



## **Putting the Success back into Succession.**

By Peter Templeton

2024 Nuffield Scholar

February 2025



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## Executive Summary

### Putting the Success Back into Succession

#### Introduction

The challenge of farm succession in New Zealand is a pressing issue, as an aging farmer demographic and rising land prices threaten the ability of younger generations to enter the industry. This report, authored by Peter Templeton, a 2024 Nuffield Scholar, explores the barriers to farm succession and the potential pathways to ensure the long-term sustainability of New Zealand's agricultural sector. The study aims to provide insights into family succession, the role of corporate farming, and innovative business structures that could facilitate land ownership for the next generation.

The research focuses on:

- The current state of family farm succession and its challenges.
- The increasing influence of corporate farming models and their impact on land ownership.
- The affordability crisis in farmland and its effect on aspiring farm owners.
- Alternative succession models that offer potential solutions.
- The role of government, industry, and financial institutions in supporting succession.

#### The State of Family Farm Succession

Historically, New Zealand farm ownership has relied on intergenerational succession, but increasing land values and tighter financial conditions make this process more complex. The report identifies three key phases of succession:

1. **Physical Contribution:** The younger generation begins working on the farm, often at a low wage, gaining experience and knowledge from their parents or generation before.
2. **Financial Decision-Making:** Over time, they take on financial responsibilities and help shape the business direction.
3. **Equity Transition:** The hardest phase, where farm ownership is formally transferred, often requiring significant financial planning and external funding.

Many succession processes fail due to poor planning, lack of financial readiness, and inadequate communication between generations. Some key barriers include:

- The reluctance of older farmers to relinquish control.
- Difficulty in fairly compensating multiple siblings when only one takes over the farm.
- The high financial burden placed on the successor.

The report stresses that successful succession requires early planning, clear communication, and often the involvement of external advisors. A structured transition process that fairly compensates those involved while maintaining business viability is crucial. Families that engage in formal succession planning, including setting up advisory boards and consulting financial institutions early, are more likely to achieve a smooth transition.



## The Changing Landscape of Farm Ownership

The report highlights a dramatic shift in the affordability of farmland. Between 2005 and 2025, the ratio of farm value to farm manager salary has more than doubled, making it increasingly difficult for employees to transition to farm ownership through savings alone. The average cost of a farm has risen sharply, with current land values requiring up to 60 years of salary savings to afford a deposit under traditional banking criteria.

Corporate farming structures are becoming more common as they have access to capital and economies of scale that individual farmers lack. While these entities can enhance efficiency, they also risk concentrating land ownership and removing decision-making power from local farming communities.

Key concerns about corporate farming include:

- The potential loss of family-owned farms.
- Reduced reinvestment in local communities, as profits flow to corporate stakeholders.
- A shift in farming priorities toward short-term profits rather than long-term land stewardship.

## Alternative Succession and Ownership Models

To address these challenges, the report examines various models that could facilitate farm ownership for the next generation:

1. **Share-farming Agreements:** These allow younger farmers to gradually build equity while benefiting from established farm infrastructure. This model enables an experienced farm operator to manage the property while working toward ownership over time.
2. **Equity Partnerships:** Investors and operators collaborate, sharing both risks and profits, making entry into farm ownership more feasible. This structure allows outside investors to contribute capital while farmers bring operational expertise.
3. **Lease-to-Buy Agreements:** Farmers lease land with a future purchase option, providing time to build capital. This model allows younger farmers to test farm operations without an immediate financial burden.
4. **Profit-Sharing Models:** The landowner and operator split profits rather than relying on traditional rent payments. This model provides an incentive for farm efficiency while reducing the need for a large upfront investment.
5. **Crowdfunding and SAFE Agreements:** These innovative funding mechanisms provide alternative sources of capital, as demonstrated by successful European models. By leveraging community support, farmers can secure funding through non-traditional investment methods.

Each of these models offers an alternative to outright farm purchase, allowing young farmers to enter the industry without the traditional capital constraints.

## The Role of Policy and Industry Support

For these alternative models to gain traction, government and industry bodies must play an active role. Suggested policy changes include:



- **Incentives for Banks:** Banks should be encouraged to recognize livestock and plant assets as security for loans. Historically, these assets were seen as high risk, but with appropriate valuation mechanisms, they could help young farmers secure financing.
- **Government-Backed Loan Programs:** Programs that provide low-interest loans or loan guarantees for young farmers could help bridge the financial gap.
- **Tax Incentives for Succession Planning:** Farmers who implement structured succession plans could benefit from tax reductions, encouraging more families to engage in early planning.
- **Support for Financial Education:** Industry bodies should provide training and resources to help young farmers understand financial planning, investment strategies, and succession pathways.

Additionally, industry leaders should encourage a cultural shift toward treating farm succession as an essential business process rather than an emotional family decision. Providing clear frameworks, advisory services, and standardized transition models could make the process more accessible to all farm owners.

## Conclusion and Call to Action

The future of New Zealand's agricultural industry depends on maintaining a diverse and competitive land ownership structure. Farm succession must be treated as a long-term strategic process rather than a last-minute decision.

To ensure the sustainability of the industry:

- **Families must engage in structured succession planning** that prioritises fair compensation and smooth transitions.
- **Industry leaders should advocate for innovative ownership models** that allow young farmers greater access to land.
- **Government and financial institutions should provide support mechanisms** that ease the financial burden on new farm owners.

By fostering an environment where multiple pathways to farm ownership exist, New Zealand can secure a future where land remains in the hands of committed, knowledgeable, and diverse farming communities.

Only through these collaborative efforts can the success of New Zealand's farming heritage be sustained into the future.



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## Foreword

I took on this research project as a way of dealing with some of the guilt that I feel personally, having been able to venture through my families very own Succession process. Which has been able to ultimately put me into a position where at age 25 I was making financial decisions for half of the family dairy farm and by age 31 was able to own the business and land of my half of the original family farm. My parents' progressive mindset and "25 years in charge of the Cheque Book" values, have allowed me to be put into a very elite club.

My aim of this study was to shake the foundations of this succession process to make the outcomes for all a far more accessible club, with vacancies for members from all walks of the farming life.

I also was keen to understand the future of corporate farming, and what this may mean for families and individuals competing within the same marketplaces. Trying to gain an understanding of the potential and limitations of the free-market model we operate in New Zealand and to stress test this model from others that exist elsewhere to see what would work best.

I was interested to see if there was knowledge from 1<sup>st</sup> Generation farmers who were forging their own way in farming that could be incorporated into a New Zealand context. So that in the future we can have as many active buyers in the marketplace to facilitate land owning transactions.

And lastly, to go out and look for myself to make sure that solution for succession has been solved already and not been discovered by the wider farming community.



## Acknowledgements

I will be forever grateful to my family/ friends/ farm and staff who made this scholarship a possibility for me in the first place. It was all of these people working together that made it possible for me to spend 5 ½ months traveling abroad, and then deal with the wreckage of a human that returned and allowed me time to get back on my feet.

To New Zealand Rural Leaders and Nuffield New Zealand, thank you so much for giving me this opportunity and more importantly supporting me on my journey. To the sponsors that support the both NZRL and Nuffield NZ, you are giving rural people access to a world we didn't know existed and to opportunities we would have struggled to comprehend before the scholarship. I would like to acknowledge all of the primary producers that toil long hours daily for an uncertain payback. It is often a thankless job that gathers extra attention from the public, mostly out of intrigue. Often because the public cannot comprehend what it is that we do and why we choose to do it the under our conditions.

Lastly, I must acknowledge the huge number of people that hosted me on my travels, agreed to meet with me, shared contacts, provided knowledge and advice along the way. It is a collective effort that we all must be a part of to succeed.





## Objectives

This report aims to address the critical issue of farm succession in New Zealand and provide a roadmap for ensuring the long-term sustainability of the agricultural sector. It examines the current barriers to succession, evaluates alternative business structures, and explores innovative pathways to ownership for future generations. This report is focused on the New Zealand agricultural sector. But is approached in a way that anybody reading this report should be able to take the key messages and themes, transfer them into any developing or developed markets.

The hope of the author is that, someone reading this report will become inspired to start or re-engage with business or family succession. Or, to become motivated to enter into the agricultural sector. Because this report was able to simplify or de-construct the steps involved from starting out farming, to owning a business and farmland.

The report is structured around the following key objectives:

### 1. Understanding the Current Challenges in Farm Succession

- Analyzing the impact of rising land values and financial constraints on succession.
- Examining the aging farmer demographic and its implications for future farm ownership.
- Identifying key obstacles, including family conflicts, lack of succession planning, and limited access to capital.
- Evaluating the economic and social effects of failing to facilitate farm transitions.

### 2. Exploring Alternative Succession and Ownership Models

- Investigating share-farming agreements as a pathway to ownership.
- Assessing the viability of equity partnerships between investors and operators.
- Examining lease-to-buy agreements as a method to reduce financial barriers for new entrants.
- Highlighting profit-sharing and crowdfunding models that allow gradual investment in farm assets.

### 3. Leveraging Corporate Succession Strategies for Family Farms

- Applying corporate governance frameworks to improve decision-making and business resilience.
- Establishing clear leadership development programs to prepare successors for farm management.
- Utilizing structured financial planning tools to ensure smooth generational transitions.
- Encouraging the adoption of advisory boards to guide succession planning.

### 4. The Role of Policy, Industry, and Financial Institutions in Supporting Succession

- Evaluating the effectiveness of current government policies in facilitating farm transfers.
- Advocating for financial institutions to develop loan structures tailored for succession.



- Examining industry-led initiatives to provide succession education and advisory support.
- Promoting tax incentives and financial planning tools to ease the transition for both retiring and incoming farmers.

### **5. Developing a Future-Proof Farm Progression Pathway**

- Assessing whether the current farm progression model is sustainable for future generations.
- Identifying new business structures that balance profitability, sustainability, and ownership diversity.
- Encouraging young farmers to engage in professional development to build financial acumen and leadership skills.
- Highlighting the importance of long-term strategic planning to adapt to market and environmental changes.

By addressing these objectives, this report aims to provide a comprehensive guide for farmers, policymakers, and industry leaders to navigate the complexities of succession planning. The insights and frameworks discussed will help shape a future where land ownership remains accessible, sustainable, and beneficial to both individuals and the broader agricultural community.



## Chapter 1: Introduction

### 1.1 Where are we now?

New Zealand's economy has long been anchored in its primary industries, with agriculture forming a cornerstone of national prosperity. The country's rich natural resources, temperate climate, and innovative farming practices have positioned it as a major player in global food markets. From the rolling dairy pastures of Waikato to the high-country sheep stations of Otago, agriculture has shaped both the economy and cultural identity of New Zealand.

Agriculture not only contributes significantly to the country's GDP but also supports rural communities, employment, and international trade. According to the Ministry for Primary Industries, the agricultural sector—including dairy, meat, horticulture, and forestry—accounts for over 60% of New Zealand's total merchandise exports. This reliance on agriculture means that global trends, including shifting consumer preferences, trade policies, and climate change, have a profound impact on the sector's stability and future growth.

