

Farm Succession The Key To Success

*A report prepared for the
Kellogg Rural Leadership Programme
Course 1, 2016*

Hayden Peter

Executive Summary

The sheep and beef industry is one of New Zealand's leading exporting industries. Many sheep and beef farms have remained within the same family for generations due to successful farm succession across multiple generations, as evident every year at the New Zealand Century Farms and Station Awards (NZCFSA).

Succession planning is the development of a strategy that will allow a smooth transition of the business and assets with minimal disruption to the business or, more importantly family relationships. Often family members will have different expectations in respect of future ownership of assets and aspirations in respect of involvement in the business. A poorly planned and executed succession strategy may not only have financial and taxation implications but can also have a major impact on family relationships.

After conducting a literature review and three case studies I have formed three recommendations for successful farm succession of the family farm. They are;

1. Open Communication - Encourage diversity of thinking during farm succession process helps to get a better understanding of all family members vision for the family farm. Who to involve;
 - Both farming and non farming family members and their spouses.
 - Accountants, bank manager and lawyers.
 - And seek advice from an independent farm succession facilitator.
2. Document Everything - The gold standard would be to devise a comprehensive business plan and distribute to all family members. Documents to consider include;
 - Minutes from every meeting.
 - Farm succession strategy.
 - Business goals.
 - Timeframes.
 - Roles and responsibilities.
 - Updated Wills.

But most importantly....

3. Start Early – It is never too early to start!! Conversations should start at an early age and be maintained over the years – we all know how young people's interest and capabilities change over time. Things to avoid;
 - Making assumptions, as these can turn into expectations.
 - Devising a strategy at short notice, as a poorly planned and poorly executed strategy can have a detrimental effect on family relationships.
 - Not giving praise. Everybody likes praise, but farmers are very reluctant to give any sort of praise. Acknowledgement during succession planning can go a long way to building stronger family relationships.

I hope this report stimulates people to start farm succession planning now!! Enjoy your read.

Table of Contents

Executive Summary.....	2
Table of Contents.....	3
Acknowledgements.....	5
1 Introduction.....	6
2 Literature Review.....	7
2.1 Setting the scene on farm succession.....	7
2.2 Farm succession overview.....	7
2.3 Barriers to farm succession.....	8
2.3.1 Financial viability.....	9
2.3.2 People and emotions.....	10
2.3.3 Communication and expectations.....	10
2.3.4 Roles and responsibilities.....	11
2.3.5 Developing a strategy.....	12
3 Aims and Objectives.....	13
4 Methodology.....	14
4.1 Literature review.....	14
4.2 Case studies.....	14
5 Results and Analysis.....	15
5.1 How important is the succession of the family farm as it relates to you?.....	15
5.2 What does a successful farm succession look like to you?.....	16
5.3 When did you first start thinking about farm succession?.....	17
5.4 Did you seek independent advice?.....	17

5.5	Detail the barriers to change during succession other than financial and structural?...	18
5.6	Do you document the farming business goals?.....	19
5.7	Describe the day to day running of your farming business in terms of roles and responsibilities?.....	19
5.8	Tell me about your work life balance, before, during and now in regards to the farm succession process.....	20
5.9	How much time was involved in the process and what was the duration for your farm succession?.....	20
5.10	What advice would you give others?.....	20
5.11	Any other final comments relating to farm succession that you consider relevant?....	21
6	Discussion.....	21
6.1	Farm succession.....	21
6.2	Open communication.....	22
6.3	Document everything.....	22
6.4	Start early.....	22
7	Conclusions and Recommendations.....	23
8	References.....	24
9	Appendix.....	25

Acknowledgements

Firstly I would like to thank Alliance Group Ltd for their generous financial assistance and to Beef and Lamb New Zealand for their financial contribution towards course fee's. This has been greatly appreciated and has allowed me to fully participate in the 2016 Kelloggs Rural Leadership Programme.

And secondly I would like to acknowledge the Kelloggs Rural Leadership Programme for the opportunity to further develop my leadership skills. And as part of this programme the opportunity to undertake this project on barriers to change in regards to farm succession.

I would also like to thank all the people and businesses over the past 6 months who have given their time and resources to contribute to this project;

- To the 3 farming families who gave up their time to be interviewed and their thought provoking words of wisdom on farm succession;
 - Tony and Ken Buckingham.
 - Geordie and Tommy Eade.
 - Cameron, Robert and Peter Grant.
- Pita Alexander, Chris Garland and Joan Baker for their expertise on farm succession. A special thankyou to Joan for sending a copy of "Your Last Fencepost".
- Richard Fitzgerald and the Red Meat Profit Partnership extension team for their time and expertise on farm extension activities.
- Craig Marks from ANZ Bank and Doug Stanley from Flintoffs Accountancy for ongoing advice during my own personal farm succession.

Finally to my staff; Mum, Dad and Heather Fahey (farm worker), a big thankyou for running the family farm in my absence during each of the phases plus my project work. I hope that Mum and Dad enjoyed their 5 week holiday in Canada during one of May's wettest months.

Most importantly....

A special thankyou to Mum, Dad and Nathan (my brother) for giving me the opportunity to become the 3rd generation on the Peter family farm (known as 'Strathallan'), with many more generations to come

1 Introduction

Is the family farm still the backbone of New Zealand agriculture? And if so, why is it important to pass it onto the next generation?

If you dig a little deeper there are many compelling reasons as to why family farms started and why these family farms continue to be passed through multiple generations. If I may share two personal stories to help illustrate the importance of the family farm across multiple generations;

I'm the 3rd generation farmer on this block of land known as 'Strathallan', my late Grandfather obtained Strathallan in 1956 thru a ballot, after serving time in the Jay Force in Japan. His life was prematurely cut short after a tragic accident on farm, leaving behind my Nana (now late) and 4 school aged children. It was decided that the farming operation was to continue with a manager until the eldest son (my father) was old enough to take over the family farm, as indicated by my late Grandfather's wishes in his will. My father finished his diploma at Lincoln and purchased the farm in 1977. And now that I'm the 3rd generation taking over custodianship of the family farm, it's a humbling experience knowing that all the family heritage and all the hard work developing the family farm, will be appreciated by generations to come.

