FROM SEED TO SUCCESS

Transitioning Farm Ownership in New Zealand and

The Ownership Equation: Exiting with Value, Entering with Vision

Kellogg 53, Michele Cranefield - 2025

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Table of Contents

EXECUTIVE SUMMARY

This report examines the challenges and opportunities surrounding farm ownership in New Zealand, with a focus on financial accessibility, succession planning, and emerging ownership models. Traditional pathways such as sharemilking are declining in viability, while high land prices, poor returns, and slow equity growth continue to hinder new entrants.

Farmers are adapting by employing diverse equity building strategies. Aspiring owners rely on financial discipline (43%), surplus animal rearing (41%), off-farm income (41%), and investments (35%). Established farmers favour sharemilking (61%), cost control (44%), and surplus stock rearing (30%). Despite these efforts, access to capital remains a critical barrier, with Tier 1 banks (89%) and family loans (38%) being the primary funding sources.

Alternative models such as equity partnerships, vendor financing, and lease-to-own offer flexible pathways but require strong governance and alignment. Generational shifts are also reshaping ownership expectations, with younger farmers prioritising sustainability, work-life balance, and purpose driven business.

A key concern is the projected capital shortfall: by 2050, the sector faces a gap of $110–$125 billion between available and required capital. Addressing this will require coordinated industry and policy action, including improved financial education, succession planning, and innovative ownership structures.

Case studies confirm that with strategic planning and support; farm ownership remains achievable. However, broader sector challenges such as environmental regulation, climate variability, and market volatility must be addressed to ensure long-term resilience and locally owned agricultural enterprises.

On a personal level, this subject resonates profoundly with my own experiences and upbringing. Having grown up within a male dominated family structure, it became apparent to me from an early age that family succession in rural enterprises was often regarded as an expectation reserved for male members. This was not merely a passive assumption; rather, it was a firmly established norm shaped by generational attitudes and societal frameworks. Decisions pertaining to succession were frequently made in a manner that could only be described as authoritarian, reflecting a regime that operated more as a dictatorship than a collaborative or egalitarian process.

KEY FINDINGS

This study identifies a range of critical factors influencing the accessibility and sustainability of farm ownership in New Zealand. One of the most significant barriers is the high cost of land, which, alongside poor returns and slow equity growth, has made traditional pathways to ownership such as sharemilking less viable for many aspiring farmers. Access to capital remains a persistent challenge, particularly for new entrants who often lack the financial backing or collateral required by conventional lenders.

To overcome these barriers, both aspiring and established farmers employ a variety of equity building strategies. Aspiring owners frequently rely on personal financial discipline, rearing surplus animals, off-farm income, and diversified investments. In contrast, established farmers often leverage sharemilking, cost management, and surplus stock rearing to strengthen their financial positions. These strategies reflect the adaptability of New Zealand farmers and underscore the importance of tailored approaches to equity growth at different stages of the ownership journey.

The report also highlights the growing relevance of alternative ownership models, such as equity partnerships, vendor financing, and lease-to-own arrangements. These models offer more flexible and inclusive pathways to ownership, though they require clear governance structures and alignment of values among stakeholders to be successful. The emergence of these models is particularly important considering generational and cultural shifts within the farming community. Millennials and Generation Z, who represent the future of farm ownership, place a high value on work-life balance, sustainability, and purpose driven work. Their digital fluency and preference for collaborative, values-based business models are reshaping the expectations and structures of farm ownership.

Current farm owners play a pivotal role in supporting the next generation by initiating succession planning early, offering flexible ownership arrangements, and providing mentorship. The report emphasizes the need for industry-wide and policy level support to facilitate these transitions. Recommendations include enabling the use of KiwiSaver funds for farm investment, introducing tax exempt savings schemes for farm purchases, and expanding financial literacy and mentorship programs.

Case studies included in the report validate the effectiveness of these strategies, demonstrating that with strategic planning, financial discipline, and strong support networks, farm ownership remains an achievable goal. These real-life examples also reveal that equity growth is the most rapid in the early years of a farmer's progression and tends to stabilize over time.

Finally, the report underscores the broader challenges facing the sector, including environmental regulations, climate variability, and market volatility. These pressures necessitate coordinated action across industry bodies, government agencies, and farming communities to ensure the long-term resilience and sustainability of New Zealand's agricultural sector.

As an industry, we must respond to a growing headwind that we all acknowledge is upon us. It's time to take decisive action by:

- Addressing financial barriers that hinder farm ownership and growth.
- Supporting equity-building strategies for both aspiring and established farmers.
- Promoting alternative ownership models that offer flexibility and inclusivity.
- Adapting to generational shifts, embracing values like sustainability and work-life balance.
- Empowering current farm owners to mentor and support the next generation.
- Securing policy and industry support to build resilience across the sector.

ACKNOWLEDGEMENTS

The Kellogg Program has been an extraordinary journey of self-discovery, connection, and inspiration. I'm deeply grateful to New Zealand Rural Leaders for their commitment to delivering such a transformative experience.

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Thank you to my employer ANZ for supporting my participation and providing the flexibility to complete my project.

To the many farmers and industry professionals who shared their time, insights, and experiences your contributions were invaluable in exploring a topic critical to the future of primary production in Aotearoa.

To Cohort 53, it's been a privilege to share this journey with you. The robust discussions, growth, and laughter have left lasting memories. I'm looking forward to one final slide in Christchurch and staying connected as we, each continue our leadership journeys.

Let's never forget leadership is defined by our actions, behaviours, engagement, passion, and bold curiosity. That's how we create real impact.

1. INTRODUCTION

Farm ownership in New Zealand is more than a financial transaction it is a deeply rooted cultural legacy, a symbol of stewardship, and a cornerstone of rural identity. Yet, as the agricultural landscape evolves, so too do the challenges facing those who aspire to own and operate farms. This report explores the complex and often personal journey of transitioning farm ownership in New Zealand, with a particular focus on ensuring that the next generation of farmers, New Zealanders themselves can continue to own and care for the land.

Driven by both professional insight and personal experience, this research delves into the barriers that hinder farm ownership, from rising land prices and capital constraints to generational succession dynamics and shifting societal expectations. It also highlights the innovative models and strategies that are emerging to bridge these gaps, including equity partnerships, vendor financing, and lease-to-own arrangements.

At its heart, this project is a call to action: to reimagine ownership pathways, to foster inclusive and sustainable succession planning, and to ensure that the future of New Zealand farming remains firmly in the hands of those who live and work on the land. Through case studies, survey data, and critical analysis, this report offers a roadmap for navigating the ownership equation exiting with value, and entering with vision.

2. AIMS AND OBJECTIVES

This report investigates the evolving landscape of farm ownership in New Zealand, with a particular focus on understanding how aspiring farmers can overcome current barriers to ownership and how existing landowners and the agricultural sector can support this transition. It aims to identify and analyse the pathways through which individuals have successfully acquired farms in recent years, drawing on actual case studies to provide grounded insights.

The study further examines the common characteristics and strategies employed by recent farm purchasers, highlighting trends and patterns that may inform future approaches. In addition, it explores the key financial, operational, structural, and generational challenges faced by progressing farmers, offering a comprehensive view of the obstacles within the sector. Finally, the report assesses the role of current landowners and industry stakeholders in facilitating equitable and sustainable farm ownership transitions, emphasising the importance of collaborative efforts in shaping the future of farming in New Zealand.

3. METHODOLOGY

This research has employed both qualitative and quantitative methods to achieve its objectives. By way of literature review, face to face interviews and critical analysis of raw data from an industry survey as well as past and present research of both people and processes. Through this approach, the report aims to offer actionable recommendations for enhancing financial resilience and fostering a sustainable agricultural sector.

Interview questioning (see Appendix 1) together with the use of a ‘question tree’ (see Appendix 2) has explored perceived barriers to farm ownership now and into the future, interviews have also been to understand real life scenarios at different stages of their ‘progression’ and with varying degrees of success.

271 unique survey responses have been attained through the industry group SMASH (see Appendix 3) delivered via the SurveyMonkey platform during September to November 2024. This survey has been peer reviewed by social scientists working for the industry body DairyNZ. The raw data has been integrated into this report via thematic analysis.

>25 face to face interviews have been conducted across the sector with industry professionals, farm owners, young farmers and farmers in transition into farm ownership currently. It was imperative to interview a broad range of individuals and couples across different ages, stages and industry.

6 case studies were analysed of which two have been presented in this report.

All interviewees and case study participants gave consent prior to our conversations understanding that all information in this report is anonymized.

4. LITERATURE REVIEW

4.1 Introduction

This literature review critically examines academic research, industry reports, and expert commentary to explore the historical and current pathways to farm ownership in New Zealand. It aims to clarify how the sector can better support younger generations by identifying strategies that make ownership both possible and achievable.

As a vital contributor to New Zealand’s economic prosperity, the agriculture sector has long served as a cornerstone of national growth, underpinning both rural livelihoods and export earnings. Despite its historical strength, the sector is currently navigating a complex array of challenges that threaten its long-term sustainability and resilience. Succession planning has emerged as a critical issue, with an ageing farming population and limited pathways for younger generations to enter farm ownership. At the same time, farmers are under increasing pressure to boost productivity to meet growing domestic and international demand while remaining profitable. These pressures are compounded by heightened environmental responsibilities, including the need to reduce greenhouse gas emissions, improve water quality, and adopt more sustainable land management practices. Access to capital remains a persistent barrier, particularly for new entrants who often lack the equity required to invest in land and infrastructure. Furthermore, the sector must embrace technological innovation to remain competitive, requiring significant investment in digital tools, automation, and data driven decision making. Addressing these interconnected challenges is essential to ensuring the continued vitality of New Zealand's agricultural sector.