New Zealand is renowned for its efficiency and high-quality agricultural production. Despite its relatively small population of just over five million, the country produces enough food to feed approximately 40 million people—nearly eight times its own population. This makes New Zealand a critical player in the global food supply chain, particularly in dairy, meat, and horticulture exports.

The nation holds the title of the world's largest exporter of dairy products, with companies like Fonterra supplying milk powder, butter, and cheese to markets across Asia, the Middle East, and beyond. Similarly, New Zealand is one of the top global exporters of lamb and beef, capitalizing on its reputation for pasture-raised, grass-fed livestock. The horticulture industry, including kiwifruit, apples, and wine production, also continues to expand, with exports reaching record values in recent years.

What sets New Zealand farmers apart is their ability to innovate and adapt. They are globally recognized for their financial resilience, technological adoption, and forward-thinking approach to farming. Whether it's precision agriculture, regenerative farming practices, or supply chain disruption through technology, Kiwi farmers consistently demonstrate an ability to overcome challenges and enhance productivity. In many ways, New Zealand's agricultural sector punches well above its weight in terms of innovation, sustainability, and economic contribution.

#### 1.1.2 Challenges in the Agricultural Sector.

Across developed nations, the average age of farmers is increasing at an alarming rate. Simultaneously, employment in primary industries has stagnated or declined in many regions. Compounding these challenges is the reduction of highly productive farmland, either through conversion to urban developments or shifts toward less productive land uses. This has intensified competition for land, driving sustained increases in capital values. Traditionally, land values have been tied to location, productivity, and future development potential.

In response to growing concerns over climate change, local and national governments have introduced legislation to curb the conversion of farmland into more intensive farming systems. This has led to a plateauing—or, in some cases, a tiered segmentation—of farmland values based on farm type.



### 1.1.3 Farmland Value Trends by Sector

Recent trends indicate a clear hierarchy in New Zealand farmland values:

1. Horticulture
2. Viticulture
3. Vegetable farming
4. Cropping
5. Dairy farming
6. Mixed cropping
7. Dairy support/finishing
8. Sheep and beef farming
9. Sheep farming

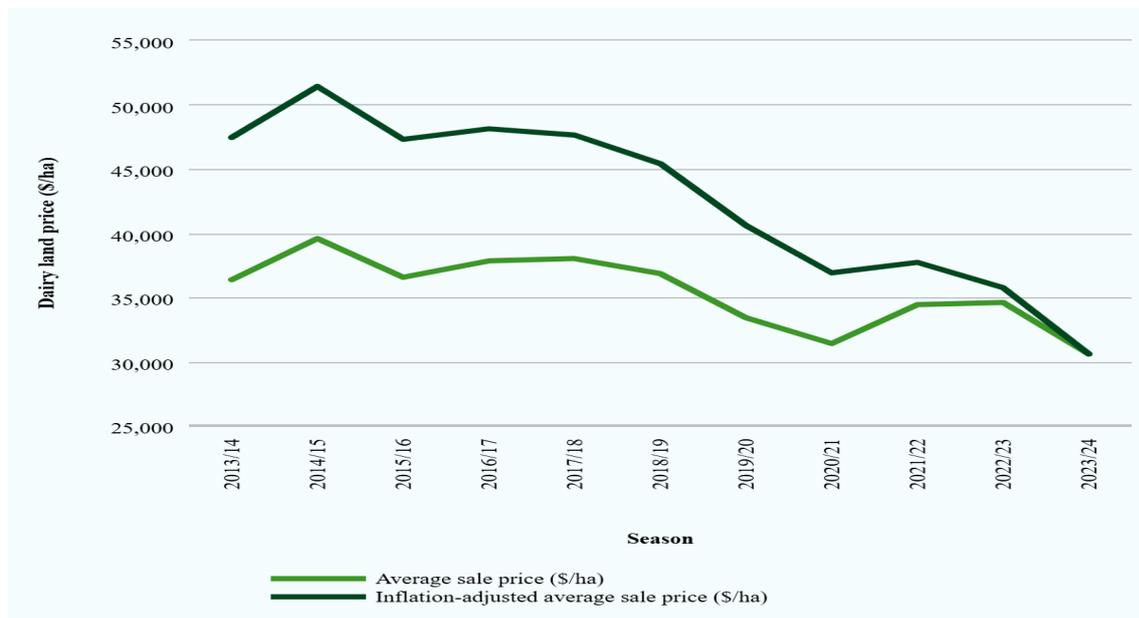
While regional variations exist, this tiered structure is becoming increasingly evident in farmland transactions.

### 1.1.4 Capital Requirements for Land in 2025

The capital intensity of land purchases has escalated significantly: (*New Zealand Dairy Statistics, 2024*)

- The average sale price of a New Zealand dairy farm increased from **\$4.80 million in 2021/22** to **\$5.00 million in 2023/24**.
- Despite rising overall farm sale prices, the average price per hectare declined from **\$34,600 in 2022/23** to **\$30,584 in 2023/24**—a 12% drop.
- The number of dairy farms sold has also decreased, from **140 in 2022/23** to **117 in 2023/24**, indicating reduced market activity.
- The median price per hectare for all farm types fell by **3.9%** in the year ending June 2024.

Figure 1: **Trend in dairy land sale price (\$/ha)** (*New Zealand Dairy Statistics, 2024*)





One striking economic shift is the relationship between land prices and income. In 2024, the average dairy farm is valued at **67.4 times** the annual salary of a dairy farm manager (\$74,185/year), compared to just **23.4 times** in 2004. This makes it increasingly difficult for individuals working in the primary sector to save enough capital to enter farm ownership without external financial backing.

This has led to a trend where individuals accumulate capital in other industries before returning to agriculture, bringing fresh perspectives but also risking the loss of intergenerational farming knowledge. Without careful knowledge transfer, new farming systems may push the boundaries of innovation while inadvertently repeating past mistakes.

### 1.1.5 The Rise of Corporate Farming

Corporate ownership of farmland is increasing, with entities such as companies, equity partnerships, and hedge funds acquiring agricultural land. These entities often have faster access to capital than individual farmers, allowing them to outbid family farms in land transactions. This shift raises important questions about the future of rural communities and farming culture.

If corporate farming continues to expand, several outcomes are likely:

- **Production levels** will remain similar to current levels.
- **Cost of production** may increase slightly compared to owner-operators.
- **Environmental impact** may stay constant or slightly improve due to stricter corporate sustainability mandates.
- **Employment opportunities** for share farmers, contract farmers, and managers may increase.
- **Market responsiveness** will improve, allowing quicker adaptation to global demand shifts.
- **Capital investment** in farms will rise, leading to increased intensification of agricultural operations.

However, rural communities may suffer as profits flow out of local economies and into corporate headquarters in cities or overseas. Unlike traditional family farms, which reinvest earnings locally, corporate-owned farms often distribute profits to investors outside the region. This could lead to declining services, reduced local business activity, and weaker community ties in agricultural areas.

## 1.2 With this background in mind, why choose this topic?

I decided to study this topic I started to feel as if we beginning to reach a cross roads risks of going farming were more the potential benefits for many. More importantly I began to interact with young farmers, some of which were questioning whether the farm held a place for their future. I looked at these interactions from the view point of... What would it look like if we actually lost 50% of these people? And what would the industry look like if this were to happen? When the Nuffield opportunity presented itself and I was selected, I knew that this was my time to attempt to answer these questions. I wanted to take a comprehensive look into this topic, I decided to take a slightly different approach. I wanted to look at 1) Family Succession, 2) The Ownership Pathway and 3) Corporate Farming Models, I wanted to attempt to view these from a Primary Industries point of View. Especially to learn and understand what changes to the



business structures that own and operate our farmland, would mean for our primary industries as a whole.

Being lucky enough myself to have lived and worked through my families own business Succession. I knew that is would be a good ice-breaking topic for many people that I was about to meet, and if used properly could be leveraged to improve the quality of interactions/interviews.

When looking the level of opportunity that was given to me, sharemilking by age 25. Purchasing the farm at age 32. I feel sorry for that the fact that, in many cases I have been given an opportunity that many others will never get. I wanted to try an pay this privilege forward, by researching this topic and attempting to provide opportunities for as many other people to proceed and succeed in NZ agriculture.

**Short Answer:**

To influence the number and diversity of buyers at farm sales, with the goal of maintaining a diverse farm ownership structure in New Zealand.

**Long Answer:**

The willingness of new entrants to pursue farm ownership is the key factor sustaining our current marketplace. For over a century in New Zealand (and in many other parts of the world), farmers have functioned much like property developers—running their businesses at break-even levels and relying on the eventual sale of their land as a major financial resource for retirement.

Looking ahead, this system needs to evolve. Farms should become profitable during operation, rather than relying solely on land appreciation. Ideally, properties would sell at prices closer to their original purchase value, ensuring a more sustainable and accessible market for future generations.

However, any abrupt shift in this model could create significant challenges. While younger generations might benefit from more affordable farm ownership opportunities, older farmers—who have structured their financial futures around land capital appreciation—could find themselves in a difficult position, facing an uncertain retirement despite a lifetime of hard work.

To address this, we need collaborative solutions that balance the needs of both generations. Traditional planning often supports one group at the expense of the other, but we must develop strategies that serve both simultaneously. These solutions should be straightforward to implement—avoiding excessive complexity that could allow third parties to capture too much value from transactions.

My goal has been to explore new and existing business structures that facilitate the transfer of decision-making skills before ownership changes hands. Ideally, these structures would allow for a gradual shift in equity ownership while expediting the transition of management responsibilities.



## Chapter 2: Family Succession

### 2.1 How does it work currently?

My thoughts and feelings on this topic are subjective, but my six months of study have helped me to form my opinions.

There are three different levels of family farm transition passing from one generation to another, they are...

- 1) Physically working and helping reach the farms goals
- 2) Making farming financial decisions and plans
- 3) The changing over of farm equity and assets

#### 2.1.1 Physically working in the business:

This is often the easiest step to begin but can be one of the hardest to move beyond. Typically, one child—often the most practical and driven—develops an interest in farming from a young age, working on the farm after school and on weekends. At some point between the ages of 16 and 21, they decide to become a full-time farm worker. This decision is usually driven by one of two factors: either the farm requires a skilled worker who understands its operations, or the child begins considering their career path and chooses to commit to farming.

##### **From the Child's perspective:**

This child is usually highly skilled in running the business in alignment with their parents' goals, often sharing similar aspirations. However, they tend to be undervalued and underpaid relative to the responsibilities they take on.

##### **From the parents' perspective:**

This child enjoys working and contributing to the business. They have always stepped up during critical periods and are willing to go above and beyond for the benefit of the family and farm. The parents appreciate being able to guide their work, provide mentorship, and instill their operational philosophies. Additionally, having the child on the farm saves the business from needing to hire an external worker. Since they often live at home, this also eliminates the need for the farm to secure employee housing—whether through renting, buying, or building.

Because they develop skills quickly, they take on increasing responsibilities, allowing the parents to focus on management, financial decisions, and future planning. However, valuing their contributions can be challenging. They rapidly gain experience yet often handle many of the less desirable tasks in the background. As a result, they are frequently underpaid compared to an employee with similar skills and responsibilities. Despite this, the child is generally willing to accept these terms in anticipation of future financial decision-making power and eventual ownership.