My mother's family farm 'Strathmore' is 3rd generation and 106 years within the Scott family name. One of my mother's Grandparents once said "Don't waste the soil, I fought for it". I find this statement incredibly empowering and gives me a greater appreciation as to what previous generations went thru, something much bigger than just the family farm. Something younger generations will never fully comprehend and that's why we must cherish every opportunity to continue the legacy of the family farm.

Raising the topic of farm succession among family members is never easy. Farm succession is incredibly challenging, but yet can be a very rewarding journey if a united succession strategy is formed and successfully implemented. Unfortunately many families either disagree on what the farm succession strategy should be or fail to implement the strategy. Do both generations need to concede on some of their expectations, in order for farm succession to occur?

There are many examples of successful farm succession occurring within the New Zealand agriculture industry every day, from family farms passing onto the 2nd/3rd generation thru to farms being in the family for over 100 years. This year another 33 new families who have farmed their land for 100 years or more were honoured at the New Zealand Century Farms and Station Awards (NZCFSA), bringing the total number of families honoured to over 370 since the inception of the awards. This is a testament to those families who are demonstrating that the family farm can be continuously farmed through multiple generations.

In this project I hope to understand what are the key characteristics required for successful farm succession or alternatively what are the barriers to a successful farm succession?

2 Literature Review

Farm succession planning is difficult at the best of times and often ends up in the 'too hard basket'. It is much more than the transfer of assets – as a poorly planned and executed succession plan may not only have financial and taxation implications but can also have a major impact on family relationships.

2.1 Setting the scene on farm succession

Below are some interesting background facts from a MAF Policy survey (1998) on farm succession;

- Average age of retirement was 59 years.
- Average age when succession complete was 42 years.
- Transition period of succession – 18 years.
- All children thought their parents had done more planning than they actually had.
- Important outcomes of the farm succession process;
 - Secure retirement income of parents.
 - Expectations that all children would be treated fairly (not necessarily equally).
 - Ensure ongoing viability of the continuing business.

Although the data was obtained from surveys back in 1998, there is little evidence to suggest any of these key facts have changed. The family farm is always at the forefront of many families long term visions, but for some it causes plenty of heartaches along the way, as to how the farm succession process evolves.

There is no one right solution, or is there one solution to fit all farm succession circumstances, but it would be fair to say there are many different innovative ways for farm succession to occur, with the aid of specialist advice. Entrepreneurial family businesses are successful because they maintain the best of history, the foundations and the success of the family business legacy and adapt, change and capture new opportunities across successive generations (Shepherd, 2012).

2.2 Farm succession overview

Keeping the farm in the family is important for emotional, spiritual, financial and economic reasons (Blackman, 2012). Figure 1 and Table 1 suggest that a transfer of an economically viable business to the next generation is top priority, with people and their emotions being the main challenge.



Figure 1. Drivers of Farm Succession. From Rabobank Succession Planning Services (2014).

Table 1. Drivers of Farm Succession. From ANZ Passing the Baton (2012).

Business owners who are serious about succession but don't know where to start:	
1. Look at your business profitability – is your business in good shape? Is it a business you would want to step into right now?	
2. Talk to your family – whether it's individually or all together, get an idea of what your family's thoughts are on the business and their future involvement.	
3. Decide what you want from the business in the future – could you take a back-seat role while someone else runs the business? Do you want to continue to stay active in the business or are you all in or all out?	
4. Talk to others – seek out other business owners who have gone through succession and professional advisers who assist with succession. Involve Your ANZ Relationship Manager can connect you to people in your local network.	
5. The right solution is the one that's right for you and your family – start with an end-goal in mind and work out the steps needed to get you and your family to where you all want to be.	

2.3 Barriers to farm succession

Compared with non family businesses, family businesses have fewer barriers to succession as demonstrated in Figure 2. Yet family businesses are more likely to have conflicting family visions and access to cost effective advice.

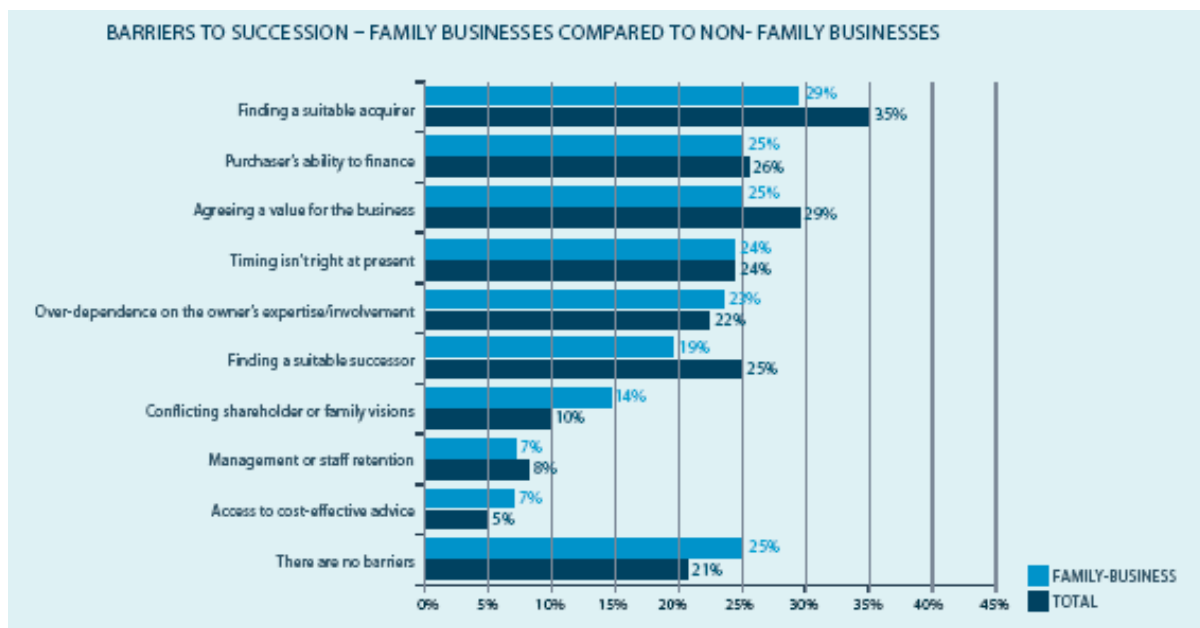


Figure 2. Barriers to succession. From ANZ Barometer (2012).