This review evaluates the effectiveness and adaptability of existing capital structures within the agricultural landscape, while also assessing alternative models. Particular attention is given to the relevance of these models for the traditional family farm, where research remains limited.

Ultimately, this review considers whether New Zealand can uphold a framework that preserves the unique character of its farming sector while mitigating the risks associated with widespread corporatisation.

4.2 The Economic and Emotional Landscape of NZ Farming

Farming stands out from other economic activities as it forms the most fundamental basis of human sustainability, combining economic significance with emotional attachment. This dual significance lays the groundwork for social importance, as seen in the growth of social capital within rural communities.

In New Zealand, most farms are still family owned, (Dairy NZ) and occupational succession is a key characteristic of farming life. What sets family farms apart from corporate farming is the deep emotional connection to the act of farming and the central role it plays in family life. This attachment is often rooted in the fact that family farms have been passed down through generations.

Family farms differ from other types of property ownership because they serve as both a home and a source of income, integrating work and living spaces. Unlike properties valued primarily as real estate, family farms are seen as enduring assets tied to the land and the family's livelihood. This inseparability of farming from the land and the home has unique economic and social implications for intergenerational relationships, distinguishing farming families from non-farming families.

The New Zealand Agricultural industry is without a doubt a major contributor to our countries GDP with forecast export revenue to reach a record high of $58.3 billion in the year to 30 June 2026 equating to >10% of New Zealand's GDP.

As an industry it is also a significant employer in New Zealand employing about 370,000 people (Figure 1).

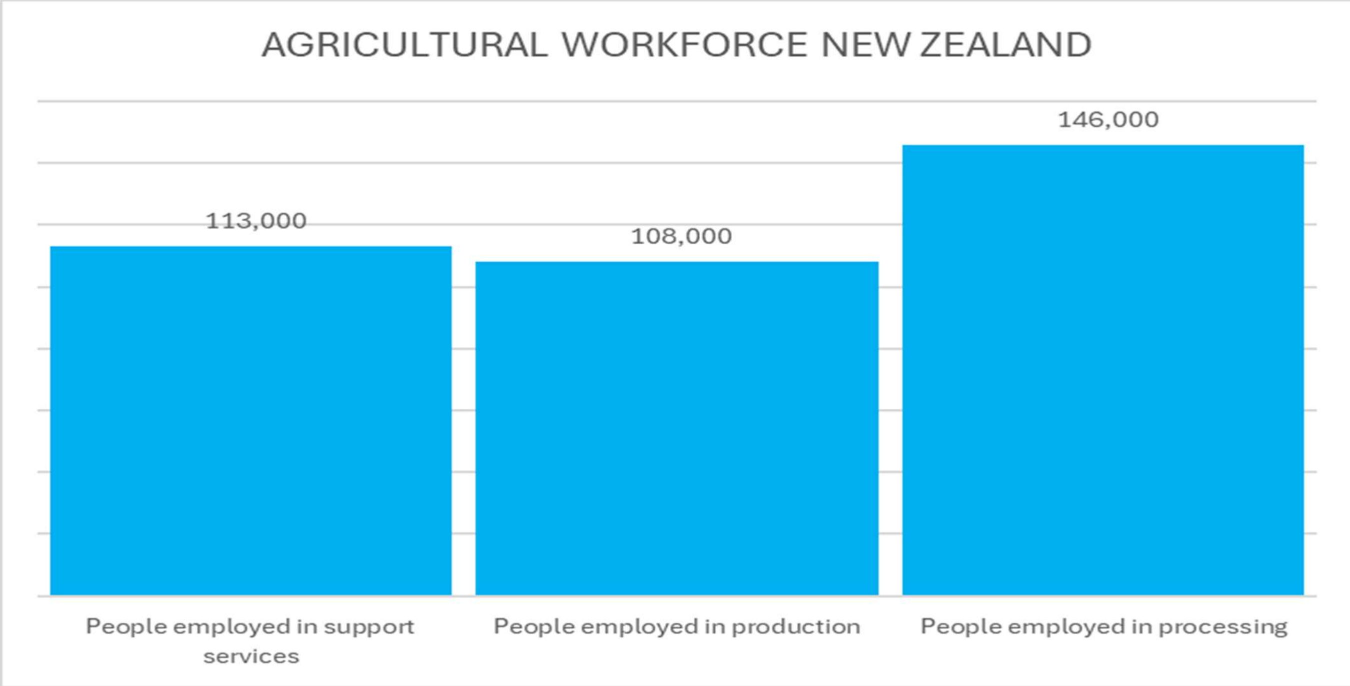

Figure 1 provides a visual representation of the current composition of the New Zealand agricultural workforce.

Data source: (Infometrics, n.d.).

The 2023/24 Dairy Statistics show a 0.5% increase in total milk solids production compared to the previous season, continuing the trend towards fewer but larger herds. Milk solids production per cow remains at near record levels, supported by ongoing improvements in breeding worth and production worth across all dairy cow breeds. Dairy NZ statistics 2023/24 confirms there were 10,485 herds, 116 fewer than the previous season. The national average herd size was 448, which was seven cows more than the previous season.

Interestingly, the reduction in cow numbers exceeds the decrease in hectares, indicating that while some farms have transitioned to alternative land uses, many have been acquired by other dairy farmers. The proportion of herds in different operating structures has remained relatively stable over the past five seasons. However, owner-operators have accounted for most of the decline in herd numbers, which may be linked to retirement trends among landowners. This shift is also driving small increases in the use of contract milkers and sharemilkers despite sentiment being the opposite to actual statistics.

Bank debt into the sector is considerable with a total of agricultural loans in New Zealand as of January 2025 is $61.3 million with $35.4 million of that in the dairy sector.

4.3 Farm Ownership and Operational Models

It is well established that New Zealand has historically been a rural economy, built and sustained by generations of farming family's family farming businesses on family-owned land. Figure 2 shows a visualisation of today's make up of farm ownership in New Zealand.

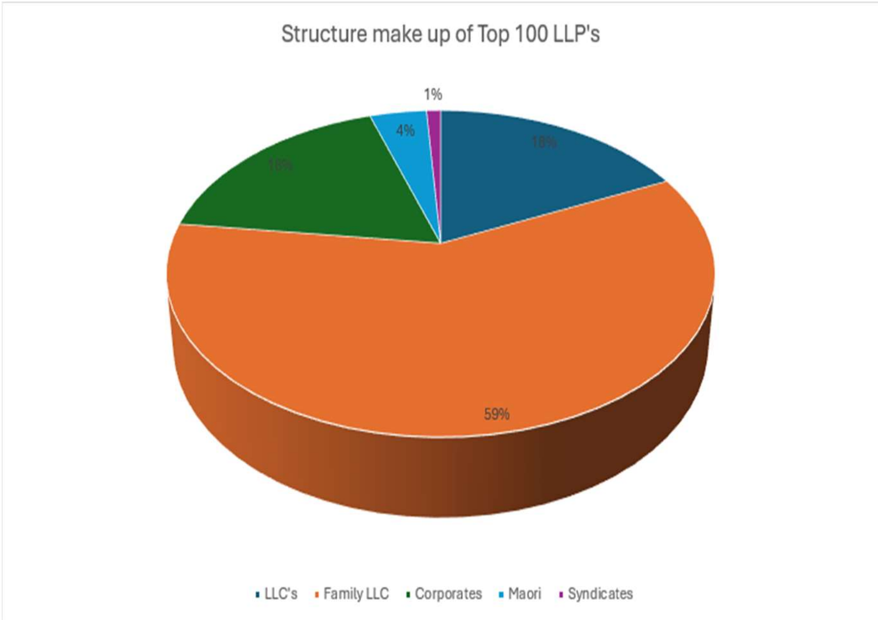

Figure 2. Structure makeup of the top large levy payers (LLP's) Key: LLP = large levy payers to Dairy NZ, LLC = one or more individual owners, Corporates = group of individual companies, Syndicates = group of independent traders and brokers. Source (Tony Finch – Dairy NZ, 2025).

Increasingly, we are witnessing a shift away from traditional sole ownership models in agriculture toward more flexible and strategic ownership structures. These emerging models such as equity partnerships, lease-to-own arrangements, and collaborative ventures are designed to support succession planning, improve capital efficiency, and enhance the long-term viability of farming operations. This evolution reflects broader changes in the agricultural landscape, where economic pressures, generational transitions, and sustainability demands are reshaping how farms are owned and operated. Considering these developments, a critical question arises: is the landscape we live in undergoing structural change? The evidence suggests that it is, not only in terms of land ownership, but also in the values, relationships, and systems that underpin the future of farming in New Zealand as a result we may see a rise in corporatisation and the potential loss of family farms.

Business structural ownership models:

- *Family Trusts* - used to hold land and assets, offering protection and flexibility in succession planning.
- *Limited Liability Companies (LLCs)* - allowing family members to hold shares and participate in governance while separating ownership from management.
- *Partnerships* - often intergenerational, enabling shared responsibility and gradual transition of control.
- *Sharemilking Agreements* - particularly common in dairy, where younger farmers build equity over time.
- *Equity Partnerships* - involving multiple investors (often family and non-family) pooling resources to own and operate a farm.
- *Joint Ventures* - between families or with agribusiness investors, balancing risk and capital input.