#### 2.1.2 Making financial decisions and planning: (The Honeymoon period)

These arrangements tend to go through a bit of a honeymoon period for 2 to 3 years, then after this period comes the beginning of the challenges.

Step 2:

Child: What tends to happen is that the child starts to become unsettled and wants his/her impact to be noticed in financial decision making. They are normally more comfortable with taking risks and keen to adjust the direction of the business to align businesses growth with



personal development. They have usually taken on far more responsibility than what they are being compensated for. If there are other children in the family then they will begin to question if they are ever going to get properly compensated in the future for the effort they are putting in now. They begin to take real interest in financials of the business and deepen their knowledge of the business.

Parents: The honeymoon phase is particularly strong, the parents, normally aged in their 40s and 50s at this stage of life, they concept of the physical requirement of farming is more daunting now. They have been able to bring in younger capable and motivated help to drive the business forward. Often embracing changes and challenges with ease and positioning the business in a flexible and nimble point.

They feel like the business is doing very well, using the skills and strengths of the employees/family efficiently. One of the hardest stages of any family succession is the stage of letting go of responsibility. Decision making and leadership are like fit and strong muscles, they are developed through a positive feedback loop, the more decisions made and leadership shown then the more the business has the chance to succeed. Stepping back in the decision making/leadership roles becomes very difficult for established farmers for four major reasons

- 1) Muscle memory, it occurs often subconsciously
- 2) Surrounding people and supporting businesses become accustomed to the established farmer as the leader and decision maker and resist change.
- 3) Passing on responsibilities is risky to a person that is now at this age, more risk adverse.
- 4) Ego/pride/respect. This is what is often believed (by the existing farmer) to be the cost of trading the responsibility and decision making.

It is important to note that the conditions that lead to the honeymoon period are designed to be temporary. Child growing into leadership, while the parents are slowly stepping back while guiding the direction of travel. These mindsets are set to expire over time as the individual players become more comfortable in their roles.

Financial decision-making transition tend to develop through a collaborative model, two generations coming together to plan big transactions (especially transactions that will have an effect on the future direction).

This commonly changes to the child starting to make more of the day to day decisions, by taking control of paying business bills. The timeline for this development is controlled by the mindset of the parents, sometimes this can happen withing 2-3 years and other times this can be a 10-15 year process. The people that the child this trying to impress are the parents and outside financial institutions, usually the banks (importantly bank managers).

### 2.2.3 The changing over of farm assets and equity: (The hard and long part)

3A) Not borrowing money from external sources:

This tends to be a slower process but avoids paying interest to outside sources, plus allows for riskier plans that don't need to be backed by financial institutions. Requires the business to be financially able to support extra families before the process starts. Normally we expect to see a separation of the stock and plant from the land asset. The stock and plant to be sold first as a share farming agreement begins, then the profits of the business are used to buy smaller sections of the land. Often broken up into multiple transactions over time.

The benefits are; the ability to retain more of the profits between family members, ability to gift more assets, ability to make financially riskier plans and decisions.

Risks are; the slower transition of assets and equity, more conservative farming practices and planning, restrictive bank balances slowing development of land or business. Finally, a longer time period during transition leading for more opportunity for respective parties to fall out or stop working well together and injury or illness to halt the progression.

3B) Borrowing money to facilitate:



This is the point where externally players often have huge sway with the outcomes and speed of these transitions. Most importantly in New Zealand are banks, they are businesses too. They are now looking at farming as a complex and volatile investment, that can hold large potential to service debt and grow into the future. Banks are putting an increased emphasis on the managers/decision makers of these farming businesses. Especially when it comes to budgeting and financial flexibility, at the same time expecting them to maximize their exports and remaining profitable at all times. The combination of all of these factors makes it very difficult for an individual to meet the criteria of what the bank lending requirements desire. Banks over the last 30 years have fallen in love with capital gain of land value, as it acted as a security blanket underwriting their investments in farming. What this meant for the average farmer was that banks were prepared to loan money to farmers with looser rules, because if the businesses financially fell apart and went broke at least the bank could sell their asset on market for more than what they had paid to acquire it earlier. This made farm investments that bit safer for the bank and meant that often they would be prepared to take risks on certain people and situations (especially around family farm succession operations). In New Zealand we have seen a flattening out of capital gains in farmland, also complied with the aftermath of the "2008 financial crisis" banks have been scrutinised within their investment portfolio to make them a less volatile investment on the share market. Over the same time period while the average farm prices have stayed relatively steady, house prices in New Zealand have grown significantly. 2016 Average house price was \$505 000 now in 2025 the average price is \$923 713 (a 54.6% increase). Since 2016 there has been more pressure on farmers to drive profit out of their businesses, also to bring in more capital into the farm business to accommodate for more stakeholders.

The value of farms has increased sharply while the equivalent farm salaries have not grown.

Table 1:

<b>FARMING TYPE</b>	<b>AVERAGE MANAGER SALARY</b>	<b>AVERAGE FARM VALUE (267 HA)</b>	<b>DEPOSIT/ CAPITAL REQUIRED</b>	<b>HOW MUCH CAN BE SAVED/YR *</b>	<b>YEARS REQUIRED TO AFFORD DEPOSIT</b>
<b>DAIRY</b>	\$ 95000	\$5,983,830**	\$2,692,723	\$47500	56 years
<b>SHEEP/BEEF</b>	\$ 88381	\$2,723,400	\$1,225,530	\$44190	27 years
<b>ARABLE</b>	\$ 101264	\$7,143,585	\$3,214,613	\$50632	63 years

\* Working on the expectation that ½ salary will be put towards deposit

\*\*Based on 153ha at an Average Price of \$39,110/ha

In the table above this is a representation of what it would look like to try and buy the average farm property in NZ in 2025. What it is demonstrating is how difficult it has become to be able to afford to pay a deposit for a farm purchase. Currently it is not feasible to easily afford to purchase your first farm by working within the farming sector, relying on your savings alone will take too long to have cashflow for your deposit. The price of land has got to the point where families require capital left in the farm/business by the parents for the children or future generation. This could be gifted or loaned to paid out in the future. This is not a new concept for New Zealand farming, aspects of leaving some capital in the land has been practiced for 80+ years. The difference today is the amount required to be left in the land, if we take the Dairy farm example from table 1. If we assume a reasonable amount of cash to put towards a farm purchase is \$500,000 then that leaves \$2,192,723 that needs to be left in by parents (just to reach the 45% deposit/capital required by modern banking). Let's assume this business makes an average of \$200,000 profit per year after interest and tax, they decide to pay out \$100,000 off the family debt per year, this will still take 21.9 years to pay off the family debt. This



is not a terrible outcome for the family and business, however we could expect to see a business that is slower to develop or intensify over time.

What is more common today is to see children take a different career before returning to farming later in life. Worldwide, from the age of 28 to 35 years old, often children pursue a different career using the money they earn to invest in assets outside of farming, commonly housing. Often pursuing in assets that still experience capital gains. They can then trade or sell or use security on those assets to help bring more capital in therefore appeasing the banks. This helps to speed up the transition of capital and equity, at the same time give the parents a lump sum of capital to assist them with the beginning of their retirement plan. The risk to this system is less of the institutional knowledge passes from one generation to another because there is less of a working together transition period to pass the knowledge.

## 2.2 Where do we need to get to?

Country goals:

New Zealand needs our primary production sector to produce more food and fibre from less farmland, at an increased and more consistent profit margin. On the other hand, meeting requirements for decreasing environmental footprint overtime to meet our political promises. New Zealand needs to pioneer a new entrepreneurial technology sector for primary producers. Increasing the speed of new developments, and more importantly streamline the pathway of this new tech to be used in commercial primary businesses.

Industry goals:

To increase total production, increase efficiency and decrease environmental footprint all at the same time. Champion leaders to promote themselves and their stories to the local and international public. Increase the availability of new technology to farm level. Keep better records of the production of food and fibre to the individual level. Provide families with access to help and funding for transition. Maintain oversight over the entire industry to ensure that the whole industry is viable for individual producers to thrive.

Create competitions to attempt the best inventors and entrepreneurs to push the boundaries of what is possible in agriculture technology, whether that be software or hardware.

Create a framework where families and individuals are able to pass over capital to the next generation farmers without plateauing production/efficiency or profit, so the business can continue an upwards trajectory during the change of ownership and decision making.

The land real estate market is a fragile thing, the livelihood of many depends on the market value of the land if it was to be sold (parents/banks etc.). The industry should aim to have as many potential buyers in the land market as possible so we can maintain value and a way of life for the approximately 24,000 farms that will need to transition or be sold in the 15 years.

Family goals:

Firstly, the family need to decide if they still want agriculture to be a-part of the family's future. Whether it does or doesn't, the next question is how to incorporate someone who meets the goals of the country and the industry.

A sustainability mindset is practiced over the three arms of sustainability, Financial/Social and Environmental.

Is the family business future proofed, or what needs to be changed in order to become future proofed.



Advocate for the brightest minds to enter into a future in the primary sector, get for them to incorporate new technology into the operations and drive the efficiency/total production forward and lessen the environmental footprint.

Importantly, families need to create a space where decision making and ownership can be transferred without a slowing down or creating a plateauing of production and profit.

Individual goals:

Acquire skills and knowledge throughout farming, be curious and open to changes. Be positioned in a flexible spot, able to adapt and/or develop with a changing business environment. Accrue wealth through the farming process, transfer knowledge from other industries and sometimes capital. Incorporate technology into daily practices and pass back critical information to the developers. Be transparent in your practices and communication, the future is going to need the best farmers and growers to be approachable and knowledgeable to the end consumer and customer. Remain open to work with other family members to achieve joint goals.

### 2.2.1 What does good succession look like?

In this section I will talk about what good succession looks like on a food producing farm, however a lot of these ideas are transferable to other business and other industries.

My Nuffield travels took me around the world and almost naively I thought there would be a silver bullet and it would be a simple copy and paste to NZ farming systems. This was not the case. But here is what I saw amongst successful businesses all over the world.

It is important to note that only a handful of businesses used all of the points below, they had very successful outcomes. However it was more common that successful generational transition use 2/3 to ¾ of a mixture of these points.

- **Business financially capable to support multiple family members** (parents plus all children). This is a key point, businesses that are not financially healthy have limited options. The ability to look at different options is an advantage to a transitioning business, because businesses are likely to need to change to support more family members financially.
- **All family stakeholders treated fairly and not necessarily equally.** In a family succession it is normal and acceptable to prioritise parents and individual children differently. The fairest way to do this is to proportion this to the effort put into the farm/business over time. (e.g. parents have worked on farm for 25 to 30 years so they are 1<sup>st</sup> priority. Oldest son focused on their homework growing up, didn't work on farm much as child and now works successful career off farm, 3<sup>rd</sup> Priority. Youngest daughter loved farming growing up, always helped on farm and now works in business fulltime, 2<sup>nd</sup> Priority). Members financial reward equal to the amount of work or risk they are involved in for the business. This is where the priorities from above turn into financial incentives. For very financially healthy business this should look like, Parents 1<sup>st</sup> -> Youngest daughter 2<sup>nd</sup> -> oldest son 3<sup>rd</sup>. For businesses that are financially healthy but would struggle to remove capital as the first succession action (most strong farm businesses are included here), it should look like. Youngest daughter 1<sup>st</sup>, build up enough financial resilience over time ->Parents 2<sup>nd</sup> -> Oldest son 3<sup>rd</sup>.
- **Process incorporates family members young, 20's and 30's.** The earlier the better, incorporating them does not mean that family members have to "come home" to work. It means that the family are in the discussion and planning mode early. Allowing more time for the children to 1) decide that they want to do it, 2) give them time to



find their identity outside of farming first, 3) A timeline for the parents so they know how long they will be the business drivers, 4) A longer period of time if all parties decide passing the farm on to next generation is not for them. Meaning that the business has more time to be sold for a top valuation, therefore offering all stakeholders more opportunity.

