long term, we focus on not just the next fiscal quarter but the next quarter-century.

Unfortunately, it’s increasingly difficult to keep family businesses in the family. The next generation may not be interested in the family business, and we both tell our children that they should stay involved only if they’re passionate about it and if it makes long-term economic sense.

We also face the likelihood of significantly higher inheritance taxes. We already spend years – and a lot of money on lawyers – to prevent our heirs from being forced to sell the business to pay the death taxes. Now proposed IRS regulations could change long-standing precedent and require transfer of interests in family-controlled companies to be valued as though the recipient has a right to sell it back at a “minimum value” that they couldn’t obtain in real life. Eliminating minority share discounts would significantly increase estate taxes and would force many family businesses to eventually throw in the towel.

Too many elected officials say they support family businesses and that they want us to remain here and to do well, but then turn around and say we’re doing well so what’s the problem? Well, at Van Vleck Ranch our net income is about the same as it was a dozen years ago when our gross income was 10 times less. And some bluntly say that it doesn’t really matter if we leave because others will come to replace us. This is California, after all.

But if family businesses are the bedrock of our communities and our economy, shouldn’t government enact policies that will allow us to continue in that role, rather than forcing us to sell to new owners who may be far more interested in their short-term bottom line than the long-run strength of our communities?

Stan Van Vleck is the owner of Van Vleck Ranch in Rancho Murieta. He can be reached at stan@stanvanvleck.com. John Taylor is vice president of Taylor Brothers Farms in Yuba City. He can be reached at jtaylor@succeed.net