It was decided to focus my literature review on 5 areas of farm succession;

- Financial viability
- People and emotions
- Communication and expectations
- Roles and responsibilities
- Developing a strategy

2.3.1 Financial viability

If a business isn't profitable, the question has to be asked, 'what is being achieved from succession?'. A well managed and profitable business makes it easier to agree a value and achieving financing, two of the main issues with succession that plague business owners(ANZ 2012).

There has been a recent study done on the sheep and beef sector by UMR on behalf of the Red Meat Profit Partnership looking at the traits and motivations of high performers (Figure 3). While profitability is critical, when it is boiled down, profits allow top performers to provide opportunities for their families to live the way of life that appeals so deeply to them (RMPP 2014). It then enables succession planning to occur and the legacy of the family farm to be passed onto the next generation more easily.

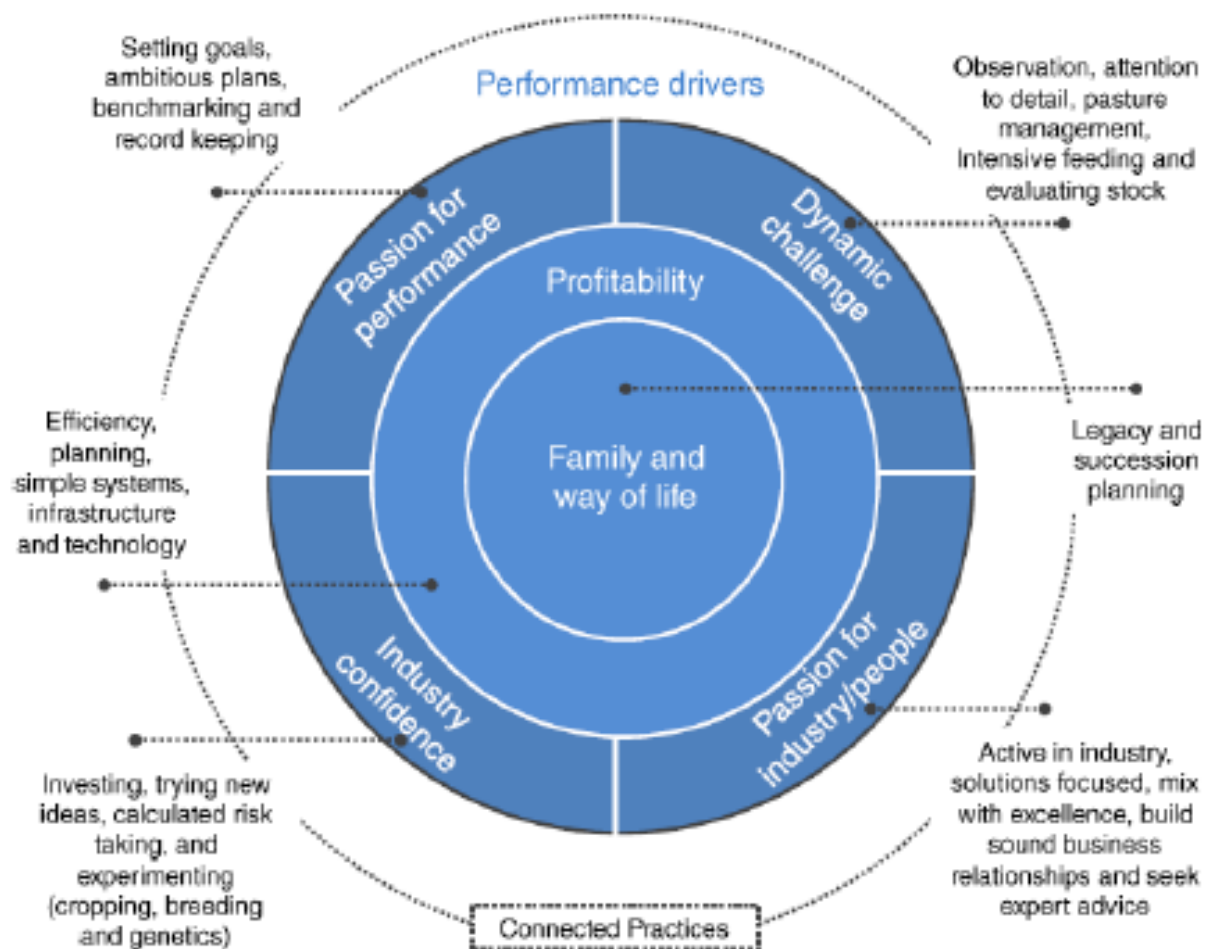


Figure 3. Performance drivers. *From Red Meat Profit Partnership (2014).*

There is an interesting dynamic when farm succession is taking place in terms of wealth. For the retiring generation it is a fundamental shift because they have spent their lifetime growing wealth and now they have to focus on asset preservation and distribution, bearing in mind their life expectancy. Whereas the incoming generations are asset poor, constantly looking for opportunities to grow their wealth and are wanting to continue the family farming legacy.

2.3.1 People and emotions

Farm succession and the issue of attracting and retaining talented people in agriculture is one of most important challenges facing farming today.

It is important to have open and frank conversations with all family members from an early age to determine if a family member is likely to take over the family farm. A recent survey conducted by UMR on behalf of RMPP showed that 53% of farming families had a likely successor while surprisingly 32% didn't have a likely successor (Figure 4).

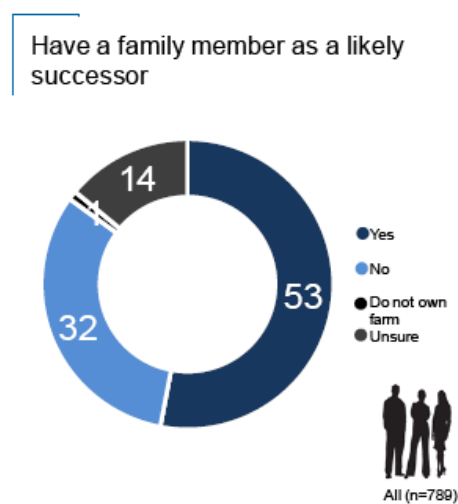


Figure 4. From Red Meat Profit Partnership (2014).