- **Transfers over decision making and financial responsibility at the speed of the children's career progression.** If a child is working in the business and progressing quickly, then the parents will need to continue to step back to allow more room for the child to grow.
- **Gets financial institutions involved early, explains the process and the timeline.** In particular banks (where applicable) are informed and kept in the loop of the family's plans. Banks need time to understand the transition and value the financial risk of the individual stakeholders, so they are able to create a package that works for all parties (including and most importantly "the bank").
- **Create a formal structure to manage and oversee the transition process.** Succession advisory boards or business development boards are structures that I have seen work in many scenarios. They are important places where the plans of the family can connect with bank managers and consultants to create a collaborative approach to planning that incorporates the requirements of the family members and external stakeholders/investors. Additionally the formal structure is good place to apply professional standards on financial recording and planning, which are valuable skills to learn (especially at a young age).
- **External help (succession consultants, mediators) are used before the first family meeting.** Also useful to help build the foundations of the family board structure, they are more likely to have a space where everyone's opinion is valued. Hugely important to establish the expectations of the parents and individual children before entering into a formal meeting, this will help the initial meeting be far smoother and constructive.
- **The parents prioritise their wants/needs above the want/needs of the children.** The business prioritises individual stakeholders needs based around a time-served in the business model. This does not have to be a rigid model, but if others are prioritised first then added weighting need to be added downstream to equalize.
- **Prioritise the children that are planning on running the business and therefore taking on all the risk.**
- **Treat the farm as the stable base that will act as the security of the family's ambitions,** do not bankrupt the farm business in order to support off farm ventures.
- **Farm business is prepared to get as complex as the children need it to become to accommodate all of the family's desires.** The desire should be to keep it relatively simple initially, but to open to create more business complexity as required. To either incorporate more children into the business or allow for increased income/profitability to be financially capable to support more children in the business.
- **Be prepared for a 10 year plus process,** that will need to keep a level of flexibility in its planning, especially as things draw to a close. Changing over of the capital and assets from one generation is a slow process usually controlled by the financial capability of the business.
- **Have all family conversations in a professional workspace, boardroom table** (not the family table). Include all family stakeholders, especially the mother's point of view. This is a lot easier to achieve if all the stakeholders are in a neutral place, because is often easier to refer back to roles of the family rather than be present for the tough discussions. The discussions that are vital to achieve fair for all goals.
- **Have an external non-family member (succession consultant) to facilitate the conversations,** make sure everyone gets a chance to say their piece. There may need to be formal speaking roles set up to ensure this is able to happen (talking stick or item etc.). Especially early on in the process, the most important element present is



understanding of the goals/aims and collective buy-in. This simply won't be possible for all parties unless there is a level of radical transparency and comprehensive communication, that is present from early talks until a succession plan has been created and then completed. Through my own experiences in this field the most important feeling to be attempting to combat is uncertainty, thankfully this is often the easiest factor to solve. It takes clear consistent communication and a constant reviewing of progress and a collective revision of goals.

- **Keep updating your plans and inform the key financial people** of the progress of succession talks and inform them of major changes. Additionally, a plan made years ago is only as good as the latest update. It is extremely unlikely that the factors that were present during the initial plan are the same now, people develop overtime, factors naturally change. It is critical that plans are reviewed either annually or every two years. This is a process to be embraced and championed rather than be avoided. A great tip is to get the younger generation to take the reins on this review, especially if they sit outside of daily operation of the farm business.
- **Farm business open and prepared to grow in order to incorporate new generation.** If the direction from the new generation is that they would like to develop and grow the scale of the business. Then this is best to be approached before the removal of any capital or assets. Likely that this will happen in the beginning or middle of the transition process.

This often feels like a side-step for the parents and doesn't get them to their individual goals any faster. In fact often feels the complete opposite for them and feels like it moves the "goal posts" further away. In some cases this may be accurate, but executed properly will mean that out the increased potential benefit (either allowing for more children to have a place in the business structure or increase the potential profit the business is able to pass on) will outweigh the risks. Therefore it is important for parents to be open to development or expansion during the process.

Very common in The United States of America that family businesses greatly expanded their scale or farm footprint to allow for more stakeholders to have an equal share. These businesses often turned into little empires quickly, big families were incorporated together (often multiple generations and cousins all together) and those were the businesses where I saw the highest number of family members working together in the business. Often working in different management arms of the business and reporting to other parts of the business. Usually very complex multi-faceted businesses.

### 2.2.2 What do we need to change from today?

Family succession is a complex process that can take 10 years plus. As a country we need for as many family farms and businesses to transition to the younger generations, this is so we can retain the equilibrium of land real estate market as it sits today.

We need families who meet the right criteria to start the process now. This is going to require more succession consultants than what we currently have to facilitate these processes.

Country changes:

A government promotion to improve the image of our primary sector, the aim is to convince the best young people to enter the primary industries either directly into primary producing or the agribusiness sector. Initially these industries will not be able to be the top paying career paths because of the nature that our primary producers are price takers and not price makers at this point. But what can be offered (which is the same as it has always been) is a streamlined career progression path, with increased options for expansion and new up-start businesses. Overtime with government direction and policy help we can champion the primary industries



to the key destination for school and university graduates, to be a top paying industry and top progression pathway.

The government may need to install a programme for young farmers to promote farm ownership as the ultimate goal. Unlike many other programs that have been tried in this area in the past (mostly where they aim to throw taxpayer dollars at the young people hoping the problem goes away), we need to focus on government rules that help for banks and other financial institutions to recognize riskier capital investments (e.g. stock and plant) as security towards purchasing land. Whether that's a government backed security or a more stable Inland Revenue Department valuation of livestock or crop protection. This extra stability will aim to enable banks to take security on stock/plant and infrastructure, giving younger farmers greater access to bank lending that has been taken away from them over the last 10 to 15 years.

#### Industry changes:

The fundamental industries need to transition away from price taker to price makers, this is a massive step and big change. It will take significant time and investment to get us to this point. We are talking about market creation, direct to consumer pathways. Smaller players becoming direct exporters reaching different parts of the same markets and in some cases new markets.

Industries need to focus on the future, not their current and noisy stakeholders that are today more focused on short term gains, then selling out their position in the industry when either thing gets too risky for them or they believe that they have extracted the maximum value out of their investment. We need people (regardless of their age) who have a future mindset to work for our industry bodies and for investors/stakeholders to understand that they might not see the benefits of the investments that they are making in their lifetimes. As the average farmer age continues to increase in New Zealand (and worldwide) we are appearing to become more conservative in the programs and aspirations of our industry bodies. We need to see the return of 10/15 and 20-year programs, that are challenging and push the boundaries of industry. Most importantly we need for our industry bodies to fight for their right to try these programs, stop catering to the noisiest and short-sighted voter contingent. Therefore, stopping the populist politics that are taking over our industry bodies.

We also need to increase the size of our farm financial support industry; currently we do not have enough people entering the farm financial sector as well as the succession consultant industry. We need as many personable people who are accountants, lawyers and bank managers to adapt their practices into the farm succession area, we have huge potential for growth in this area. Mostly because of the numbers of farms we expect to transact in the next 10 years.

#### Family changes:

As mentioned above there are lots good cases of farm succession in New Zealand, we need to these processes that have worked for many to become widespread among all family farms. That does not mean that all farms will pass on to the next generation, but we should aim for all the cases of where this outcome is possible because of the business and personnel the farms are ultimately passed on to the management of the next generation.

This is going to need some mind-set changes for the average farmer. We will need to look at our neighbours as allies in our battle against unknown future buyers, rather than as competitors in our products and real estate markets. We will need to focus on knowledge sharing and transparency as many try to tackle the difficult challenge of succession. Lower our defences and open ourselves up to criticism of others in the pursuit of better outcomes. Be open to changes that are likely to present themselves as more family members attempt to draw an income from the farm business.



We need to stop treating all family transaction as private, we need to start treating these transactions as the single biggest transaction that the current business has ever gone through. This means that we will stop trying to do everything "in house" and focus on surrounding the key decision makers with as much help and professional advice as possible. We will stop relying on family members to do a role that they are not qualified for, instead focusing on achieving the best outcomes for all parties. The more people that use these people to assist them on the process will help to build a bigger industry and up-skill the professionals. Ultimately, I expect this industry progression will improve the skills of the professionals and more commonly lead to great outcomes for the families going through it.

Individual changes:

It is the individuals that will take the most responsibility for changing the direction for New Zealand farmers from price takers to price makers. We are seeing the average consumer become more conscious about the origin of their food and keener to interact and pay for the food story. Therefore, as farming individual's we need to take the full responsibility for managing the story of the food we produce. That means better and more precise record keeping, embracing technology that will aid in this area. Becoming available to talk and show consumers directly of farm practices that separate individuals from the farming narrative. Working alongside industry bodies to promote the New Zealand farming story and how it differs from the world food story.

All these developments are going to take investment (either financial or time, but more likely both), we will need to keep a long-term view on these investments and accept if we don't see the payback in our lifetimes. We will need to be prepared to challenge our co-operatives and companies that we sell to, challenge them to extract the maximum for our produce. Be prepared to shop around companies and strong enough to back start-ups. A suggestion could be dividing or splitting our own product supply up, to diversify our risk. Farming has always been risky; we need to remain open to risk and not view it negativity as it is not always a bad thing. Sometimes it is the way forward.

### 2.3 How do we achieve this + tips and hacks

Tips and trick's from around the farming world, what can work here.

The most important step here is that there is no one size fits all system, there are actions and plans that have worked for others in the past. It is important to note that this is what I believe will work, but like everyone I have bias that pull me in a certain direction.

The best approach to successful succession is...

- 1) **Start the process early**- very often a process taking 10 years plus, Commonly the time it takes is 10 years to transfer of decision making and ownership and an additional 10-15 years to payoff family debt/loans or to undo the extra levels of underwritten security than can be added during the transition.
- 2) **Use external mediators and/or consultants from the beginning**- they are most valuable during initial conversations, then throughout the planning phase. They are the best chance that you will get to achieve collective buy-in and to achieve fair but not necessarily equal outcomes for all the family stake holders.
- 3) **Establish a priority list of the individuals set to benefit from the succession process**- this is best to be established early on in the process. The fairest way to set the list is from a time served in the business position, as a payback for often countless hours not compensated for at the time (parents first then children). Sometimes it is ok to prioritise supporting children to accommodate them in the family business, but after this point the parents need to be the next ones prioritised with support. If they are intending to sell business for market value to the children (or one child in particular), it is ok to support



other children not active in the operation of the business before the sale of the farm. But then the sale of the farm should be the final step and proceeds should be controlled by the parents. It becomes their decision of what they should want to do.