Business operating models:

- *50/50 sharemilking* - traditional stepping stone toward ownership, this model involves the sharemilker owning the herd and receiving 50% of the milk revenue. The sharemilker is responsible for more costs but has a clear pathway to building equity.
- *Variable order sharemilking* **-** this model allows sharemilkers to earn a percentage of the milk revenue while covering costs such as feed. It offers higher earnings potential but comes with greater financial responsibility.
- *Contract milking* **-** Introduced in 2017/2018 this is a common initial step from earning a wage, offering a balance between business ownership and employment. Contract milkers receive a set payment per kilogram of milk solids produced, with costs such as feed and farm expenses generally covered by the farm owner. It provides valuable experience in managing a herd and business responsibilities without significant capital investment.
- *Lease or lease-to-own and syndicates* - some farmers enter ownership through lease agreements or farming syndicates, where a group of investors collaborates to own and operate a farm. These models offer alternative ways to build ownership without requiring full capital upfront.
- *Equity partnerships* - for those with some capital but not enough for full farm ownership, equity partnerships allow multiple parties to invest together. These partnerships can be structured flexibly, enabling progressive ownership over time.

The contract milker category was introduced in 2017/18. Sharemilking opportunities have decreased from 34% in 2013/14 to 29% in 2022/23 (see Table 1). Meanwhile, alternative structures like equity partnerships and contract milking have risen. These shifts are influencing farmers' career paths and their ability to build equity for farm ownership. DairyNZ (n.d.) suggests routes for farmers with little or no equity, including contract milking, variable order sharemilking, and farm management.

Table 1. Trend in the percentage of herds in different operating structures in the last ten seasons. Source: New Zealand Dairy Statistics (2022-23).

Opening structure	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Owner-operators	65.5	67.3	69.8	72.4	59.9	57.2	56.1	56.2	56	56.2
Contract milkers*						12.4	12.8	14.3	14.4	13.5
Sharemilkers:										
Less than 20%	1.7	1.5	1.3	1.1	1.1	1.2	1.3	1.1	1.1	1.1
20-29%	9.7	8.8	6.9	5.0	5.1	5.2	5.5	4.8	4.5	4.6
30-49%	1.5	1.4	1.5	1.3	1.4	1.4	1.4	1.3	1.4	1.3
50/50	18.5	17.1	16.8	16.4	15.9	16.9	16.6	16.6	16.8	16.8
Over 50%	2.9	3.6	3.5	3.5	3.7	4.6	4.0	4.7	4.8	5.5
All sharemilkers	34.2	32.4	30	27.3	27.3	29.3	28.9	28.5	28.6	29.3

4.4 Milking the Numbers – how big is the debt pie?

- Total agricultural loans: $61.3 billion.
- Dairy sector loans: $35.4 billion (~58% of total agricultural debt).
- Milk solids produced (2023/24): 1.88 billion kgMS.
- * Debt per kgMS: $20.

In the 2023/24 season, NZ dairy companies processed 20.5 billion litres of milk containing 1.88 billion kilograms of milk solids, which represented a 0.5% increase in kilograms of milk solids.

**Debt Efficiency Metric: Debt per kgMS ignores profitability.*

The debt efficiency metric provides a useful lens to assess financial leverage relative to production. Two farms with the same kgMS output could have vastly different profit margins and therefore very different capacities to manage debt.

- *Strength:* It allows benchmarking across seasons and between farms.
- *Limitation:* It doesn't account for profitability, cost structures, or debt servicing capacity. A farm with high debt and high production may still be financially stressed if margins are thin.

A more accurate measure of a farm businesses ability to weather commodity volatility and interest rate exposure is debt divided by Earnings Before Interest and Tax (EBIT) often referred to as the '*leverage ratio*'.

Why is understanding leverage better? A farm with lower production but higher margins may be in a stronger financial position than a high output, high-cost operation.

DEBT/EBIT captures the impact of cost control, productivity and farm management decisions.

The dairy sector in New Zealand holds over half of all agricultural debt, a concentration that is particularly significant given the sector's inherent volatility (Figure 3). This volatility stems from exposure to fluctuating global commodity prices, evolving environmental regulations, and increasing climate variability. The high proportion of debt suggests that dairy farming is a capital-intensive enterprise, requiring substantial investment in land, infrastructure, and livestock. Consequently, the sector is potentially vulnerable to interest rate changes and external market shocks, which could impact financial stability at both the farm and industry levels. These factors underscore the importance of implementing robust risk management strategies, not only at the individual farm level but also within broader agricultural policy frameworks, to ensure the sector's long-term resilience and sustainability.

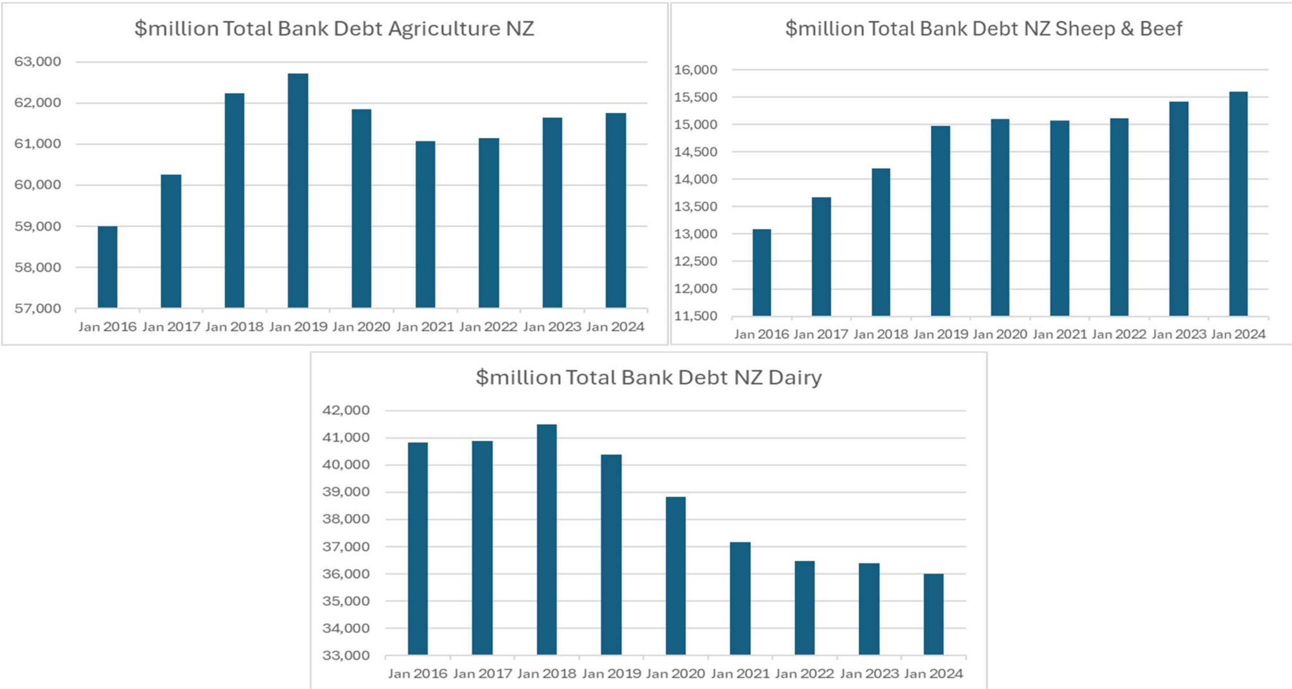

Figure ~~2~~ 3 Visual of debt across our agricultural industry as a whole and then broken down to Dairy, Sheep and Beef. Source: Reserve Bank of New Zealand. (2025, June 30). Banks: Assets – Agriculture loans by product (S37).

4.4 Alternative Equity Building Methods

These methods can be used individually or in combination to effectively build equity and support farm ownership goals.

- *Family investments or loans:* Financial support from family members can provide a significant boost to your equity, whether through direct investment, loans or the provision of guarantees that gives a person access to family capital.
- *Off farm jobs:* Taking up employment outside the farm can generate additional income, which can be reinvested into the farm to build equity.
- *Property investments:* Investing in rental properties or other real estate ventures can diversify your income streams and contribute to equity growth.
- *Multiple sharemilking jobs:* Engaging in several sharemilking positions can increase your earnings and help accumulate equity more quickly.
- *Raising and trading livestock:* Buying, raising, and selling livestock can be a profitable venture that adds to your equity.
- *Run off blocks:* Utilizing additional land for grazing or other agricultural activities can enhance productivity and equity.
- *Diversifying land use:* by exploring alternative uses or farming systems for your land such as farm forestry, orcharding, Agri-tourism, beekeeping, or the integration of circular systems can create new revenue streams that support equity building. These approaches not only enhance financial resilience but also contribute to environmental sustainability and regional economic development.

4.5 Seeds of Motivation: Cultivating the Future of Farming, who are they and what do they need to succeed?

In her 2020 Kellogg Scholarship study Montgomery[4] identified the following characteristics of people who successfully bought farms:

Determination: set a goal of dairy farm ownership and are driven to achieve it.

Reputation: Build and maintain a good reputation. This helps when seeking finance from banks and pursuing progression opportunities.

Planning and financial skills: Financially literate, careful about spending, and focussed on profitability and building their equity. (It is worth noting here that the increase in the number of large, corporate farms does not necessarily encourage the development of the range of skills required to independently run a farm business[5]).

Knowledge: Always take opportunities to learn about all the aspects of their business.

Strong Team: Both inside the farming business and beyond the farm gate such as farm advisors, Accountants, Bankers and mentors.