Many families have more than one child and for a lot of parents the thought of treating their children fairly is very uncomfortable. 'Fair' does not imply 'equal'. The real issue for most farming parents is how to treat their children equitably or justly over time (Baker 2008). Generally there is some sort of concession to allow the successor onto the family farm, while this may cause disharmony with non farming siblings. It is important that there is enough wealth to provide fairly for the other non farming children, without compromising the farm, the successor and the post-farming lifestyle of the retiring generation.

Another aspect of the succession is the retiring generation has often devoted all their life to the farm, spending little time off farm, with little off farm interest and hobbies. This lifestyle change needs to be managed carefully. Don't underestimate the emotional impact on the retiring generation – "leaving the farm can be like losing your leg (Garland, 2010).

2.3.3 Communication and expectations

Part of the succession planning process should be opening up lines of communication with family members. It can be tough having succession conversations, therefore a family may bring in an independent facilitator to ensure that the conversations stay on track and are not derailed by personal issues. "Succession in a family business only really succeeds when it is prepared for in an atmosphere of joint commitment and when the process, which is inevitable, is viewed as confirmation of success" (Tucker, 2012).

"Open communication helps grow the family relationships from 'parent to child' towards equal business relationships. Open communication is not about another thing to do in the day, it is about how family members hold the conversations that they are already having, every day" (Pickering, 2012). Without open lines of communication assumptions are often made.

One of the most fascinating aspects of family life is the way family members make assumptions about each other over the years – and almost never check these assumptions out (Baker 2008). Never take it for granted that the son will take over the family farm only to find out later (far too late) that he has no intention of doing so. Likewise a daughter maybe interested in taking over the family farm. Assumptions left uncorrected can over time turn into expectations. The longer expectations are left the more they will be perceived as 'right' (ANZ 2012).

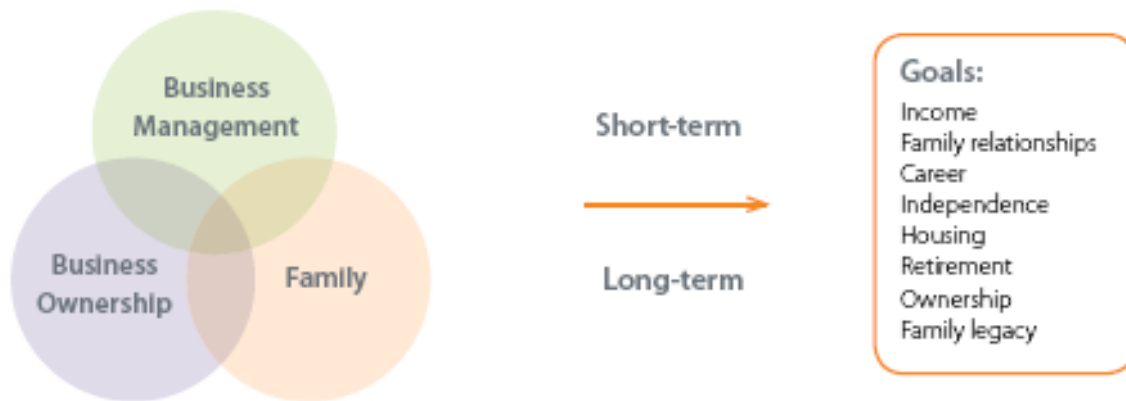


Figure 5. Determining common goals and expectations. From Rabobank Succession Planning Services (2014).

As part of farm succession there is a need to develop foundations for how the family and business work towards common goals and expectations (Figure 5). The challenging question needs to be asked of each family member on the goals and aspirations of the family farm. Everyone will have a slightly contrasting view of the on what the future will entail, but it is very important to having ongoing dialogue. These conversations need to be maintained over the years – we all know how young people’s interest and capabilities change over time (Baker 2008).

2.3.4 Roles and responsibility

For succession of the family farm to succeed, we must firstly understand contrasting views (Table 2) of each generation. Every generation has diverse expectations, whether it’s; education, technology uptake, being business orientated, career driven, lifestyle choices or their work ethic.

Table 2. Understanding contrasting views. From (Wilkinson and Sykes, 2007).

	Veterans	Baby Boomer	Generation X	Generation Y
Education & qualifications	Least studied, least understood generation	Shaped the youth culture of the 1960's and 1970's	Most educated generation	Very techno-literate, most ethnically diverse
Business role	Are firm leaders, empty nesters with decent incomes and growing leisure time	Primary leaders, looking toward retirement	Senior staff and middle management	The workforce of tomorrow
Career	First generation of women to move into the workforce at significant rates	Work long hours, children home alone; women into management roles	Committed to being available to their families and work/life balance	Expect to change jobs frequently
Lifestyle	Place importance in human relations: many are involved in cultural and societal issues, age not a barrier	Risk takers, value creativity, adventure, independence, may be permissive	Cynical, sensitive to hype and politics; Enjoy music, problem solving, flexibility and independence; value teamwork, friends, and are not intimidated by authority	Team players, strong sense of fairness and ethics, respond to humour, direct language, easily bored; respect earned not positional

Each generations attitudes towards their worklife balance;

- Veterans (pre 1946) – Work first.
- Baby boomer (1946-1964) – Live to work.
- Generation X (1965-1977) – Work to live.
- Generation Y (1978-1994) – Live, and then work.

Veterans, Baby boomers, Generation X and Generation Y all have different expectations from life and different communication styles. These expectations need to be managed as part of developing and then implementing the farm succession strategy.

Ownership is often the focus of succession, whereas the focus should be placed on the roles and responsibility that link to the business performance – governance and management. Typically in small family farms there are challenges as to ‘wearing multiple hats’ and of struggling to ‘work on the business, not in the business’ (ANZ 2012).