- 4) **Get business appraisals and farm valuations done when each family member enters into the business-** mainly done as backstop should discussions breakdown and progress to the ultimate family goal slow down.

Example: You get the farm valued as the oldest son enters the business at 18 years old. You then get the business valued again 5 years later as the twin daughter enters into the family business. Then finally you decide to value the business 5 years later as the son and daughter are now 28 years old and the parents are wanting to sell and move on.

Table 2:

Year	Farm value	Parents % added	Parents contribution \$	Sons % added	Sons Value added \$	Daughters % added	Daughters Value added \$
0	\$5,000,000	100%	\$5,000,000.00	0%		0%	
1	\$5,200,000	50%	\$5,100,000.00	50%	\$100,000	0%	\$0
2	5400000	50%	\$5,200,000.00	50%	\$200,000	0%	\$0
3	5600000	50%	\$5,300,000.00	50%	\$300,000	0%	\$0
4	5800000	50%	\$5,400,000.00	50%	\$400,000	0%	\$0
5	\$6,000,000	50%	\$5,500,000.00	50%	\$500,000	0%	\$0
6	7000000	50%	\$6,000,000.00	25%	\$750,000	25%	\$250,000
7	8000000	50%	\$6,500,000.00	25%	\$1,000,000	25%	\$500,000
8	9000000	50%	\$7,000,000.00	25%	\$1,250,000	25%	\$750,000
9	10000000	50%	\$7,500,000.00	25%	\$1,500,000	25%	\$1,000,000
10	<b>\$11,000,000</b>	50%	<b>\$8,000,000</b>	25%	<b>\$1,750,000</b>	25%	<b>\$1,250,000</b>

What has been shown in table 5 above is example of a fair but not even distribution of added value to a family business over time. It is able to both value additions for individual stakeholders over time and account for the increase in development when the daughter returns to the farm.

If the daughter was to take on more risk than the brother when she returns into business later then this would look like...

Table 3:

Year	Farm value	Parents % added	Parents contribution \$	Sons % added	Sons Value added \$	Daughters % added	Daughters Value added \$
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0	\$5,000,000	100%	\$5,000,000.00	0%		0%	
1	\$5,200,000	50%	\$5,100,000.00	50%	\$100,000	0%	\$0
2	5400000	50%	\$5,200,000.00	50%	\$200,000	0%	\$0
3	5600000	50%	\$5,300,000.00	50%	\$300,000	0%	\$0
4	5800000	50%	\$5,400,000.00	50%	\$400,000	0%	\$0
5	\$6,000,000	50%	\$5,500,000.00	50%	\$500,000	0%	\$0
6	7000000	50%	\$6,000,000.00	20%	\$700,000	30%	\$300,000
7	8000000	50%	\$6,500,000.00	20%	\$900,000	30%	\$600,000
8	9000000	50%	\$7,000,000.00	20%	\$1,100,000	30%	\$900,000
9	10000000	50%	\$7,500,000.00	20%	\$1,300,000	30%	\$1,200,000
10	<b>\$11,000,000</b>	50%	<b>\$8,000,000</b>	20%	<b>\$1,500,000</b>	30%	<b>\$1,500,000</b>

You can see in table 6, that if the daughter is taking on more risk and the whole family agrees with the arrangement. Then this results in even contributions by end of year 10. This is an equal and fair outcome, as long as all parties are compensated for their time at market rates and all parties agree to the split in contribution percentage. This graph can also be used in the case where the children take increased risk at year 5 and the parents agree to take less % of the profits after year 5. This will lead to a more even distribution of wealth...

Table 4:

Year	Farm value	Parents % added	Parents contribution \$	Sons % added	Sons Value added \$	Daughters % added	Daughters Value added \$
5	6,000,000	50.00 %	\$5,500,000.00	50.00 %	\$500,000	0.00%	\$0
6	7000000	33.34 %	\$5,666,800.00	33.33 %	\$833,300	33.33 %	\$333,300
7	8000000	33.34 %	\$6,000,200.00	33.33 %	\$1,166,600	33.33 %	\$666,600
8	9000000	33.34 %	\$6,333,600.00	33.33 %	\$1,499,900	33.33 %	\$999,900
9	10000000	33.34 %	\$6,667,000.00	33.33 %	\$1,833,200	33.33 %	\$1,333,200
10	<b>11,000,000</b>	33.34 %	<b>\$7,000,400</b>	33.33 %	<b>\$2,166,500</b>	33.33 %	<b>\$1,666,500</b>



This shows that the parents are willing to let go of around \$1,000,000 to more evenly pass that benefit of the children taking more risks and making financial decisions. Also front loading 1 million dollars of equity to the children before the business is sold.

- 5) **Pay family members in the family wages NOT salary-** this will reward each stakeholder for the time and effort they are putting in. This does not have to be the same hourly rate. It is able to reflect what each family member is worth to the business. It does a better job of recognising the sacrifices and time invested by individuals during the transition process. This will lead to fewer occasions of family members feeling unfairly treated.
- 6) **Hold meeting in a formal setting-** borrow or rent a boardroom or office space. Better outcomes will result when the family is taken away from the traditional family table and removed from the farm. Resulting in better communication is more balanced across all family members. Conversations are less likely to lead to bickering in a formal setting and its less likely for members to fall back into family roles. The formal setting leaves everyone to be more focused on outcomes. Importantly removes distractions and doesn't allow for the mothers to leave the conversations to quote "fetch everyone tea". This is just a classic technique to remove one's self away from conflict or taking sides.
- 7) **Formal succession board structures OR farm advisory boards will lead to better outcomes-** this is because these structures encourage professionals to join the board, they have greater experience and insight into what works and what doesn't. They will be a useful sound board to bounce ideas and plans off. They should be allowed to have voting powers, and commonly their presence at the boardroom table will cause family members to work and act more professionally. Presenting to these professionals will lead to an increased level in the professional and presentation skills of the family members. Using this power of knowledge will help the initial conversations and planning process to be more thought out and developed. As well as having more accurate budgeting and planning to show to banks and other financial institutions. In many cases it is a good practice to invite your bank manager to have a seat at the boardroom table, they do not necessarily have to have voting rights. But their input will be valuable and their presence will often remove an additional step in informing the bank around your plans and potential future borrowing.



## Chapter 3: The Farm progression pathway, is it future proofed?

### 3.1 What does the farm progression pathway look like now?

We have complex variety of farm ownership structures present in New Zealand in 2025, my goal is not to outline every structure but to mention the common ones.

I will talk about structures under 3 different headings.

- Individual structures... Sole traders, partnerships and companies
- Family structures... Partnerships, companies, trusts.
- Corporate structures... Equity partnerships, companies, co-operatives

#### 1.1.1 Farming affordability Crisis:

Like mentioned in the intro an bring back a table from family succession:

Table 1:

<b>FARMING TYPE</b>	<b>AVERAGE MANAGER SALARY</b>	<b>AVERAGE FARM VALUE (267 HA)</b>	<b>DEPOSIT/ CAPITAL REQUIRED</b>	<b>HOW MUCH CAN BE SAVED/YR *</b>	<b>YEARS REQUIRED TO AFFORD DEPOSIT</b>
<b>DAIRY</b>	\$ 95000	\$5,983,830**	\$2,692,723	\$47500	56 years
<b>SHEEP/BEEF</b>	\$ 88381	\$2,723,400	\$1,225,530	\$44190	27 years
<b>ARABLE</b>	\$ 101264	\$7,143,585	\$3,214,613	\$50632	63 years

\* Working on the expectation that ½ salary will be put towards deposit

\*\*Based on 153ha at an Average Price of \$39,110/ha

We have an affordability crisis in farmland in New Zealand. I am bold enough to call it a crisis because the traditional pathway of working directly in the farming sector, is no longer paying enough for business managers to be able to afford to save part of their salary and put that towards a farm deposit. Between 30 to 60 years of saving, in order to be able to afford the 45% deposit/equity required by modern banking is not competitive anymore. The old system to using to salary savings to buy stock and plant from the business you were working for, sorting out a leasing plan or getting a percentage on the business income proportionate to the investment. These days are gone now, then main reason is the banks no longer view the stock and plant as an asset that can be borrowed against, they deem the risk of these investments to be too high. This a major setback for farm managers, this old pathway used to be a great way to be able to make multiple smaller investments overtime and then combine these smaller investments together to use as equity to borrow against to afford a deposit (either for a farm directly or for further career development).

These factors are making the jump into first time farm buyer a small in the past to a giant leap now. "The average price of a dairy farm in 2005/6 was \$1.8 million, or \$21,000 per hectare". The average manager salary was \$60,000/year, this means the average farm cost 30 times the average farm managers salary. In 2024 dairy farmland average land value 5 million, average salary of Dairy farm manager is \$74185/year. This equals 67.4 times the average farm managers wage today. On average we can look at this data and say the farms cost double as much today as they did in 2005.



The key factor here is that younger potential farmers still see opportunities to progress to farm ownership. Currently we have created pathway for many that is a 15 to 20 years long just to buy their first piece of land, then they have to try build strength and resilience into that piece of farmland. Our problem here is that the modern pathway is not linear, it requires periods of plateauing then periods of rapid growth. This makes the farm owning pathway now more complex and challenging than ever, a lot of people working in the industry or looking to enter may be put-off because they don't see easy opportunity.

Table 5: Trend in dairy land sale values. (New Zealand Dairy Statistics, 2024)

Season	Number of dairy farms sold	Average sale price (\$)*	Inflation adjusted average sale price (\$)	Average land area (ha)*	Average sale price/ha (\$)*	Inflation adjusted average sale price/ha (\$)	Average sale price/KgMS (\$)*	CPI
2013/14	312	5,174,010	6,750,093	142	36,369	47,448	42	975
2014/15	244	5,228,018	6,792,685	132	39,577	51,422	44	979
2015/16	192	5,381,697	6,963,905	169	36,557	47,305	39	983
2016/17	217	4,808,676	6,116,636	151	37,835	48,126	40	1,000
2017/18	226	4,935,487	6,185,162	130	38,015	47,640	40	1,015
2018/19	148	5,125,837	6,317,892	144	36,846	45,415	38	1,032
2019/20	113	4,451,927	5,408,645	133	33,410	40,590	37	1,047
2020/21	198	4,810,641	5,655,393	153	31,393	36,906	35	1,082
2021/22	200	4,800,278	5,259,219	139	34,427	37,718	35	1,161
2022/23	140	4,869,150	5,031,323	141	34,600	35,752	37	1,231
2023/24	117	5,004,578	5,004,578	164	30,584	30,584	36	1,272

### 1.1.2 Is a career in farming the fastest way to own a farm?

**In 2025 the answer to this question is no.** Because agriculture is so diverse, I will attempt to prove this from the perspective of a farm manager. Because they have to knowledge and skills to run a farm business, but no invested stakes in the running of the business. Also they have stable incomes that are easier to predict over time.