The SMASH 2024 survey revealed key sentiment themes around what is currently missing and what improvements could be made to better support new farm owners in New Zealand. Respondents highlighted the need for more targeted resources, mentorship, and innovative ownership pathways to assist the next generation of farmers. This emerging cohort of farm owners in NZ is likely to be composed of millennials, followed by members of Generation Z, groups whose values and motivations differ significantly from previous generations. Insights from Deloitte's annual global survey of millennials and Gen Z offer relevant context, shedding light on their priorities such as sustainability, purpose-driven work, and financial flexibility. Understanding these generational perspectives is essential for designing support systems and industry structures that align with the aspirations of future farm owners.

The SMASH 2024 survey and other research has discovered that:

- Work/life balance is paramount for both Gen Zs and millennials.
- About half of Gen Zs (51%) and millennials (56%) rate their mental health as good or extremely good, with 40% of Gen Zs and 35% of millennials saying they feel stressed all or most of the time.
- Are adept at using technology and are digital natives.
- Value relationships, appreciation for their work, and work/life balance above their salary.
- Are more highly educated than previous generations and have a stronger desire for continued learning[5].

These factors will all have an impact on the structures and tools used to create a path to farm ownership, progressing farmers' desire to become farm owners, and the how current farm owners manage their own exit from farming.

4.6 SMASH Survey

Smaller Milk and Supply Herds (SMASH) was established in 2010 by farmers, for farmers, as a support network funded by members and sponsors. Originally created to serve those in smaller dairy operations, SMASH now welcomes all farmers to participate in its events and activities. The organisation hosts workshops, field days, and on and off farm events that provide opportunities for farmers to learn new skills and connect with others in the industry. While predominantly based in Waikato, SMASH is gaining momentum nationwide as a passionate, connected, and knowledge sharing network. Beyond education, SMASH is deeply committed to fostering a supportive farming community, guided by its motto: “because we’re all in this together.” Led by a group of dedicated New Zealand dairy farmers, SMASH continues to build a strong and resilient future for the industry.

Between July and November 2024, SMASH conducted a nationwide survey aimed at gaining deeper insights into how aspiring farmers in New Zealand can navigate the increasingly complex path to farm ownership. The survey sought to understand the key barriers these individuals face such as access to capital, land availability, and succession opportunities as well as the strategies they are employing to overcome them. In addition, the research explored the role that current farm owners, industry stakeholders, and support networks can play in facilitating this progression. By gathering perspectives from a diverse range of participants, the survey aimed to inform practical solutions and policy recommendations that support equitable and sustainable pathways into farm ownership. This initiative reflects SMASH’s ongoing commitment to fostering a resilient and inclusive future for New Zealand’s dairy sector.

- 271 farmers responded.
- 46% were farm owners; 39% were on the path to ownership.
- Main barriers: land cost, poor returns, slow equity growth.
- Preferred learning: in person events, discussion groups, and trusted advisors (especially accountants followed closely by bankers).

Key Findings:

1. *Farm ownership is more challenging:*

- Rising land prices, higher equity requirements, and fewer traditional pathways (like sharemilking) have made farm ownership harder to attain.
- Capital gain is no longer a reliable return strategy, and financing is more difficult to secure.

2. *Equity Building Strategies:*

- Traditional methods: Sharemilking, contract milking, cost control, and off farm income remain common.
- Modern approaches: Include vendor finance, equity partnerships, lease-to-buy, off farm investments (e.g. real estate), listed shares, managed fund investments i.e. PIE funds and/or diversified income streams (e.g. honey, carbon credits, Agri tourism, off farm employment).

3. *Characteristics of Successful Farm Owners:*

- Goal oriented, financially literate, disciplined, and proactive.
- Strong support networks (advisors, mentors, family).
- Good reputation and willingness to seize opportunities.

4. *Role of Current Farm Owners can support progression by:*

- Starting succession planning early.
- Offering flexible ownership models (e.g. vendor finance, equity partnerships, leasing of farms).
- Mentoring and helping staff build equity.

5. *Industry Support Needs:*

- *Banks:* More flexible lending and lower equity requirements.
- *Government:* Allow KiwiSaver funds to be used for farm purchases.

Key Themes:

Financial Support and Equity Growth:

- Access to KiwiSaver for herd purchase or equity partnership investment.
- Savings schemes that are tax exempt when used for farm purchases.
- Lower bank interest rates and special financial support for first time farm buyers.
- Vendor finance and equity partnerships to reduce initial capital requirements.

Mentorship and Networking:

- Mentorship from experienced farmers and industry professionals.
- Networking events and discussion groups for young farmers.
- Older farmers providing guidance and support to the next generation.

Education and Skill Development:

- Workshops and courses on business skills, financial literacy, and strategic planning.
- Education on equity growth pathways beyond traditional sharemilking.
- Accredited courses covering self-employment and farm management.

Industry and Community Support:

- Encouraging the sharemilking system and discouraging large multi farm ownership.
- Government and industry support for young farmers, including financial assistance and policy changes.
- Promoting positive relationships and trust within farming contracts.

Improving Farm Conditions:

- Better working conditions, pay, and safety on farms to make farming careers more appealing.
- Addressing the challenges of contract milking and promoting fairer agreements.

Alternative Pathways and Strategies:

- Exploring cheaper land areas for farm purchases.
- Investing in off farm assets to build capital.
- Considering lease-to-buy arrangements and other flexible ownership models.

SMASH Survey Notable Quotes:

"Encourage investment off farm to build capital"

"Improve business skills, be more professional, understand own strengths and weaknesses"

"There is a need for workshops or discussion groups specifically around progressing into farm ownership"

"Better financial literacy and understanding of return on capital"

"Clearer opportunities to farm ownership driven by professionals. Professionals have the knowledge and the networks".

SMASH Survey Key Challenges:

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1.FINANCIAL BARRIERS

High Initial Capital Requirements:

- Difficulty in saving enough for a substantial deposit.
- High costs of purchasing land, herds, and equipment.
- Limited access to affordable financing options.

Banking and Lending Issues:

- High interest rates and stringent equity requirements.
- Lack of tailored financial products for first-time farm buyers.
- Challenges in securing loans without significant collateral.

Limited Access to Mentorship:

- Difficulty in finding experienced mentors willing to guide young farmers.
- Lack of structured mentorship programs and networks.

Insufficient Industry Support:

- Need for more industry driven initiatives to support young farmers.
- Limited government assistance and policy support for new entrants.

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2. EDUCATION AND SKILL DEVELOPMENT

Gaps in Business and Financial Skills:

- Need for better education on financial management and business planning.
- Lack of training on equity growth and alternative pathways to ownership.

Navigating Complex Regulations:

- Challenges in understanding and complying with farming regulations.
- Need for workshops and courses focused on the practical aspects of farm ownership.

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3. FARM CONDITIONS AND WORK ENVIRONMENT:

Challenging Working Conditions:

- Poor pay, long hours, and lack of work-life balance.
- Safety concerns and inadequate working conditions on some farms.

Contract Milking Issues:

- Adversarial nature of some contract milking agreements.
- High stress and low rewards associated with contract milking roles.

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4. MARKET DYNAMICS:

Competition from Large Entities:

- Difficulty competing with corporate farms and multi-farm owners.
- Smaller farms being bought by larger entities, reducing opportunities for new farmers.

Market Volatility:

- Unpredictable market conditions affecting profitability.
- Dependence on fluctuating milk prices and other external factors.

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4.7 Equity Partnerships NZ Farming

An equity partnership in New Zealand farming is a collaborative business arrangement in which two or more parties co-invest in a farming operation, sharing ownership, risk, and profit. This model has become increasingly popular as a means of facilitating farm succession, enabling business expansion, and providing a viable entry point into farm ownership particularly in the capital-intensive agricultural sector. By pooling resources and expertise, equity partnerships offer a flexible and mutually beneficial pathway for both established landowners and aspiring farmers to achieve their goals while fostering long-term sustainability and resilience within the industry.

The mechanics of an Equity Partnership:

KEY FEATURES	WHO IT BENEFITS
Shared Ownership: Each partner owns a percentage of the business, typically through a company structure. *Capital Contributions*: Partners may contribute land, livestock, cash, or skills. *Defined Roles:* One partner often acts as the equity manager, responsible for daily operations. *Governance:* A board or formal agreement outlines decision-making, profit distribution, and exit strategies.	*Young farmers*: Offers a pathway to ownership with lower upfront capital. *Retiring farmers*: Enables gradual exit while retaining investment and involvement. *Investors*: Gain exposure to farming without managing operations.
ADVANTAGES	**CHALLENGES**
Shared financial risk and operational responsibility. Access to diverse skills and networks. Flexibility in ownership and succession planning. Potential for scaling and long-term profitability.	Requires strong communication and aligned values. Complex governance and legal setup. Potential for conflict if expectations aren't clear. Less control for minority shareholders.

Example of "Transitional Exit" into a Successful Equity Partnership in New Zealand Farming:

1. A retiring farmer in Canterbury owned a $12.5 million dairy farm. Instead of selling the property outright, they chose to pursue a transitional exit strategy they:

   - Formed a company with an incoming operator.
   - Retained 68% equity by reinvesting $4.25 million.
   - The new operator invested $2 million for a 32% stake and took over day-to-day management.

> This allowed the retiring farmer to stay invested while gradually stepping back and gave the new partner a pathway to ownership.

2. Multi-Party Equity Partnership (Landify Model) partnerships where:

   - Multiple investors (including family, external capital, and operators) co-invest in a farm.
   - The operator earns equity over time through performance and capital contributions.
   - These partnerships often include formal governance, profit sharing, and structured exit plans to ensure long term success.