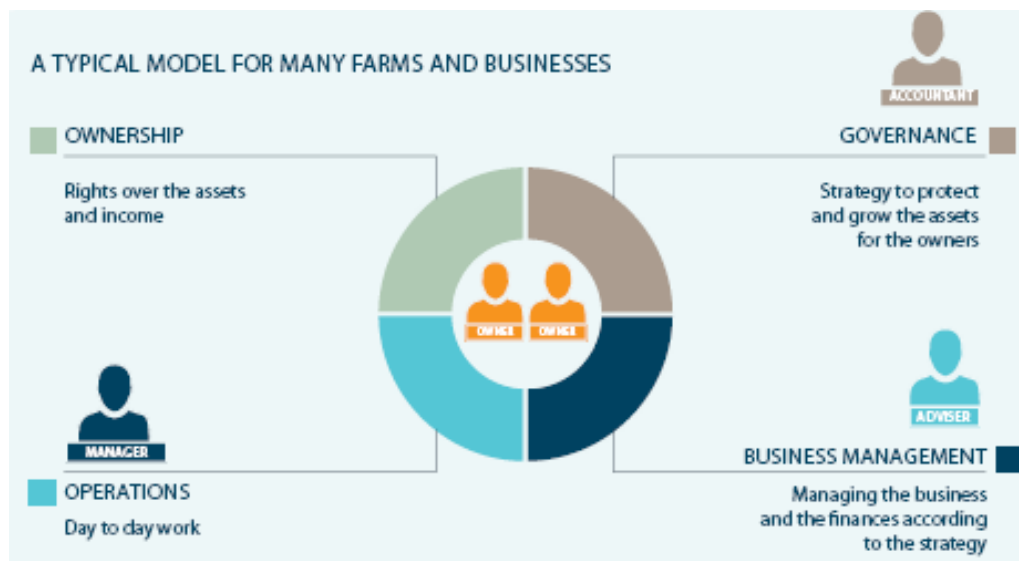


Figure 6. A typical model for many farms and businesses. From ANZ Barometer (2012).

Figure 6 shows a model that has limited options for succession to occur as one person does everything and therefore there is limited ability to bring in the next generation and for the retiring generation to continue to contribute their skills and experience after they cease working on the farm.

Whereas in Figure 7 allows for separation of roles of ownership, governance, business management and the day to day operations. This allows many more options for successful generational transition and succession within each of the roles. Family members can be more flexible to step in and out of the business during the transition as they semi retire.

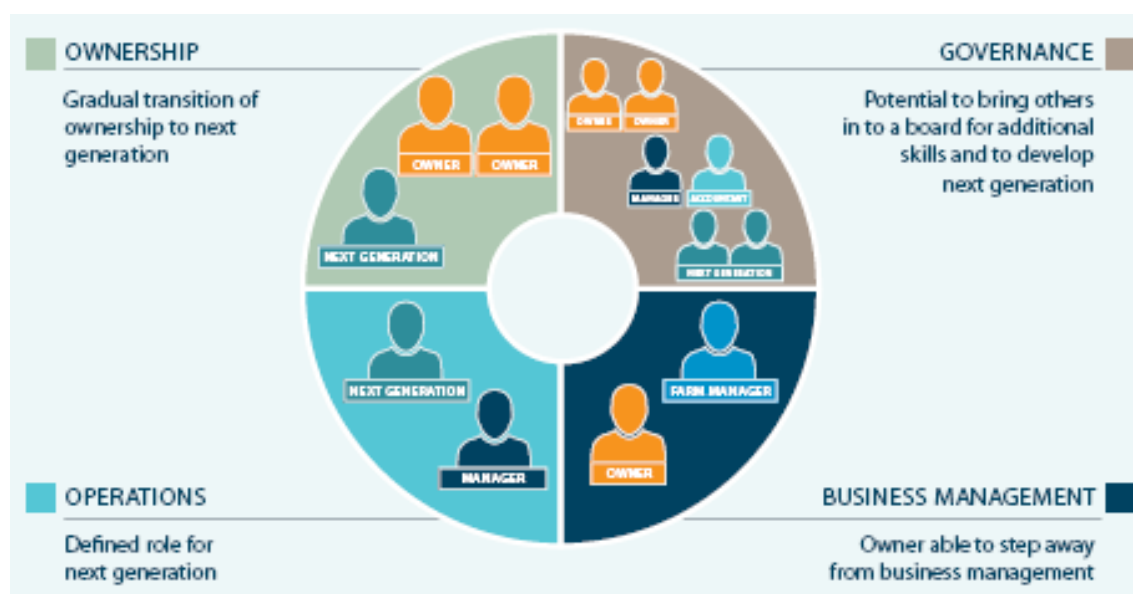


Figure 7. Separation of roles provides more options. From ANZ Barometer (2012).

2.3.5 Developing a strategy

A good plan today is better than a perfect plan tomorrow. The succession strategy must be able to cope with some changes within reason; agriculture in NZ is a commodities market which blows hot and cold. The plan needs to be realistic and stand the test of time, you need to plan for some change and sometimes you need to think does the plan have a workable exit strategy if needed (Alexander, 2015).

In a recent study conducted by UMR on behalf of RMPP, approximately 76% of people have either a plan or enough of plan for the stage they are at, with 21% either learning or no plan in place as shown in Table 3. The important thing is to ensure the plan is continually reviewed over time.

Table 3. Succession planning. From Red Meat Profit Partnership (2014).

<i>Which of the following best applies to you and your farm in relation to succession planning?</i>	
<i>Base: n=</i>	789
	%
I already have a plan in place	38
I feel I know enough for the stage I am at	38
I would like to learn more	19
Currently making a plan	1
Do not have a plan	1
Not applicable	2
Other	1

In a business sense succession planning needs to refer to the orderly transfer of management, responsibility, ownership and control, over time. In a farm business this could mean transferring the ownership of machinery and livestock, transferring the management of the farm and eventually transferring ownership. As part of the plan there will be a decisions made on the type of the business structure used to support the succession strategy.

A succession strategy has more chance of working if people involved start to think about it earlier rather than later, for instance, building some off farm assets. This is useful from a risk management point of view and can also make succession planning easier (Wilkinson and Sykes, 2007). By investing in off farm assets as part of the wealth creation process, it gives opportunity for settling non farming children/siblings inheritances.

3 Aims and Objectives

To understand what drives successful farm succession or alternatively what are the barriers to change with farm succession. After conducting the literature review and discovering farm succession is rather complex, it was decided to narrow the scope of the project.

The project will focus primarily on the logistics of developing and implementing a farm succession strategy, rather than financial and the structural components of farm succession. Poorly developed and poorly executed farm succession strategy's have often lead to many family disagreements, heated arguments and family fallouts. So what makes farm succession successful.....?