In 2025, the modern requirements say that the manager is better off investing their salary savings into the housing market:



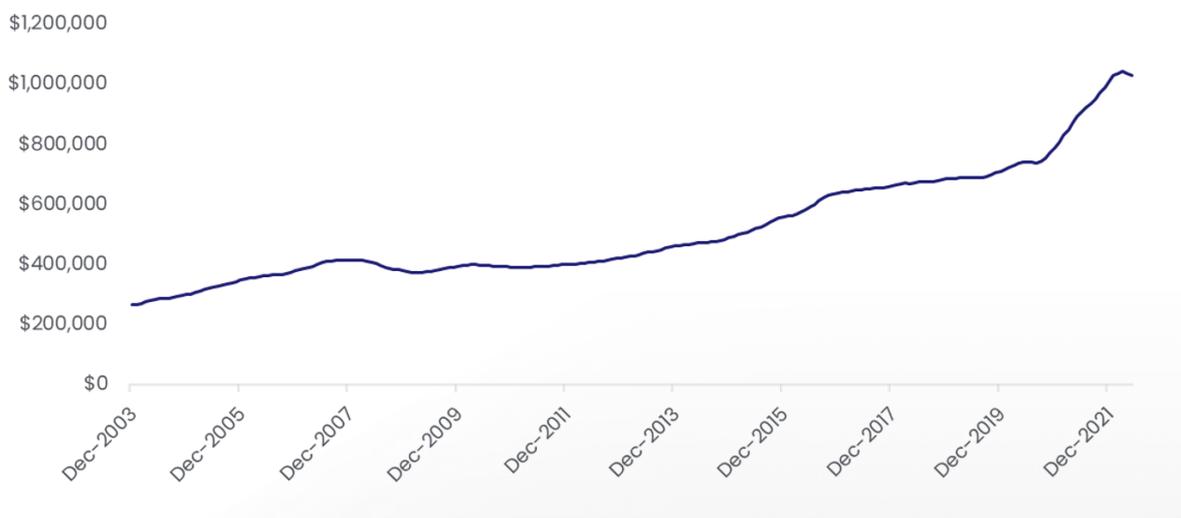
Table 6:

FARMING TYPE	AVERAGE MANAGER SALARY	AVERAGE HOUSE VALUE 2025**	DEPOSIT REQUIRED 30%	HOW MUCH CAN BE SAVED/YR *	YEARS REQUIRED TO PAY DEPOSIT
DAIRY	\$ 95000	\$642 625	\$192 787	\$41 300	4.67 years
SHEEP/BEEF	\$ 88381	\$642 625	\$192 787	\$36 666	5.25 years
ARABLE	\$ 101264	\$624 625	\$192 787	\$45 684	4.22 years

\* Based on average cost of living being \$3000/month, then saving 70% of the difference

\*\* Regional average house price of NZ, excluding Auckland house prices, (WiseMove, 2024)

The housing has seen significant capital growth since 2003 as shown in Figure 2:



There has been significant slow-down in the capital growth in house prices due to increasing of interest rates. From 4.2% in January 2022 to 6.49% in January 2025, however the prices peaked in late 2023 at 7.9 to 8.1%, which causes a significant slow-down in the number of housing sales. All this is to say that there is now significantly more risk associated in currently investing in housing, however the banks are still very interested in taking security on a 2<sup>nd</sup> mortgage or selling the housing asset to pay for a farm deposit.

This is a relatively sound investment for a farm manager to make, however it may take 4-5 years of working to be able to afford the down payment. This is slower than what it used to be to invest in stock and plant, the real risk is on the industry because these individuals are investing outside of the primary sector. As an industry we then have to convince these same individuals to cash in their investments to purchasing farmland, which no longer seems to be able to consistently generate capital growth in the market value of the land. This is an extra deterrent for these people to put their money into the primary sector. These individuals were able to build their investments over time and we now require them to bring that money back in an industry to investment large amounts of money into businesses that are based around uncertainty as a core principle.

Without this flow of money being re-invested back into the industry we face real risks of losing this individual's skills and knowledge from the industry.

### 1.1.3 Corporate farming structures

Corporate businesses are becoming a more prevalent in New Zealand agriculture. "Often a corporate philosophy is to reduce the impact of adverse seasonal conditions by spreading investments both geographically and through suitable enterprise mixes on individual



properties. Also, by owning several properties in different climactic regions be able to move stock between properties to avoid the necessity of selling on an unsuitable fluctuating market" (Ward, 1992). They operate as private companies/publicly traded entities/ government owned agencies or equity partnerships.

The success of a corporate business is heavily influenced by the management of individual farms, they are constantly in search of the best farm managers to run their businesses. They are prepared to pay a premium for management services, offer extra performance-based incentives and in some cases future investment.

For managers they are exceptional options for job security/decision making opportunities/potential growth and investment. These managers are often given more responsibility to farm their own way. As a result, we see individual cases of great farm managers staying in the corporate structure for as long as possible, in some cases remaining in these roles until their retirement. For the individuals involved, there is no criticism for them as individual farmers. They are still producing food for the world and are often held to higher standard of environmental outcomes than other standard operations. What the industry loses in this scenario is future land buyers on the real estate market. What this ultimately risks (but does not guarantee) is fewer buyers on the market, fewer buyers on the open market will lead to increased negotiating power and usually results in a reduced price paid for land in \$/ha. What these managers are doing is a good practice for them and their families, it adds increased risk to the land real estate market. They people with the potential to lose are the small to medium sized farm owners, that have worked hard all of their life. Now because of external factors they may have less buyers to choose from when the put their farm on the market, likely to result in a less competitive price for the seller.

Corporate farming businesses are buying property using their large resources and diversified investments to be big players in the real estate market. "Almost by definition corporate farmers are more conscious of the importance of both production and marketing research and of obtaining solid market intelligence. While they rely on statutory authorities and government departments for information, they don't do so exclusively. They tend to create their own information flows and rely on independent rather than industry analysis" (Ward, 1992).

This increased research and buying power either allows for them to take greater risks at discounts or pay more for safe investments, when compared to individuals or families. Also depending on the purpose of the corporate, additionally they may not require the operation to be as profitable or be able to service debt (especially government owned and operated corporate structures) when compared to families and individuals.

"Corporate farmers because of their greater market orientation imposed by the need to satisfy and placate shareholders exhibit greater flexibility in both attitudes and action. They have greater adaptation skills and can change enterprise mix or even change enterprises without batting an eyelid, losing sleep, face or dignity over the consequences. They have no ancestors wedded to a certain traditional way of farming" (Ward, 1992). This paragraph was written over 32 years ago, but I still believe what it says is true and correct when modelled against the 2020's farming climate. This offers a natural advantage to these farming systems and I do personally believe, that we will see an increased size and power exerted from these structures moving into our future.



## 3.2 What do we want land ownership to look like in the future?

The answer to this question will naturally be different for every reader, I will answer from my own personal perspective. However, I will challenge my own opinion to allow the largest pathway for as many individuals who consider themselves future land owners.

We need to be able to maintain a level of status quo, have three distinct pathways that can be chosen...

- 1) Individual pathway
- 2) Family pathway
- 3) Corporate pathway

The pathways can be interchangeable, e.g. I can start my journey in a corporate pathway, transfer to an individual pathway and then sellout my individual position to afford a greater stake in the family business pathway.

We need to keep our key market places based in the "free market" structure, keeping our agile nature and flexibility intact. In my ideal world this would be split evenly 3 ways so the three different pathways all had 33% market share.

## 3.3 Do we need to champion or create new ownership structures?

Yes. We need more options for new pathways to be created. To be able to catch or entice more skilled owners to enter the industry.

### 3.3.1 So how do they work and what do they look like?

Here are some business ideas and structures that allow financial decision-making before equity has changed hands, some of them are not new ideas (that does not mean that they are not good). Below is a collection of farming structures that I got see in operation during my travels. **I do believe that there is a current structure out there for every family farm to transition and for every aspiring farmer to set their ultimate goal for farm ownership.** My aim is by reading and sharing some of these ideas, we can empower for people into farm ownership:

**3.3.1.1 Share-farming agreements:** The world is very jealous of New Zealand wide adaptation of share-farming agreements. The most common use of this agreements are 50/50 share-milking agreements, they are an act of parlement in New Zealand. This means by nature it is not flexible, but luckily it has been very fair to both parties since its inception in 1937.

**3.3.1.2 Equity partnerships:** An equity partnership is a joint business venture between two or more individuals who have come together to pool their capital, and often their skill, to enable the partners to gain a greater return than each party could achieve alone.

#### Who do equity partnerships appeal to?

**Young farmers** – equity partnerships provide a path to ownership with a lower outlay than when purchasing the business outright. It can also provide a great learning experience through accessing the skills other investors bring to the partnership.

**Established operators** – entering an equity partnership can provide access to both capital and talent to grow your business. Investors – allows for diversity in investments within the rural sector without having to be a hands-on farmer.



## Keys to success in an equity partnership

Experienced equity partners highlight these keys to success:

- Undertake due diligence on both the potential business/farm and the potential partners. The partnership will only work when all the partners align their objectives and outlook.
- Partnerships should have an end date reflective of the goals of the partnership. At this time, it can either be dissolved or reset to achieve new goals. This helps partners understand how long they are in business together and helps with exiting partners.
- It's easy to start business together but harder to stay in business together. Good communication and governance throughout the agreement is critical.
- You need clear agreement on how farm management and capital purchasing decisions will be made, how disagreements will be dealt with and who has the final say. The more partners you have, the more important this is.
- You must agree on how dividends will be paid. If a partner needs regular cashflow a different approach will be required to investors prepared to reinvest profit into the business.
- A clear dispute resolution process and a means for a partner to exit if they require is critical, just in case things don't work out as planned. It also needs to be clearly understood it can take time to sell the business, especially if a minimum price is required to return an overall profit.

(Dairy NZ, 2024)

**3.3.1.3 Lease farming:** The tenant (lessee) pays the farm owner to use their land, buildings, and infrastructure and possibly dairy company shares to run their own farming operation independently of the lessor. The lessee is also responsible for the upkeep of the farm assets to an agreed standard for the duration of the lease.

This is not a partnership with shared responsibilities as is the case for sharemilking and equity partnerships. The lessee keeps all revenue and pays all costs associated with the farming operation and upkeep of the land. The lessor's income is generated through a pre-agreed rental payment, usually paid monthly, and subject to periodic review. The rental paid may be either a fixed rate (12 equal monthly payments) or a variable rate that changes depending on milk price.

**Entering and Exiting a Lease Agreement:** Lease agreements for dairy farms vary in duration and terms, typically spanning three to five years with renewal options. These agreements must balance security for the lessee, who invests in cows, equipment, and staffing, with flexibility for the lessor.

### **Advantages for Both Parties:**

**Lessee:** Gains full control of the operation without needing to purchase land, allowing entry with lower equity.

**Lessor:** Retains ownership while stepping back from daily operations, securing rental income through fixed or variable lease structures.

### **Setting the Rental Rate**

A fair lease rate ensures both parties meet their objectives. Two common methods exist:

1. **Fixed Lease Rate:** A set annual payment, usually made monthly, providing predictable cash flow for the lessor. Rates can be determined by market tenders, average debt servicing levels, or as a percentage of capital value.