4.8 Vendor Financing

Vendor financing in New Zealand farming is a creative and increasingly relevant method for facilitating farm ownership, particularly in a market where traditional lending options can be restrictive. This approach involves the seller often a retiring farmer providing part or all the financing to the buyer, allowing for more flexible terms and reduced reliance on banks. Vendor finance arrangements can vary widely, but typically include structured payment plans, interest agreements, and shared risk between parties. The benefits of vendor financing include smoother succession transitions, increased accessibility for aspiring farmers, and the potential for sellers to retain a financial interest in the farm. However, it also carries risks, such as default or misalignment of expectations, which must be carefully managed through clear agreements and mutual trust. As farming continues to evolve, vendor financing offers a valuable tool for enabling ownership and continuity in New Zealand's agricultural sector.

Here is a detailed breakdown of how it works, its benefits, risks and typical structures including a practical example of.

How It Works:
1. The vendor and buyer agree on a loan amount, interest rate, and repayment schedule.
2. The vendor may retain a mortgage or security interest over the property until the loan is repaid.
3. This can be used to supplement a bank loan or act as the primary financing method.

Benefits:
1. Easier access to ownership for buyers with limited capital or credit history.
2. Faster transactions by avoiding third-party lenders.
3. Flexible terms tailored to both parties' needs.
4. Ongoing income for the vendor through interest payments.
5. Increased buyer pool and potentially quicker sale for the vendor.

Risks:
1. *For the vendor*: Buyer default, property devaluation, or missed investment opportunities.
2. *For the buyer*: Higher interest rates, shorter loan terms, and risk of foreclosure if payments are missed.

Practical Example:

A retiring farmer sells a 100ha dairy farm but agrees to finance 30% of the purchase price over 5 years. The buyer pays a deposit, secures a bank loan for 50%, and repays the vendor directly for the remaining 30% allowing the buyer to enter ownership sooner and the vendor to receive steady income.

4.9 Lease to Own

Definition:
Lease-to-own (also known as lease-to-buy) is a hybrid model that allows aspiring farmers to lease a farm with the option or obligation to purchase it after a set period. It's gaining traction in New Zealand to help new entrants access land ownership without needing full capital upfront.

How It Works:
The lessee (tenant) pays regular lease payments to the lessor (landowner). A portion of the lease payments may be credited toward the future purchase price; this will assist with building equity for the tenant. The agreement includes a purchase clause, which may be optional (right to buy) or obligatory (must buy at end of term). Terms typically span 3–10 years, allowing the lessee to build equity, secure financing, and prove their capability.

Benefits:
1. Pathway to ownership for farmers with limited capital.
2. Time to build equity and secure finance.
3. Vendor retains income and potential capital gain during lease period.
4. Flexibility for both parties to assess fit before full commitment.

Risks:
1. Unclear terms can lead to disputes and legal advice is essential.
2. Market changes may affect the agreed purchase price.
3. Lessee risk if unable to secure finance at the end of the lease.
4. Lessor risk if the lessee underperforms or damages the property.

Practical Example:

A retiring dairy farmer leases their 100ha farm to a young couple for 5 years. The couple pays annual rent, with 20% of each payment credited toward the purchase. At the end of the lease, they have the option to buy the farm at a pre-agreed price, using their credited payments as part of the deposit.

5. ANALYSIS AND RESULTS

The challenges faced by young farmers in achieving farm ownership are complex and multifaceted, encompassing financial, structural, and generational barriers. Overcoming these obstacles requires a coordinated approach that includes targeted financial support, access to mentorship and education, and broader industry wide reforms. A holistic strategy is essential to create more equitable and sustainable pathways into farm ownership for the next generation.

> *Farm ownership remains within reach but achieving it now demands focused action, strategic decision making, and unwavering commitment.*

Achieving meaningful progress toward farm ownership is hinged on several key factors. Strategic planning and financial discipline are essential for building equity and navigating the complexities of modern farming. Equally important is the presence of supportive farm owners and industry structures that can provide guidance, opportunities, and access to resources. Additionally, a shift in mindset is required from both older and younger generations embracing new models of ownership and progression that reflect the evolving realities of the agricultural sector. Together, these elements form the foundation for a more inclusive and sustainable future in farming

New Zealand's agricultural sector is at a critical crossroads, facing a fundamental tension between driving economic growth and upholding environmental responsibility and social wellbeing. This tension is particularly pronounced in a country where agriculture is both a major economic driver and a key contributor to greenhouse gas emissions, land use change, and water quality concerns. The sector's ability to maintain its global market position increasingly hinges on its commitment to sustainability, as international consumers and trade partners demand higher environmental and ethical standards.

Climate pressures such as more frequent droughts, floods, and changing seasonal patterns are intensifying, placing strain on farm productivity and profitability. Simultaneously, market expectations are evolving, with growing demand for traceability, low emission products, and regenerative practices. These pressures are not only economic but also social, as they threaten the viability of family farms, generational continuity, and the fabric of rural communities. The rising cost of compliance, coupled with fluctuating commodity prices and limited access to capital, has created a precarious environment for many farmers, particularly new entrants and smaller operations.

Survey data and stakeholder feedback indicate that while awareness of these challenges is high, action remains fragmented. Many farmers express a willingness to adapt, but lack the resources, support, or clear pathways to do so. Industry bodies and government agencies have launched various initiatives, yet coordination across sectors remains limited. The result is a patchwork of efforts that, while well intentioned, fall short of delivering systemic change.

To move forward, the sector must transition from dialogue to coordinated, informed action:

- Policy alignment across environmental, economic, and social domains.
- Investment in education and innovation, particularly in sustainable technologies and business models.
- Support for succession and equity building strategies to ensure generational continuity.
- Stronger partnerships between farmers, industry leaders, researchers, and policymakers.

> "The future of NZ agriculture depends on balancing profit, stewardship, and community"

5.1 Case Studies

SCENARIO 1 – FIRST FARM BUYERS 2025 SUBJECTS ARE IN THEIR LATE 30'S (2025).

A generational farmer, actively involved in dairy, set a clear vision and strategy for independent farm ownership at age 27.

Over-arching objective: "To own a 50% share of a dairy farm, or 100ha of an equivalent property in the Waikato, by 2025".

Strategies – "how are we going to do this":

- *Financial Planning*: Develop a detailed financial plan to save and invest towards the ownership goal.
- *Stakeholder Communication*: Maintain regular and transparent communication with key stakeholders such as accountants, bank managers, and farm advisors to ensure alignment and support.
- *Market Research:* Continuously research the dairy farm market to identify potential investment opportunities and stay informed about market trends.
- *Networking:* Build and maintain a network of industry contacts to explore potential partnerships and investment opportunities.
- *Education:* Stay updated with the latest developments in dairy farming through courses, workshops, and industry publications.

Operational objectives:

Optimise the pasture-based system:

- Increase the pasture harvested from 13.7tDM/ha to 15tDM/ha through diligent pasture and soil management within three years.

Strategies:

- *Pasture Management*: Implement best practices for pasture management, including rotational grazing, soil testing, and fertilization.
- *Monitoring:* Regularly measure and monitor key components such as soil health, pasture growth, and nutrient levels to identify areas for improvement.
- *Education:* Participate in training and workshops focused on pasture and crop systems management to enhance knowledge and skills.
- *Effluent and Irrigation Systems:* Improve the efficiency of effluent and irrigation systems to ensure optimal nutrient availability for plants.
- *Weed Eradication:* Implement a comprehensive weed eradication program targeting ox-eye daisy and Californian thistle, including regular monitoring and treatment.
- *Increase Production:* While maintaining a similar cost structure.

Objective: Increase per hectare production from 1,536kgMS/ha in the current season to 1,700kgMS/ha in the 2016/2017 season, with an increase in per cow production from 478kgMS/cow to 475kgMS/cow.

Strategies:

- *Grass Growth:* Focus on growing more grass to increase the amount of feed harvested per hectare, reducing the need for external feed sources.
- *Stocking Rate:* Increase the stocking rate by 3% to maximize the use of available pasture and improve overall production efficiency.
- *Feed Management:* Monitor feed prices and source cost-effective feeds to maintain a similar cost structure while increasing production.
- *Animal Selection:* Remove animals with negative production worth (PW) from the herd to improve the average performance and productivity of the herd.
- *Health and Nutrition:* Ensure that cows receive optimal nutrition and healthcare to support increased milk production and overall herd health.

Objective: Increase the herd reproductive performance to be within the top quartile in New Zealand: this will mean increasing the six week in calf rate from 69% to 78% in five years.

Strategies:

- Reduce metabolic diseases over calving to get cows cycling faster.
- Reduce incidences of milk fever from 4.6% to <4%.

Objective: Flexibility life/work balance: Grow the business in scale and gain financial strength to be able to support a contract milker in the future (post farm ownership) so that time is available to the family to travel and potentially invest or diversify elsewhere.

Strategies:

- Increase equity by >15% per annum by seeking opportunities to invest capital that will grow the business and improve profitability.
- Keep educated and up to date with modern farming practices by attending discussion groups, meetings and industry education sessions.

Together, the couple established the overarching objective of achieving farm ownership and then developed a set of operational objectives and strategies to guide how they would reach this goal. They made their plan timebound by setting a target date of "by 2025," ensuring accountability and focus. To further support their planning process, they conducted a personal SWOT analysis, identifying their strengths, weaknesses, opportunities, and threats, which provided valuable insights into their current position and future potential.