4 Methodology

There are two main components involved with this report on Farm Succession - Key to success. What is required for successful farm succession or alternatively what are the barriers to a successful farm succession;

- Literature review.
- Case studies.

4.1 Literature review

The initial literature review was conducted using both Lincoln University Database and Google Scholar using keyword searches. Pita Alexander from Alexanders Chartered Accounts was contacted for his expertise on farm succession and he provided me with numerous sources of information from articles through to some of his presentations. A research document from the Red Meat Profit Partnership, around farmer behaviour and segmentation of farmers was also sourced as part of the literature review.

As the literature review evolved I obtained further information from ANZ Bank and Rabobank, through their farm succession brochures and pamphlets. During May I attended the Alliance Group Conference, where I heard two inspiring presentations from Joan Baker and Chris Garland on farm succession and subsequently they both have supplied additional literature to review.

4.2 Case studies

The case studies were conducted using the qualitative approach using 10 semi constructed questions (Appendix 1). These 10 questions were written in conjunction with Pita Alexander, Joan Baker and Chris Garland and it was recommended that 3 farming businesses with successful farm succession should be interviewed.

The selection process of the 3 farming businesses;

- Successful farm succession (as all farmers pointed out, succession is never completed).
- Highly regarded farmers within their local community.
- Willing to speak openly about their farm succession experience.
- And as an acknowledgement of this it was agreed all responses would remain confidential.

The farmer interviews were conducted on farm around the kitchen table and generally lasted for 1 hour. Each generation was interviewed separately, allowing for each generation to speak freely around the topic often classified as a sensitive subject. Common themes will be gathered and comparisons made between generations (if any), and they can be found in the results and analysis section of the report.

5 Results and Analysis

The farmer's views and opinions gathered during the qualitative interviews will be presented in this section of the report. Verbatim quotes will be used to illustrate key themes and comparisons made between generation's responses (if any). An in depth discussion and recommendations will follow in subsequent chapters.

5.1 How important is the succession of the family farm as it relates to you?

Not surprisingly but there were an overwhelming response of very important from both generations.

Retiring Generation;

I'm still alive – I want to sort succession out before I die as I don't want any surprises for any of my children when I pass away.

Succession is how I got here, I'm 2nd generation and my grandchildren are 4th generation.

I've put alot of hard work into the farm and I would dearly like to see the next generation reap the rewards.

Incoming Generation;

I have good intentions of continuing the farming legacy and I'm currently positioning myself to settle with my non farming sibling.

I've got alot of fond memories growing up on the farm and my kids are showing a keen interest in the farm.

The older generation recognise they were once given an opportunity by a previous generation and have since devoted alot of time developing their farm for the next generation to continue the farming legacy. The incoming generation equally recognise the honour of taking over the custodianship of the family farm with the intention of passing onto the next generation.

5.2 What does a successful farm succession look like to you?

Everybody suggested that both generations and non farming siblings would still be on talking terms.

Retiring Generation;

Succession should happen sooner rather than later, so I can enjoy my retirement and watch my son carry on my dream. I would much rather it was my children enjoying my hard work than selling it to someone else who won't fully appreciate my hard work.

Being fair doesn't mean being equal. As it happened in my early years I purchased a commercial property, which has been subsequently sold to pay out an off farm child.

Having all my kids buying into the plan as it evolves. Take time to consider all opinions and form a united action plan.

Incoming Generation;

At an early age I was given an opportunity, rather than it (the farm) given to me. Therefore it has given me a greater appreciation of the value of succession and hopefully my off farm sibling can understand this.

A smile on everybody's face and everybody is happy with what's happened, including off farm siblings. It (the plan) should be written down so no arguments at a later date.

Both generations couldn't stress enough the importance of starting family meetings as early as possible and keeping minutes. Give time for everybody to digest the plan and work through the issues, as this will minimise any family disharmony.

5.3 When did you first start thinking about farm succession?

As many of the farmers pointed out succession is never completed as its always ongoing.

Retiring Generation;

When I started to slow down, although I wish I had started earlier, as I had a fit son having an extended OE, when he could have been at home helping me do the physical work.

30 years ago, after talking to the Accountant and Lawyer. Started to look at the structures in place and what needed to change to get the boys involved in business.

When my son said he wanted to come home, we had to weigh up the options. So we sold the current property and increased the scale of the business. I was in limbo until my son gave me the indication that he was interested in coming home.

Incoming Generations;

I had to make a life decision, head home in order for succession to start or continue my own destiny.

At 18 years old, I always wanted to farm, but Dad made me do 2 years away first to get a better appreciation of how privileged I should feel taking over the family farm.

I went to Lincoln and purchased an interest in a dairy equity partnership, but have since exited to come home to the farm.

There was always the expectation that one of the children would come home to the family farm at some stage. It was the matter of getting a plan in place and involving all family members including off farm children. The retiring generation suggested they should have started earlier, even if it was before their children were at and age ready to make career decisions.

5.4 Did you seek independent advice?

All families tended to initially talk to their accountant and lawyer for advice first.

Retiring Generations;

Originally I talked to family members, then accountants/ banks and lately it's been an independent advisor to set up the correct structure.

The lawyer has been involved since day one, although he has since moved on but we still use the same lawyer firm.

The lawyer in conjunction with the farm advisor devised a plan. We got stock and property valued and we have since drawn up documents.

Incoming Generation;

I left it up to my parents to decide whether additional advice was sought other than the accountant and lawyer.

When my brother and I first entered into business as a partnership with our father we sought independent advice on the proposed plan from a legal point of view.

All families used accountants, banks and lawyers with only one family seeking professional help from a farm succession advisor. All generations seem to be happy with the succession plans in place and didn't see the need for additional advice.

5.5 Detail the barriers to change during succession other than financial and structural?

There were numerous barriers (generally changing policies) but the key was they kept an open line of communication and let everybody have their opinion.

Retiring Generation;

Sure we had barriers, but nothing we could solve over a cup of tea. Communication is key. People can't understand why we never have agreements. We had a number of enterprises but my son has since simplified it, but for very good reasons, now that I look back I wondered why I didn't do some of them sooner.

I found it hard letting go, but I was always part of the decision making process early on. Now I fill the gaps and make up the numbers.

As it was a new block we both had to learn together. Change in farming policies was difficult to get my head around initially.