2. **Variable Lease Rate:** Adjusts based on milk price but not production. A base rate per kg of milk solids (kgMS) is set, indexed to an expected milk price. If the actual milk price is higher or lower, rent adjusts accordingly. A floor price may be included to protect the lessor. Some agreements feature incremental rent increases if milk prices rise significantly.  
Top-up payments can be made periodically or as a lump sum at the year's end.

### Keys to a Successful Lease

For the lease to work effectively, clear expectations and fair terms must be established:

- **Farm Management Standards:** The lease should outline "good farm husbandry" practices, covering fertilization, weed control, pugging minimization, and maintenance expectations.
- **Regulatory Compliance:** The lessee assumes landowner responsibilities, including environmental compliance, which should be documented in the lease.
- **Third-Party Monitoring:** Regular independent assessments help prevent disputes over farm condition and obligations.
- **Asset Condition:** A third-party evaluation at lease start and end ensures fair handling of asset wear and tear.
- **Rent Reviews:** These can be based on CPI, market trends, or agreed percentages. Variable leases reduce the need for frequent reviews.
- **Property Housing:** Homes on the farm can be included in the lease, rented separately, or excluded.

Ultimately, a lease provides the lessee with management control and "quiet enjoyment" of the property, as long as they meet their obligations. This arrangement is best for lessors who prefer a hands-off role in farm operations. (Dairy NZ, 2024)

#### 3.3.1.4 Lease to Buy Agreements:

A lease-to-buy agreement is a contract where a farmer leases land with the option or obligation to purchase it after a set period. This arrangement provides a pathway to farm ownership, especially for those with limited capital.

##### How It Works

The farmer leases the land for a fixed period, typically 3–10 years.

A portion of the lease payments may be credited toward the purchase price.

The purchase price may be fixed at the start or negotiated at the time of purchase.

At the end of the lease term, the farmer can either buy the land or walk away, depending on the agreement.

##### Advantages:

For Farmers: Offers time to build equity, secure financing, and test the farm's profitability before committing to purchase.

For Landowners: Ensures steady rental income while keeping the option open for a sale.

##### Challenges:

If land prices rise, the agreed purchase price may benefit the farmer but not the owner.

Farmers risk losing accumulated payments if they cannot secure financing at the end of the lease.

**Clear terms on payments, purchase price adjustments, and exit conditions are crucial for a successful lease-to-buy agreement.** (Dairy NZ, 2024)

3.3.1.5 **Profit sharing agreements:** A profit-sharing agreement in farming is a contract between a landowner and a farmer (or sharemilker) where profits from the farm's operations are divided



based on agreed terms. This model allows both parties to share financial risks and rewards, making it an alternative to traditional leasing.

How It Works: Instead of paying a fixed lease, the farmer operates the farm and shares a percentage of the profits with the landowner. The agreement typically defines:

Profit Split: A predetermined percentage (e.g., 50/50 or 60/40) based on contributions such as land, labor, and capital.

Costs & Responsibilities: Who covers expenses like feed, fertilizer, labor, and equipment maintenance.

Accounting & Payments: Regular financial reporting and profit distribution schedules

**Advantages:**

For Farmers: Lower upfront costs, reducing financial burden.

For Landowners: Potential for higher returns in profitable years while retaining ownership.

**Challenges:**

Income variability due to market fluctuations.

The need for clear terms to avoid disputes over expenses and profit calculations.

**Profit-sharing agreements work best when both parties communicate effectively and align expectations for farm management and financial responsibilities.**

(The StartEngine Team, 2024)

**3.3.1.5 Other more niche agreements or agreements:**

- **Crowd Funding/SAFE agreements (Simple Agreement for Future Equity):** An interesting idea that I encountered while traveling in The Netherlands, was a business that was using a combination and SAFE agreements to fund the purchase price for a family farm (Gerard & Mieke Mul). The family farm was valued at 70 000 euros/ha (\$140,000 NZD/ha) and was 42 hectares. They were able to use crowd funding to provide 80,200 euros in 3 months of marketing to get the finances to the right spot where, added to the 1.5 million euros family loan plus their equity and the crowdfunding they were able to afford the 45% bank deposit. That in itself was a real impressive effort, however the best is yet come. They a range of SAFE agreements to different investors, at this point it is important to note that had an on-farm shop and cafe. They were offering out different agreements to individual investors who would loan the young farmers money with either a 5 of 10-year term on the loan. Interest had tiers on it and marketed the tiers very uniquely... Normal tier loan – 5 Year term, 5% interest rate  
...Helpful tier loan - 10-year term, 2% Interest rate  
...Generational tier loan – 10-year term, 1% interest rate.

The genius thing here is that also offered to investors to pay interest payments through the use of farm shop credit. This was by far the most popular option for investors. And very interestingly even large investors always tended to spend more than just their shop credits every visit. And having the credit system meant the average consumer made more visit's per year because they didn't want their credits to expire (they expired after 1 year).

The were able to make this system a real win/win for the business and their own personal and family progression. (The StartEngine Team, 2024)

- **Revenue-Based financing- Revenue-Based Financing (RBF)** is an alternative funding method where investors provide capital to a business in exchange for a percentage of



future revenue until a predetermined return is met. Instead of fixed debt repayments, the repayment amount fluctuates with business income.

**How RBF Works in a Farm Business:**

**Investor Provides Capital** – The farm receives funding upfront to expand operations, buy equipment, or cover operational costs.

**Farm Pays Back a Percentage of Revenue** – Instead of fixed loan payments, the farm repays a percentage of its revenue (e.g., 5%–10%) each month or quarter.

**Payments Adjust Based on Performance** – If the farm has a strong revenue month, it pays more; if revenue is low, the payment decreases.

**Repay Until a Set Cap is Reached** – The farm continues paying until the investor receives a multiple of their original investment (e.g., 1.5x or 2x the original amount).

**Example: Applying RBF to Farming**

A farmer needs \$500,000 to expand operations.

An investor provides the \$500,000 with an agreement to be repaid 1.8x the investment (\$900,000 total).

The farm agrees to pay 6% of monthly revenue until the total repayment reaches \$900,000.

If the farm earns \$100,000 in one month, it pays \$6,000 that month.

If the farm earns \$50,000 in another month, it pays \$3,000 that month.

Payments continue until the total amount paid reaches \$900,000, after which the obligation ends.

**Advantages** of Revenue-Based Financing for Farms

✓ No Fixed Payments – Payments adjust based on farm revenue, reducing pressure in low-income seasons.

✓ No Immediate Equity Dilution – Unlike selling shares, farmers retain ownership of their business.

✓ Scales with Growth – The more the farm earns, the faster the loan is repaid.

**Challenges**

⚠ Higher Cost Over Time – Since repayments are based on a multiple of the initial investment, the total cost can be higher than traditional loans.

⚠ Requires Consistent Revenue – If revenue drops for an extended period, it may take longer to repay.

When Should a Farm Consider RBF?

✓ Expanding production (e.g., buying more land, equipment, livestock)

✓ Investing in high-margin, high-growth operations (e.g., organic produce, agritourism, value-added products)

✓ When traditional bank loans aren't an option due to lack of collateral (Hayes, 2022)

- **Vesting Schedules & Cliff Periods** (Employee or Family Transition Plan)-

- 1. Vesting Period

- A vesting period is the time required before an individual fully owns or earns their share of an asset—typically equity, stock, or ownership in a business.

- 💡 Example in Farming:

- A farm succession plan allows the eldest son to gradually earn ownership over 10 years based on work and contributions.

- Each year, 10% ownership vests, meaning after 5 years, he owns 50%, and after 10 years, he owns 100%.



If he leaves the farm early, he only keeps the vested portion.

- |  |                   |             |
|--|-------------------|-------------|
| Why  | Use               | Vesting?    |
| ✓ Encourages   | long-term         | commitment  |
| ✓ Protects ownership                                     | if someone leaves | prematurely |
| ✓ Ensures contributions before full ownership is granted |                   |             |

## 2. Cliff Period

A cliff period is a specific period at the start of a vesting schedule where no ownership vests. After the cliff ends, a lump sum vests all at once.

💡 Example in Farming:

A daughter joins the farm, but ownership vests after a 3-year cliff.

If she stays for 3 years, she immediately earns 30% ownership.

After the cliff, the remaining 70% vests gradually over 7 more years (e.g., 10% per year).

If she leaves before the 3-year mark, she gets nothing.

- |  |             |      |            |             |
|--|-------------|------|------------|-------------|
| Why  | Use         | a    | Cliff      | Period?     |
| ✓ Filters out                                | individuals | who  | may leave  | early       |
| ✓ Protects                                   | ownership   | from | short-term | involvement |
| ✓ Motivates family members to stay committed |             |      |            |             |

These agreements often serve the desired outcomes for many farm succession plans. However, they are a safer option. They allow for banks and other financial institutions to feel safer with incoming family members. (Adams, 2024)

- **Holding Company for Farmland-** Land is owned by a separate entity (e.g., a family trust or LLC), while the operating farm business leases it.

Protects the farm from being sold due to business debt or financial instability.

This separation of the farm land from the business is very common to see in family farm operations in the United States of America. Commonly we have large families where one child is running the farm operation, while the other sibling have formed an LLC (where all parents and children own shares). This tends to mean that the child making all farm decisions, have the most risk and most potential reward. The risks to these operations are the other siblings wanting to sell out their capital in the LLC before the other stakeholders can afford to purchase the share. The other risk that we tend to see is that one child effectively leasing the business is required to run a very safe and profitable operation. This is often a-lot easier for them to do at a very large scale of operation, the side-effect is that this also increases the risk of other siblings wanting to sell their share (because the share is now a bigger lump sum).

With correct buy-in of all the family stakeholders, these holding companies are capable being very effective. Growing to large scale businesses than often have room to incorporate and support multiple family members and generations. (Center for Agriculture and Food Systems, 2017).

### 3.4 What do we need to change at government and industry level?

As a country we need for as many family farms, individuals and businesses to transition to the younger generations, this is so we can retain the equilibrium of land real estate market as it sits today. We should aim to retain 30,000 individual agribusiness owners (we are currently 48,000), these can either be individuals or families. Corporate structures will own the rest, if we can maintain 30,000 non-corporate land holders then I believe we can continue to maintain a viable pathway for a non-farmer to enter the industry and progress all the way to owning their



own piece of farmland. This non-corporate pressure will assist with keep our real estate market competitive for both buyers and sellers. Aiming for 30,000 non-corporate businesses will also allow scope for corporate farming to absorb 18,000 current farming ventures. This should allow for big businesses to use their resources, marketing budgets and access to professional advice to drive and shape the future outlook for New Zealand farming on the global scale.

### **Country changes:**

A government promotion to improve the image of our primary sector, the aim is to convince the best young people to enter the primary industries either directly into primary producing or the agribusiness sector. Initially these industries will not be able to be the top paying career paths because of the nature that our primary producers are price takers and not price makers at this point. But what can be offered (which is the same as it has always been) is a streamlined career progression path, with increased options for expansion and new up-start businesses. Overtime with government direction and policy help we can champion the primary industries to the key destination for school and university graduates, to be a top paying industry and top progression pathway.