Strengths Farm owners are supportive and share similar goals for farm development. We have a solid grasp of the KPIs necessary to manage the system. Having 4 full-time labor units provides security in case of injury, illness, or resignation. One partner being a vet significantly reduces animal health costs. **Critical Insight** These strengths position the customer well for operational stability and strategic growth. However, reliance on internal labour and veterinary expertise may make the need for broader external support or succession planning.	**Weaknesses** The larger herd size makes staffing more challenging. One of the farm dwellings is only a one-bedroom unit. **Critical Insight** These weaknesses could constrain growth and affect morale. Addressing housing and workplace planning is essential to support scalability and attract skilled labour.
Opportunities A neighboring property is up for sale. Farm owners are open to us becoming equity partners in the property. The partner could specialize further in their veterinary role. They have the capacity to rear additional replacement calves. **Critical Insight** These opportunities align well with the couple's strengths, particularly their veterinary expertise and operational capacity. However, capital readiness and strategic planning will be crucial to seize these opportunities effectively.	**Threats** Milk price volatility. Dry summers or droughts without water irrigation. **Critical Insight** These external threats highlight the need for robust financial planning, risk mitigation strategies (e.g. insurance, diversification), and investment in climate resilience infrastructure.

Observation: This SWOT reflects a well-positioned couple with strong internal capabilities and promising external opportunities. However, to transition successfully into farm ownership, they must address structural weaknesses and prepare for external risks. Strategic investment in housing, workforce development, and climate resilience paired with sound financial planning will be key to achieving long-term success.

What happened, the real-life timeline:

2006-2011
- Single Partner livestock trading.
- Contract milking 400 cows.

2009
- Couple met while one was studying veterinary.

2009-2011
- Applied for multiple sharemilking jobs.

2011
- Entered a national industry competition and won their category.
- Managed a 400 cow farm.
- 50% of the herd under 50:50 sharemilking.
- 50% of the herd under contract milking.

2011-2012
- Began 50:50 sharemilking 600 cows on 198ha farm 'X', bank funding enable purchase of additonal livestock.

2012-2013
- One partner began working as a veternarian.

2013-2014
- Farm X came on the market and was purchased by a family associated company.
- Continued 50:50 sharemilking on farm 'X'.

2017
- Neigbouring farm to farm 'X' came on the market attempted to buy it in an Equity partnership (EP) with family associated company.
- Plan was to contract milk the EP and retain the 50:50 sharemilking job on farm 'X'.

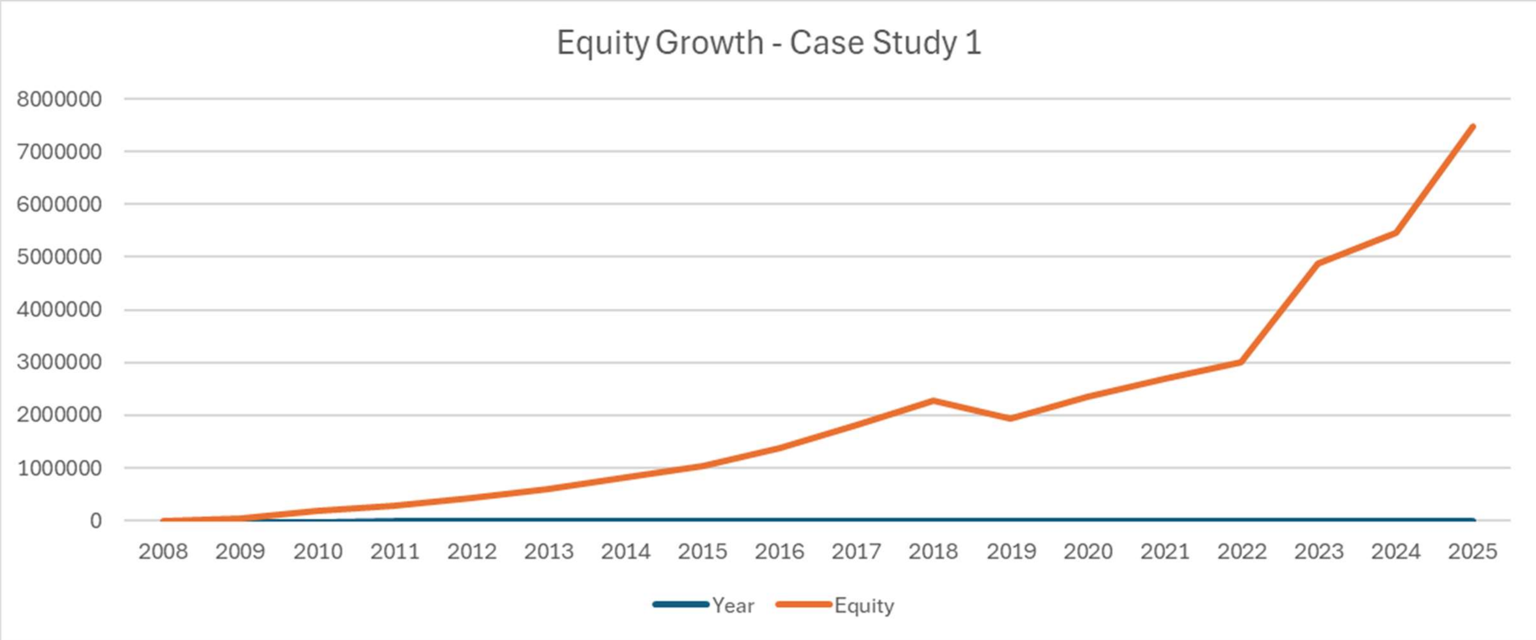
2018
- Became debt free.
- Submitted a tender on 69ha farm.
- Outcome: missed out.

2021
- Purchased a 37% equity share in farm 'X'.
- Rebuilt cowshed and yard.

2024
- Increased equity shareholding in farm 'X' to 63%.

2025
- **Success! Purchased final 37% of farm 'X".**

Figure 3 Case Study 1 actual equity growth:



Observations:

- Equity growth in the early years is crucial for achieving farm ownership goals.
- The graph above illustrates that during those formative years, equity growth was strong starting at 54% in 2011/2012, dropping to 40% in 2012/2013, and settling at 25% in 2014/2015. It then increased to around 30% during 2015–2017.
- As equity continues to grow, the rate of growth slows, stabilizing at around 15%–20% year in, year out (YIYO).

Quantitative Analysis:

- *Strategic Alignment:* Their strategies were well aligned with their objectives, showing a strong understanding of business planning and execution.
- *Execution Gaps:* While most KPIs improved significantly, a few (like equity growth and pasture targets) fell slightly short likely due to external factors like market conditions or weather.

- *Resilience:* Their ability to maintain progress despite threats like milk price volatility and drought risk shows strong operational resilience.
- *Work Life Balance:* Their goal to eventually support a contract milker reflects a forward-thinking approach to sustainability and family wellbeing.

"When it is obvious that the goals cannot be reached, don't adjust the goals, adjust the action steps" (Confucius).

Table 2. Case Study 1 measurable goals established by the subjects, outlining their performance against set targets.

Objective	**Target**	**Outcome**
Farm Ownership	50% share or 100ha by 2025	Achieved in June-2025
Pasture Harvested	13.7 → 15 tDM/ha	14.5 tDM/ha (2023)
Milk Production	1,536 → 1,700 kgMS/ha	Achieved 1,697 kgMS/ha (2019/20) Record of 1,847 kgMS/ha (2021/22) 5-year average 1,794kgMS/ha (2019-2025)
Per Cow Production	478 → 475 kgMS/cow	Achieved 470 kgMS/cow (2016/17) 5-year average 498kgMS/cow (2019-2025)
Reproductive Performance	69% → 78% in-calf rate	75% (2023)
Equity Growth	>15% per annum	12% per annum (2023), achieved >50% equity on completion of equity partnership buy out (2025)

Key drivers of success:

Opportunity Driven Decisions: Chose a job with a mix of 50/50 sharemilking and contract milking over a simpler 50/50 role to access greater opportunities and to build equity faster.

Professional Development: Participated in industry awards, completed an Agri Business Diploma (2016), and engaged in discussion groups, workshops, and industry training.

Strategic Herd Management:

- No cap on rearing replacements paid only the rearing cost.
- Used AI on heifers to boost genetic gain and increase heifer numbers.
- Calved heifers 3 weeks earlier than the main herd.
- Milked empty cows over winter, culling them in spring to maximize days in milk.

Focus on Marginal Gains:

- Prioritized small but impactful details like pasture utilization, in calf rates, body condition scores, animal health, staff wellbeing, and environmental sustainability.

Financial Literacy & Trust Building:

- Managed their own budgets and accounts.
- Shared financial data with the bank to build trust and secure leverage for opportunities.

Cost Efficiency:

- 50/50 business: FWE at $2.46/kgMS.
- Equity Partnership: FWE at $1.58/kgMS.

Hands-On Farm Development:

- One partner contributed with vetting and maintenance.
- Both invested in improving underperforming paddocks and applying fertilizer, benefiting both themselves and the partnership.

Strong Financial Returns: Equity partnership (3-year average):

- Return on Capital: 5.8%
- Return on Equity: 12.1%

Transparency & Alignment:

- Maintained open, above-board business practices.
- Valued independence: wanted to earn their way, not be given anything.

Equity Partnership (EP): Valuation Process:

- Both parties obtained bank sales data and a land agent's valuation.
- Independently wrote down their valuation and consistently within $1,000 of each other, agreed to meet in the middle.
- Final transaction of EP completion obtained an independent 'registered valuation report'

Non-Traditional Model:

- Maintained a 50/50 equity partnership.
- Emphasized that profitability and justifiable returns matter more than sticking to traditional models.