Incoming Generation;

I was fortunate enough to be given enough rope, but he was always there to put a stool down to save me. You can't beat experience. I trialled things on a small scale 1st then scaled it up if it was successful. By working off farm in the early days I saw opportunities to tweak the currently farming system (I bet Dad regrets that now), in saying that I still challenge status quo.

I implemented new sheep genetics and with the developmental work moved away from contractors to buying bigger tractors and gear. Our father has finally seen they were all great investments.

I changed onfarm policies and mated the hogget's and it's fair to say it's a young man's game.

There was an overwhelming theme of changing on farm policies, stock policies in particular. The retiring generation were reluctant at first, but have since seen the lift in performance to justify the change, although in some cases it took 5 years to do so. It was important not to make any radical changes, but is just as important to challenge status quo.

5.6 Do you document the farming business goals?

None of the families formally document farming goals, although one of them obtains farm visit notes with bench marking data from his farm advisor.

Retiring Generation;

No written goals. I verbally discuss them with my son. In the early days I did employ a facilitator but only to facilitate, not lead the discussions.

We were part of a farm discussion group and as part of that the advisor would get benchmarking notes. No written goals but always trying to beat previous years lambing %'s etc.

Incoming Generation;

Over the years we have got bigger and I've been focussed on that. But we still have weekly meetings, but that's more to do with the day to day running of the farm. I do have a good rapport with the bank manager.

It was surprising that all three farming families with successful farm succession occurring, that none of them had documented business goals, let alone a business plan. They appear to talk about them, but as long as there on farm performance continues to lift, they see no need to change and document business goals.

5.7 Describe the day to day running of your farming business in terms of roles and responsibilities?

A diverse range of understanding between generations as to roles and responsibilities over time and they are continually changing.

Retiring Generation;

We are at the point where we catch up and have a conversation for big managerial decisions only; otherwise I hear what's happening for the week with the staff at Monday morning meetings. Everybody needs job satisfaction and I currently happy with the arrangements. I don't have to do too much thinking and as I've got no responsibility. It's a win: win.

It's been a slow transition from when I had managers on the blocks until now where I fill the gaps and follow sheep up the road. I'm never too far away from the decision making. I'm slowing down now but I still have my uses.

We were both in a learning phase for 4/5 years on a new property. But I've since moved off farm and just work casually on the farm; I'm probably 0.5 labour units in winter and 0.75 of a labour unit in summer.

Incoming Generation;

I had to do the hard yards beside the old man for 2 years before I got any responsibility. But now I'm doing the hard yards, so I've got time to spend with the kids when they grow up. I'm always bouncing ideas off the old man and now I've got full responsibility of managerial decisions after 13 years of being home. On wet days Dad doesn't turn up to work, I'm fine with that!!

We talk daily (with my brother), but the plan is always set out well in advance e.g. I can tell you now, what days I'm weaning and I've only just taken the ram out. We are a large business and we need all staff up to speed with important dates. Staff know the plans are well in advance, the only down side is if the weather is against us. We have numerous blocks so it gives us our independence. We have 4 health and safety meetings a year, due the scale of property health and safety is paramount.

When I first started farming I ran the cattle operation in my own name and then a couple of years later took on the hogget lambing in my own name, and things have quickly progressed since then, from leasing and now to ownership of the farm. Now I employ a worker over the summer months to help out with the non managerial stock work, so I can focus on the big picture.

The farmers really enjoyed answering this question. To them they really opened up as they believe this is the crux of why farm succession has worked so successfully well for them. It's given the retiring generation the ability to hand over the reins once they have built up confidence that their son will continue the legacy, but they are still close enough to share experience and knowledge and they don't do the physical work anymore.

5.8 Tell me about your work life balance, before, during and now in regards to the farm succession process.

Both generations agreed that both generations work life balance is constantly changing.

Retiring Generation;

Before; Full on doing all the physical work.

No spare time. Probably under staffed.

During; Only worked if I wanted to. Offer to help never asked to do anything.

Gradually pulling back from the management.

Now; Work is a choice not a necessity. Do less, depending on health. Cut corners because of being experienced.

Doing only what's required, doing more community involvements.

Only casual on farm, more time for building up toy collection – boats and classic cars.

Incoming Generation;

Before; Use to have more time to play golf.

Use to spend a lot of time dog trialling and socialising.

Use to play rugby until young family came along.

During; Taking on more responsibilities has meant I've had to make some sacrifices.

In the early stages we use to try and do everything. But now as the operation has increased in scale it's allowed more staff and more flexibility with time off to spend with the young family.

Now; Doing the hard yards, so I can spend time with the kids when they are growing up. I have now organised, weekend on weekend off with the staff.

Trying not to do the day to day work and focus more on the managerial decisions.

I've employed staff over summer and it's paid for itself. It's allowed me to focus on managerial decisions.

The retiring generation worked hard and did all the physical work, but once the incoming generation returned home they took over the physical work. An interesting fact is that all 3 farm families have expanded their farm business during the farm succession process. This has given rise to more staff and allowed the incoming generation to spend more time on the managerial decisions and time with their families. It was also noted that the properties have become far more intensive, for example lambing hogget's. The retiring generation have started to reunite with their past interest and hobbies, for example restoring classic cars.

5.9 How much time was involved in the process and what was the duration for your farm succession?

Both generations commented, farm succession is never completed, it's always ongoing.

Retiring Generation;

It has evolved over time. But great communication made the process a whole lot easier. Everybody (farm discussion groups) comments how well we get on with each other.

It's been a gradual process over the past 30 years.

It's always ongoing.

Incoming Generation;

It's taken me 13 years to reach this point. The first 2 years I worked as a boy and now taken on more responsibility and further ownership.

Dad has thought the process out and we just ratified the plan with an independent lawyer. We are now looking at the next generation, part of the reason for expanding the business.

It took us 4/5 years and now I'm looking at the next generation. I've already invested off farm.

Farm succession is always ongoing, once one generation is completed the next one commences. All families have expanded their business to allow succession opportunities for the next generation. Some have even invested off farm as a potential settlement for non farming children in the future.

5.10 What advice would you give others?

Start early and have open lines of communication.

Retiring Generation;

Do it before you think you have too, not necessarily before death, but make sure the plan is well documented in the will. Make sure everyone is involved in the plan.

Start early and have off farm investments to settle non farming children.

Involve all family members including spouses in planning process.

Incoming Generation;

Be open minded as everybody has got an opinion. It may take time but communicate.

Never hold a grudge, get everything out in the open and acknowledge every farming operation will be different.

The incoming generation needs to be in business (financially) by the time they are 40.

Start early, involve all family members including spouses, communicate, be open to different opinions and never hold a grudge.

5.11 Are there any final comments relating to farm succession that you consider relevant?

Retiring Generation;

I need to find something more enjoyable than farming.

Now that we have reached pension age, opportunity to manipulate payments received from farm.

Farm succession will not work if you don't get along with your son.

Less children is an advantage (only in terms of farm succession).

Incoming Generation;

Everyone likes praise; we don't give enough of it.

Have thick skins; put all the cards on the table, especially to non farming siblings.

Be fortunate for the opportunity, as young people need a start.

6 Discussion

There were three themes I have noted during the interviews and results/analysis section of this report; they will now form the discussion section of this report. The discussion will be based on the combination of literature and farmer perspectives obtained from the interviews.

6.1 Farm Succession

Succession planning is the development of a strategy that will allow a smooth transition of the business and any assets with minimal disruption to the business or, importantly, family relationships. A poorly planned and executed succession strategy may not only have financial and taxation implications but can also have a major impact on family relationships.

"A good strategy today, is better than a perfect strategy tomorrow"

6.2 Open communication

Part of the succession planning process should be opening up lines of communication with all farming and non farming family members, including their spouses. It can be tough having succession conversations, therefore a family may bring in an independent facilitator to ensure that the conversations stay on track and are not derailed by personal issues.

Often family members will have different expectations in respect of future ownership of assets and aspirations in respect of involvement in the business. However it is better to understand and address these at the time of formulating the plan rather than have a family member challenge a Will following the death of the exiting generation.

6.3 Document everything

It was surprising that all three farming families with successful farm succession occurring, that none of them had a business plan, let alone business goals documented. They appear to talk about them, but as long as there on farm performance continues to lift, they see no need to change and document business goals.

Best practise would suggest; *“If you don’t write your goals down, you can’t achieve them!”*.

Minutes from all family meetings and the farm succession strategy should be well documented and circulated amongst all family members. This will be useful reference document in the future should someone try and contest the farm succession strategy. Ideally a comprehensive business plan should be drawn up, including succession strategy and business goals.

6.4 Start early

It is preferable to start the process sooner rather than later – an earlier start will give more options and time to implement the strategy, rather than being forced into a particular outcome at the last minute. It also means that family members will know what to expect when the retiring generation retires or are unexpectedly not able to continue farming. It is better to have ongoing conversations, as assumptions can lead to expectations and this can put undue stressed on family relationships.

A succession strategy has more chance of working if people involved start to think about it earlier rather than later, for instance, building some off farm assets. This is useful from a risk management point of view and can also make succession planning easier. By investing in off farm assets as part of the wealth creation process, it gives opportunity for settling non farming children/siblings inheritances.

The farmers interviewed suggested the incoming generation needs to be farmig in the business in his 20’s with physical work, 30’s with physical work plus managerial responsibilities and taking over financial repsonsibilities before he turns 40 years of age. This allows the 40’s for wealth creation (including off farm invetsment opportunities), his 50’s to enjoy farming and the 60’s for succession and reuniting with previous interests and hobbies.

7 Conclusions and Recommendations

The family farm takes pride and place in the heart of many sheep and beef families. Unfortunately farm succession process is often complex and put in the too hard basket for a number of reasons; financial viability, poor communication, different expectations among family members, poorly developed and executive succession strategies, all leading to strained family relationships.

Entrepreneurial family businesses are successful because they maintain the best of history, the foundations and the success of the family business legacy and adapt, change and capture new opportunities across multiple generations.

There is no silver bullet; no one solution or one right solution for all farm succession circumstances. The succession strategies have become far more innovative over time with the aid of specialist farm succession facilitators. It's often advised to invest off farm during the wealth creation phase of farming, so that non farming children can have the option of an early settlement of their inheritance.

After conducting a literature review and three case studies I have formed three recommendations for successful farm succession of the family farm. They are;

- 1 Open Communication - Encourage diversity of thinking during farm succession process helps to get a better understanding of all family members vision for the family farm. Who to involve;
 - Both farming and non farming family members and their spouses.
 - Accountants, bank manager and lawyers.
 - And seek advice from an independent farm succession facilitator.
- 2 Document Everything - The gold standard would be to devise a comprehensive business plan and distribute to all family members. Documents to consider include;
 - Minutes from every meeting.
 - Farm succession strategy.
 - Business goals.
 - Timeframes.
 - Roles and responsibilities.
 - Updated Wills.

But most importantly....

- 3 Start Early – It's never too early to start!! Conversations should start at an early age and be maintained over the years – we all know how young people's interest and capabilities change over time. Things to avoid;
 - Making assumptions, as these can turn into expectations.
 - Devising a strategy at short notice, as a poorly planned and poorly executed strategy can have a detrimental effect on family relationships.
 - Not giving praise. Everybody likes praise, but farmers are very reluctant to give any sort of praise. Acknowledgement during succession planning can go a long way to building stronger family relationships.

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Appendix 1

Interview Questions

Questions asked to both generations of farmers about farm succession. The confidential interviews were conducted separately.

- 1 How important is the succession of the family farm as it relates to you?
- 2 What does a successful farm succession look like to you?
- 3 When did you first start thinking about farm succession?
 - Who was involved?
 - And at what stage?
- 4 Did you seek independent advice?
 - If yes, who, and at what stage?
 - No, is this something you think should have been done?
- 5 Detail the barriers to change during succession other than financial and structural?
 - What impact did they have on the onfarm performance and profitability?
- 6 Do you document the farming business goals?
 - Who was/is involved?
 - Who receives a copy?
 - How often is it reviewed?
- 7 Describe the day to day running of your farming business in terms of roles and responsibilities?
- 8 Tell me about your work life balance, before, during and now in regards to the farm succession process.
- 9 How much time was involved in the process and what was the duration for your farm succession?
- 10 What advice would you give others?
 - Is there anything you would do differently with your own succession?

Are there any final comments relating to farm succession that you consider relevant?