The government may need to install a programme for young farmers to promote farm ownership as the ultimate goal. Unlike many other programs that have been tried in this area in the past (mostly where they aim to throw taxpayer dollars at the young people hoping the problem goes away), we need to focus on government rules that help for banks and other financial institutions to recognize risker capital investments (e.g. stock and plant) as security towards purchasing land. Whether that's a government backed security or a more stable Inland Revenue Department valuation of livestock or crop protection. This extra stability will aim to enable banks to take security on stock/plant and infrastructure, giving younger farmers greater access to bank lending that has been taken away from them over the last 10 to 15 years.

### **Industry changes:**

The fundamental industries need to transition away from price taker to price makers, this is a massive step and big change. It will take significant time and investment to get us to this point. We are talking about market creation, direct to consumer pathways. Smaller players becoming direct exporters reaching different parts of the same markets and in some cases new markets.

Industries need to focus on the future, not their current and noisy stakeholders that are today more focused on short term gains, then selling out their position in the industry when either thing gets too risky for them or they believe that they have extracted the maximum value out of their investment. We need people (regardless of their age) who have a future mindset to work for our industry bodies and for investors/stakeholders to understand that they might not see the benefits of the investments that they are making in their lifetimes. As the average farmer age continues to increase in New Zealand (and worldwide) we are appearing to become more conservative in the programs and aspirations of our industry bodies. We need to see the return of 10/15 and 20-year programs, that are challenging and push the boundaries of industry. Most importantly we need for our industry bodies to fight for their right to try these programs, stop catering to the noisiest and short-sighted voter contingent. Therefore, stopping the populist politics that are taking over our industry bodies.

We also need to increase the size of our farm financial support industry, at current we do not have enough people entering the farm financial sector as well as the succession consultant industry. We need as many personable people who are accountants/lawyers and bank managers to adapt their practices into the farm succession area, we have huge potential for



growth in this area. Mostly because of the numbers of farms we expect to transact in the next 10 years.



## Chapter 4: What can we learn from corporate succession

### Corporate Succession: Lessons for the Farming Sector

#### 4.1 Introduction

Corporate succession is a structured process used by businesses to ensure continuity and stability during leadership transitions. In the corporate world, this process includes leadership development, financial structuring, governance, and long-term strategic planning. Agriculture, particularly family-run farms, faces similar challenges when it comes to succession planning, but often lacks the formal mechanisms found in corporate environments. By borrowing and adapting tools from corporate succession, the farming sector can create smoother transitions, safeguard family relationships, and ensure long-term business viability.

#### 4.2 Tools from Corporate Succession That Can Be Applied to Farming

##### 4.2.1 Strategic Leadership Development

In corporate environments, leadership development programs identify and groom future executives well in advance. Family farms can adopt similar practices by:

- Involving younger family members in decision-making early.
- Encouraging off-farm experiences in agricultural business, finance, or technology to broaden skill sets.
- Offering mentorship programs where experienced farmers guide the next generation in both business and operational skills.
- Enrolling younger family members into tertiary education and business management papers.
- Promote younger family members to attend discussion groups and other farming focused events. Encourage them to be the spokesperson of the farm business.

A formalized leadership pipeline ensures continuity and prepares successors for the challenges of managing a modern farm. Also, can help to inform younger generations to the mistakes of the farm business made in the past, can help to steer younger members from repeating these same or similar mistakes in the future.

##### 4.2.2 Corporate Governance Models for Family Farms

Corporate entities operate under structured governance frameworks with clear roles for boards, executives, and stakeholders. Farming families can implement similar governance structures, such as:

- **Family Councils:** Regular meetings to discuss business direction, succession planning, and conflict resolution. Good to use formal settings for these meetings.
- **Advisory Boards:** External advisors providing objective perspectives on business decisions. Can be a direct link between financial institutions and gathering accurate records and plans.



- **Formalized Decision-Making Processes:** Written agreements on responsibilities, financial distributions, and transition timelines. Can also help families to form mission statements that can be intergenerational.

By establishing a clear governance model, family farms can reduce internal conflicts and improve long-term sustainability.

#### 4.2.3 Financial Planning and Equity Structuring

One of the biggest barriers to farm succession is financial feasibility. In corporate settings, businesses utilize mechanisms such as stock options, buy-sell agreements, and investment funds to facilitate ownership transitions. Similar tools can be applied to farming, such as:

- **Gradual Equity Transfers:** Parents can slowly transfer shares or equity in the farm over time rather than handing everything over at once. Could look to introduce Vesting schedules and cliff periods if deemed necessary.
- **Profit-Sharing Agreements:** Structuring farm profits in a way that allows the incoming generation to build wealth while supporting the outgoing generation's retirement. Share-farming and lease/lease to buy agreements are great form of this.
- **External Investment and Partnerships:** Bringing in external investors or forming equity partnerships to reduce financial strain on individual family members. This technique is used commonly in the corporate world, we tend to be very hesitant of applying this technique in New Zealand because we fear of giving away decision making powers as well. However, this is not guaranteed, contracts and agreements can be written in such a way that leaves decision making powers with the family.

By diversifying financial tools, farms can transition ownership in a way that minimizes risk and ensures financial stability. In New Zealand farming today we tend to face more fears of pride or judgement is we were to take this option. I think this current farmer mindset limits opportunities. Designed correctly around a suitable business, I believe a structure will be very hard to compete against on the free-market.

#### 4.2.4 Succession Planning with Defined Timelines

Corporate succession plans typically include defined timelines for leadership transitions, often spanning five to ten years. Farm families can adopt a similar approach by:

- Setting clear succession milestones. Setting the milestones based on skills and knowledge and business acumen, rather than based on age may increase the speed towards successful transition.
- Conducting annual reviews of the transition plan. Especially with a farm advisory board OR family succession board, will help to establish the position of the family on the succession pathway. Also give early detection on any occurring problems and opportunities.
- Defining retirement plans for the outgoing generation, ensuring a structured exit that does not destabilize the business. Talking about this early and often will help to maintain the stability of the business.

Creating a structured timeline prevents sudden transitions that can disrupt farm operations and relationships.



#### 4.2.5 Conflict Resolution Mechanisms

In corporate settings, structured conflict resolution processes help manage disputes between executives and shareholders. Family farms, where personal relationships often complicate business decisions, can benefit from similar mechanisms:

- **Mediation Services:** Bringing in neutral third parties to help resolve disputes. Often succession consultants can provide this role.
- **Family Constitutions:** Written agreements that outline roles, responsibilities, and expectations. As well as adapting family "mission statements" to include the views of all family stakeholders.
- **Exit Strategies:** Clearly defined plans for family members who choose to leave the business.

By addressing potential conflicts proactively, family farms can avoid destructive disputes that threaten business stability.

#### 4.2.6 Diversification and Business Model Innovation

Corporations constantly evolve by diversifying revenue streams and adapting business models. Farms can take a similar approach by:

- Exploring alternative revenue streams such as agritourism, direct-to-consumer sales, or renewable energy projects.
- Forming cooperatives to gain better market leverage and reduce financial risk.
- Adopting technology to improve efficiency and reduce costs. This may take short term investment to adopt, but should aim to payback in the short-term.
- Look at diversifying the business in safer industries, such as housing investments.

Encouraging innovation within farm businesses ensures long-term viability and attractiveness for the next generation. (Ryba, 2024)

### 4.3 In summary:

Corporate succession planning offers valuable insights that can significantly improve the sustainability of farm businesses. By implementing structured leadership development, governance frameworks, financial planning tools, defined transition timelines, conflict resolution mechanisms, and business diversification strategies, family farms can create smoother, more sustainable generational transitions.

The future of farming depends on its ability to adapt and embrace strategic succession planning, ensuring that knowledge, land, and financial security are preserved for future generations.



## Chapter 5: Conclusions

### 5.1 Conclusion

The future of farm succession and land ownership in New Zealand hinges on a balanced approach that accommodates family traditions, corporate involvement, and innovative ownership structures. Throughout this report, we have explored the challenges and opportunities in farm succession, the farm progression pathway, and the influence of corporate farming models. It is evident that while traditional succession models still have a place in the industry, they must adapt to a rapidly changing economic and environmental landscape.

One of the key takeaways is the financial strain on new entrants seeking farm ownership. The capital required to enter farming has escalated to levels that make traditional progression models unattainable for many aspiring farmers. The days when farm managers could save their way into farm ownership are largely over. Instead, prospective landowners must now leverage external capital sources, seek innovative investment partnerships, and adapt to new pathways such as equity partnerships, profit-sharing agreements, and lease-to-buy models. These emerging pathways provide alternative routes into the industry while ensuring that land remains in the hands of those with a vested interest in long-term sustainability.

Family succession remains a cornerstone of New Zealand farming, but as demonstrated, it requires meticulous planning, fair distribution of assets, and clear communication between generations. The traditional "handover at retirement" model is proving increasingly unviable, given the rising costs of land and business operations. Instead, successful succession models emphasize early financial decision-making by younger generations, gradual ownership transitions, and the strategic use of external advisors to ensure impartiality and long-term business stability. Families that prioritize structured transition plans, set clear expectations, and engage in open communication are more likely to achieve positive outcomes that benefit both retiring owners and new successors.

The increasing presence of corporate farming is another significant shift that presents both challenges and opportunities. Corporations bring financial strength, economies of scale, and efficiency-driven management, which can enhance agricultural productivity. However, their dominance also raises concerns regarding the erosion of community-based farming and the impact on rural economies. As corporate ownership models expand, it is crucial to maintain pathways that allow individuals and families to continue participating in farm ownership and management. New Zealand must strive for a balance where corporate and family-owned farms coexist, ensuring a diverse and resilient agricultural sector.

Another crucial component of future-proofing the industry is fostering an environment where younger generations see farming as a viable and attractive career. Government and industry stakeholders must work together to create incentives for young farmers, improve access to capital, and establish training programs that equip them with the necessary skills to succeed. Policies that facilitate land acquisition, such as government-backed security programs for livestock and equipment, can also play a pivotal role in enabling more young farmers to enter the industry.

### 5.2 A Call to Action

The agricultural sector in New Zealand is at a crossroads. If farm succession is not approached with strategic planning, financial innovation, and government and industry support, the



traditional family farming model may become increasingly difficult to sustain. However, by implementing clear succession plans, embracing alternative ownership structures, and fostering a collaborative approach between generations, it is possible to maintain a thriving and diverse agricultural landscape.

Farmers, policymakers, financial institutions, and industry leaders must work together to create an environment where young farmers can enter the industry without insurmountable financial barriers. The future of New Zealand's agricultural sector depends on proactive measures to support farm succession, ensuring that the next generation has the opportunity to continue the country's proud farming heritage.

In conclusion, farm succession is not a singular event but a dynamic, multi-faceted process that requires forward-thinking strategies. By embracing change, fostering collaboration, and adopting innovative financial structures, the future of New Zealand's farming sector can remain resilient, sustainable, and prosperous for generations to come.



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It is most important that you reference any statement of fact in your report. This shows the reader that your arguments are based on evidence, rather than on your opinion, which is the difference between writing a report and an opinion piece.

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