What is clear here is that this young couple didn't just set a financial goal with a plan and timeline for farm ownership, they also developed an operational optimisation strategy that underpinned the successful delivery of their plan.

SCENARIO 2 – SUBJECTS ARE IN THEIR LATE 20'S (2025) 50:50 SHAREMILKERS.

A young couple, both raised on dairy farms, have progressed through the dairy industry in a relatively traditional manner holding independent contract milking positions before purchasing a herd together in 2022.

Objective: "Farm ownership within 8-10 years".

Pathway: *Farm Assistant → Herd Manager → Farm Manager → Contract Milker → Sharemilker → Equity Partner → Farm Ownership.*

Stage 1: Farm worker / Herd Manager (Years 1– 5)

Goals:

- Gain hands-on experience in all aspects of dairy farming.
- Build a reputation for reliability, work ethic, and leadership.
- Start saving aggressively.

KPIs:

- Animal health and production (e.g. SCC < 150,000, 6-week in-calf rate > 78%).
- Pasture management (e.g. pasture cover targets met).
- Staff retention and development.
- Budget adherence and cost control.
- Personal savings target (e.g. $20,000 - $50,000 by Year 5).

Stage 2: Contract Milking (Years 5–8)

Goals:

- Transition to running our own business under contract.
- Build equity through livestock or savings.
- Develop strong business and financial management skills.

KPIs:

- Profit margin (e.g. >20% net profit).
- Cost of production (e.g. <$4.00/kgMS).
- Livestock performance (e.g. production per cow > 400 kgMS).
- Equity growth (e.g. $100,000+ by Year 8).
- Client satisfaction and contract renewal.

Stage 3: Variable Order Sharemilking (Years 8–11)

Goals:

- Increase share of milk income.
- Continue building equity and reputation.
- Prepare for 50:50 sharemilking or equity partnership.

KPIs:

- Milk production targets met or exceeded.
- Operating profit per hectare (e.g. $2,000/ha).
- Equity growth (e.g. $250,000+ by Year 11).
- Business systems and compliance (e.g. health and safety, environment).

Stage 4: 50:50 Sharemilking (Years 11–15)

Goals:

- Own herd and take full operational responsibility.
- Maximize profitability and equity growth.
- Position for farm ownership or equity partnership.

KPIs:

- Return on assets (e.g. >10%).
- Herd value and quality (e.g. Breeding Worth (BW)/Production Worth (PW) targets).

- Equity growth (e.g. $500,000 - $1m).
- Debt servicing ability (leverage ratio < 8x).

Stage 5: Farm Ownership or Equity Partnership (Year 15+)

Goals:

- Purchase a farm or enter a joint venture.
- Build a sustainable, profitable farming business.
- Mentor others and contribute to the industry.

KPIs:

- Farm profitability and sustainability.
- Debt to equity ratio (e.g. <50%).
- Long-term business plan and succession strategy.
- Community and industry involvement.

What Has Been Achieved and What Comes Next:

This couple began working full-time in the dairy industry in 2016 and 2017, taking on roles as a farm worker and herd manager, respectively. One partner also qualified as an Artificial Breeding (AB) technician. Before joining forces, both held separate contract milking positions. They later secured bank funding to purchase a herd together and entered a sharemilking agreement for the 2022/2023 dairy season. This opportunity involved managing 285 cows, producing approximately 145,000kgMS.

To continue building equity, the couple chose to purchase mixed-aged (MA) cows rather than heifers. Their rationale was that MA cows would produce higher-value progeny, as they would not generate beef calves, allowing more replacements to be reared and surplus stock to be sold. Given that heifer prices were close to those of MA cows at the time, this strategy was financially sound. Additionally, MA cows offered the advantage of a proven calving and milk production history.

Their livestock policy also included synchronising heifers each season and mating them to AB, supporting their goal of rearing a high number of replacement calves. This approach was further strengthened by one partner's experience as an AB technician.

Individually and as a team, the couple has entered industry awards and achieved finalist positions across two different seasons.

For the 2025/2026 season, the couple has moved into a larger-scale sharemilking position, managing 700 cows. They secured additional bank lending to effectively double their herd size.

Today, this couple is well on their journey toward farm ownership. Referring to their original plan, they are currently at Stage 4: 50:50 Sharemilking (Years 11–15), which places them well ahead of schedule. In actual terms, they are entering their ninth year in farming technically two years ahead of their projected timeline.

Conclusion:

This case exemplifies how strategic decision making, technical expertise, and financial discipline can accelerate progress toward farm ownership. Their journey highlights the importance of equity-building strategies, industry engagement, and adaptability in scaling operations.

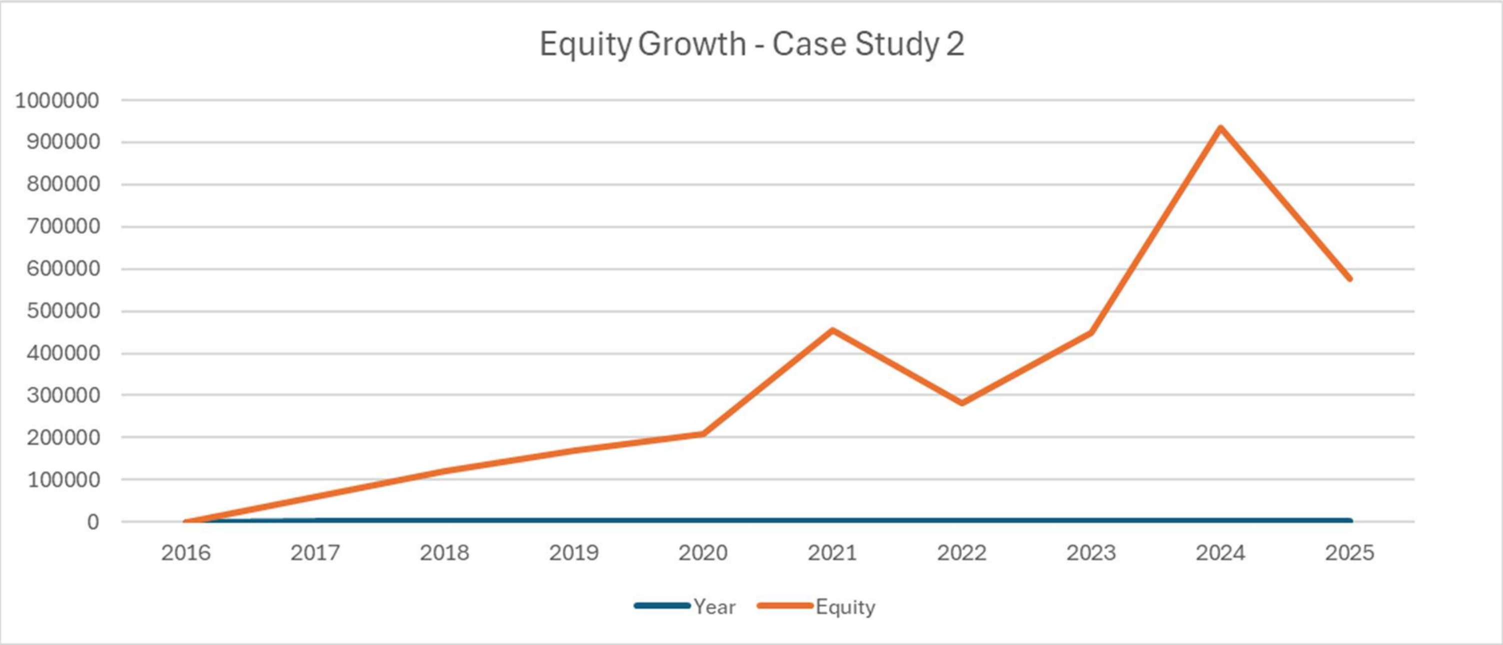


Figure 4 Case Study 2 actual equity growth.

Observations:

- The trajectory of equity growth in the early year's mirrors that of Case Study 1, further reinforcing how critical it is to build equity early when working toward farm ownership goals.
- The graph above illustrates that during those formative years, equity growth was strong, starting at 50% in 2016/2017, dropping to 29% in 2019/2020, increasing again to 44% 2020/2021.
- With a solid equity base of $300k primarily made up of cash savings, with no investment in plant or machinery and only a small number of livestock raised during their time contract milking they have positioned themselves well for future growth.
- Negative shifts in equity in both 2021/2022 and 2024/2025 represent bank lending and increased borrowing for livestock and machinery purchases; 20/21 transitioning from contract milking to first share milking position (285 cows).
- Equity is expected to continue growing, although the rate of growth is likely to slow and eventually stabilise at around 15%–20% year in, year out (YIYO).

5.2 The Evolving Profile of Future Farm Owners

It is increasingly evident that the profile of future farm owners in New Zealand will differ markedly from that of previous generations. This paper has identified a range of contemporary challenges contributing to this shift. The growing complexity of agricultural operations, coupled with the deceleration of capital growth in rural land particularly within the dairy sector has significantly diminished the ability to leverage equity based solely on land value.

As a result, future farmers will be required to possess a diverse set of competencies spanning multiple dimensions of business ownership. These include financial management, environmental compliance, human resource management, and strategic planning, in addition to the technical expertise necessary for efficient feed-to-milk conversion and effective livestock and pasture management. In instances where these foundational skills are lacking, it will be essential for aspiring farm owners to either engage professional advisors or invest in their own professional development to acquire the requisite knowledge. This evolution reflects a broader trend toward the professionalisation and increased resilience of the agricultural sector.

5.3 Challenges of Current Farm Owners

An aging New Zealand farmer nearing retirement expressed several key challenges associated with exiting the farming industry, particularly regarding succession and sustainability. A primary concern is the declining interest among younger generations in farm ownership, compounded by a lack of financial literacy and understanding of return on capital critical skills for making sound investment decisions in agriculture.

Environmental regulations, especially those related to nitrogen levels and leaching, are seen as significant barriers, with fears that regional councils often composed of civil servants may impose restrictions that undermine farm profitability and operational flexibility. The farmer emphasized the importance of maintaining New Zealand ownership of farms to prevent economic value from being transferred overseas and to support the long-term viability of the local agricultural sector. Co-ownership arrangements with time-bound strategies for full ownership were identified as a promising model for succession, provided they ensure returns exceed the cost of capital. These insights highlight the need for targeted support, including financial education, policy reform, and innovative ownership models, to facilitate successful farm transitions and preserve the integrity of New Zealand's farming landscape.

There is a concern that fewer people are interested in becoming farm owners, but opportunities exist for those who do.

5.4 Challenges for Aspiring Farm Owners

A young farmer relative to the aging cycle of a New Zealand farmer part way through their progression pathway to farm ownership. In their 30's, with a 50% share in the family farming business. This farmer is confident in the long-term sustainability of farming in New Zealand, thanks to the country's strong research and development (R&D) sector and its ability to tackle challenges like methane emissions. They highlighted significant barriers to farm ownership, such as high land prices and profitability issues, and stressed the importance of keeping farms New Zealand owned. The potential of co-ownership arrangements and the necessity of a good return on capital was a focus. They also noted the challenges of family succession and emphasized the need for clear financial planning and accountability.

Key challenges cited for the incoming generation by the outgoing generation are:

- Long-term sustainability of farming as a business.
- Environmental implications, such as nitrogen levels and leaching losses, as significant barriers to farm ownership.
- The risk for potential higher costs and reduced profitability due to environmental regulations.
- Highlights the importance of financial literacy and investment skills for the next generation to succeed in farm ownership.

- The need for better environmental practices to avoid penalties and restrictions from regional councils.
- There is concern that regional councils, as civil servants, might restrict certain farming practices and make business decisions that affect farm operations making farm ownership less attractive.

Key challenges cited by the incoming generation are:

- Highlights profitability and equity as significant challenges, especially in the Waikato region.
- Discusses the impact of land value increases and the difficulty of attracting new farmers.
- Mentions the importance of efficiency and skilled labor in overcoming these challenges.

> *The key is to create opportunities that make farm ownership attractive and financially viable for the next generation of New Zealand farmers.*

6. DISCUSSIONS AND FINDINGS

6.1 Introduction

The findings of this report reveal a complex and evolving landscape for farm ownership in New Zealand, shaped by financial constraints, generational shifts, and structural changes in the agricultural sector. While ownership remains a goal for many, the path to achieving it is increasingly fragmented and requires strategic adaptation.

6.2 Financial Barriers and Equity Strategies

Access to capital is the most significant barrier to farm ownership, with a projected shortfall of $110–$125 billion by 2050. High land prices, poor returns, and slow equity growth have made traditional pathways such as sharemilking less viable. Farmers are responding with diverse equity building strategies. From the results of the SMASH 2024 survey analysis, aspiring owners favour personal financial discipline (43%), surplus animal rearing (41%), off-farm income (41%), and investments (35%), while established farmers rely on sharemilking (61%), cost control (44%), and surplus stock rearing (30%). These strategies reflect the sector's adaptability but also highlight the need for tailored financial planning across different ownership stages.

6.3 Ownership Models and Succession Planning

Alternative ownership models such as equity partnerships, vendor financing, and lease-to-own are gaining traction. These models offer flexibility and lower capital requirements but require clear governance and aligned values to succeed. Case studies demonstrate that successful transitions often involve early succession planning, transparent communication, and structured equity growth. However, uptake remains limited due to perceived complexity and risk.

Current farm owners play a critical role in enabling ownership transitions. Their willingness to mentor, offer flexible arrangements, and engage in succession planning directly influences the accessibility of ownership for the next generation. Yet, many retiring farmers face challenges in securing fair value for their assets, further complicating the transition process.

6.4 Generational Shifts and Industry Support

Millennials and Gen Z farmers bring new expectations to the sector, prioritising sustainability, work-life balance, and purpose-driven business. These values are reshaping ownership models and require industry structures that support flexibility, education, and innovation. The SMASH survey and case studies confirm that younger farmers are highly motivated but need clearer pathways, financial literacy, and mentorship to succeed.

Industry and government support are essential to bridge the capital gap and facilitate ownership. Recommendations include enabling KiwiSaver access for farm investment, tax exempt savings schemes, and targeted financial products for first time buyers. Without coordinated action, the sector risks losing its locally owned character and long-term resilience.

6.5 Conclusion

Farm ownership in New Zealand remains achievable but demands a strategic, multi-faceted approach. Financial discipline, innovative ownership models, and strong support networks are key enablers. To ensure sustainability and generational continuity, the sector must embrace structural reform, policy innovation, and inclusive succession planning.

7. RECOMMENDATIONS

Succession planning is emotionally complex and requires careful consideration of all people involved. Once the scale of the business aligns to the provision of the people and the legal structure established to execute the agreed plan that provides the time to transition the transfer of assets then rural land ownership is still available, possible and happening in New Zealand.

Engaging professional advisers with the skill to facilitate communications and conversations who either understand or can uncover the distinct roles within the business and/or family are crucial for a successful transition.

It could well be the hardest thing to address but removing the emotion and decisions based on emotion could be a key factor in moving forward with a plan. *"Plan your work and then work your plan"*. *(Blackman,2017)*.

To ensure the sustainability of farm ownership in New Zealand and support the next generation of farmers, the following recommendations are proposed; These recommendations aim to create a balanced and fair approach to farm succession, ensuring the continuity of the farming business while addressing the needs and rights of all family members.

Strengthen Succession Planning

- Encourage early and structured succession conversations within farming families.
- Engage professional advisors to facilitate transparent and equitable transitions.
- Promote legal structures such as family trusts and limited liability companies to support gradual ownership transfer.

Expand Access to Capital

- Enable the use of KiwiSaver funds for farm-related investments.
- Introduce tax-exempt savings schemes specifically for farm purchases.
- Develop tailored financial products for first-time farm buyers through banks and industry lenders.

Support Alternative Ownership Models

- Promote equity partnerships, vendor financing, and lease-to-own arrangements as viable pathways to ownership.

- Provide governance training and legal support to ensure these models are well-structured and sustainable.

Enhance Financial Literacy and Education

- Deliver targeted workshops and accredited courses on financial management, equity growth, and strategic planning.
- Integrate business and succession education into rural training programs and industry events.

Foster Mentorship and Industry Networks

- Establish formal mentorship programs connecting experienced farmers with aspiring owners.
- Support discussion groups and peer networks to share knowledge and build confidence.

Policy and Industry Collaboration

- Align government, industry, and financial institutions to address the projected capital gap of $110–$125 billion by 2050.
- Develop coordinated strategies to support local ownership and long-term sector resilience.

8. CONCLUSION

Farm ownership in New Zealand remains a deeply valued aspiration, symbolising not only economic opportunity but also cultural identity, land stewardship, and generational continuity. However, the pathway to achieving ownership has become increasingly complex. Rising land prices, limited access to capital, and the declining viability of traditional models such as sharemilking have created significant barriers for new entrants. These challenges are compounded by generational shifts, with younger farmers placing greater emphasis on sustainability, work-life balance, and purpose driven business models.

There is no straightforward solution to enabling the next generation to achieve farm ownership. It requires a combination of hard work, technical expertise, perseverance, and financial acumen. The scale of the challenge is underscored by the fact that the capital cost of a farm has increased from nearly eight times the gross stock turnover in 2000 to over twelve times in less than two decades (Pinckney, 2016). At the same time, many farmers approaching retirement are struggling to realise the full value of their assets due to restrictions on overseas investment and limited domestic funding. This creates a dual tension: while older farmers seek viable exit strategies, younger farmers are increasingly disillusioned by the prospect of ownership through traditional means alone.

This report highlights that addressing these issues requires a coordinated, sector-wide response. Collaboration between farmers, industry bodies, financial institutions, and government is essential to attract and retain young talent while ensuring that those who dedicate their lives to farming are financially rewarded. One of the most pressing challenges is the availability of capital, closely followed by the need to foster meaningful connections between those exiting and those entering the industry. Bridging this gap will require early and transparent conversations, supported by clear succession pathways and innovative ownership models.

Throughout this research, it has become evident that the future of New Zealand's primary production sector depends not only on financial innovation but also on cultural and structural change. The industry must proactively plan for sustainability economically, socially, and environmentally. By implementing the recommendations outlined in this report, New Zealand can preserve its legacy of locally owned farms, support generational progression, and build a resilient agricultural future that reflects the values and aspirations of both current and future farmers.

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10. APPENDICES:

10.1 SMASH survey questions:

Attached as a doc.PDF

10.2 Interview Questions:

1. How do you feel about the long-term sustainability of farming as a business in NZ?
2. Do you see any barriers to farm ownership in NZ now or into the future?
3. How important is it to you to retain NZ farms owned by NZ operators?

4. Would you enter a co-ownership arrangement with a firm timebound strategy of full farm ownership?
5. How important is return on capital to you?

10.3 Questions Tree: