



Centre for
Rural Policy Research

Farm Succession: An International Perspective

Matt Lobley
mlobley@exeter.ac.uk

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Conversation between Dave & Joe a 68 year old farmer in Nebraska

- **Joe:** *“You’re the expert; at what age do you think a father should start sharing management duties with his son?”*
- **Dave:** *“Well, Joe, how old is your son?”*
- **Joe:** *“Ah, my son is 39 years old, but I wasn’t asking about my son, I was asking about my father.”*

Conversation between Dave & Joe a 68 year old farmer in Nebraska

Joe: “Each morning my son and I drive over to my dad’s house and wait in the farm yard in our pickup truck until Dad has finished his breakfast. He then leaves the house and walks over to us and explains what we are to do for the day. For example he looks at me and says, “OK you go feed the cows.” and to my son, “and you go rake hay.” He tells us what to do and when to do it.”

Conversation between Dave & Joe a 68 year old farmer in Nebraska

Dave: “What is your father’s estate plan?”

Joe: “Well I really can’t say. We have never discussed it. We don’t talk about stuff like that much.”

A few months later

“Dave, I have some bad news. I asked my Dad about his estate plan, and he told me that he plans to divide all of his assets equally between my seven brothers and sisters and myself. So I will get 1/8 of the farm just like each of my siblings who have not spent a single day working on this place since they left”

This story does not end well

- Joe had worked on the farm for over 50 years. He was paid a very low wage and given a sub-standard house to live in.
- Joe's son was paid even less & left after learning about the inheritance plan.
- Joe inherited 1/8 of the farm at the death of his father. He was unable to acquire finance to buy out his siblings.

This story does not end well

- The farm was sold to the highest bidder.
- Joe and his wife spent most of their inheritance on medical bills. They now live in a low income public housing project in a small Nebraska town and are living on social security benefits.

Overview

- The importance of families and passing the baton
- Some evidence from *Farmtransfers*
- Benefits of succession and retirement planning and the risks for failure
- Start at the beginning: Family, Ownership, Business (FOB)
- Conclusions

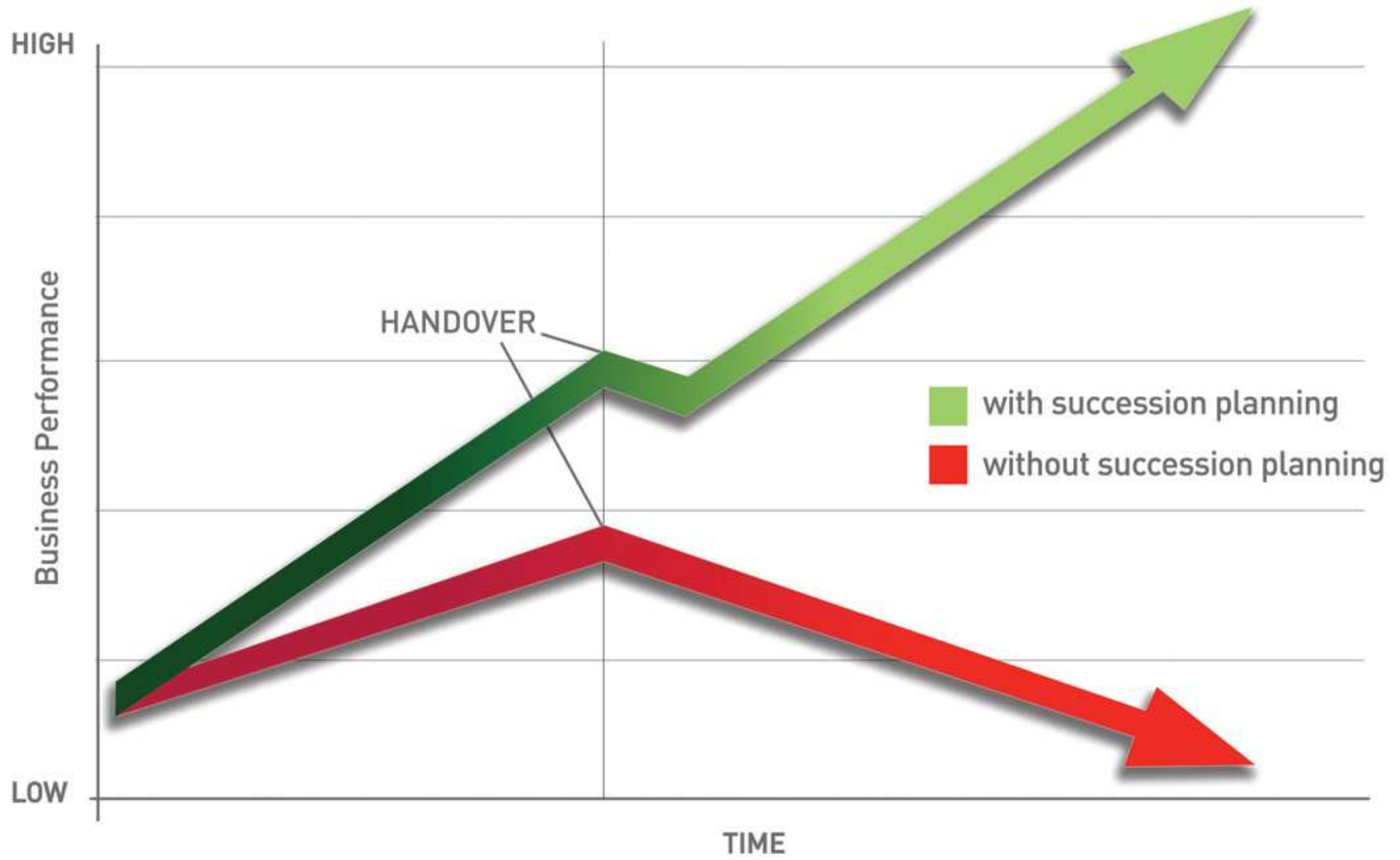
The Importance of Families

- ‘Familianness’: unique bundle of ‘resources’ resulting from interaction of family & business.
- Generally thought to offer competitive advantage to family firms, where vision and commitment to the business are deeply embedded in family history.
- ‘Emotional ownership’: idea that the business is, in some sense, part of who you are as a person.
- ‘Family capital’ – commitment & participation of family members.

Passing the baton



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Getting it wrong

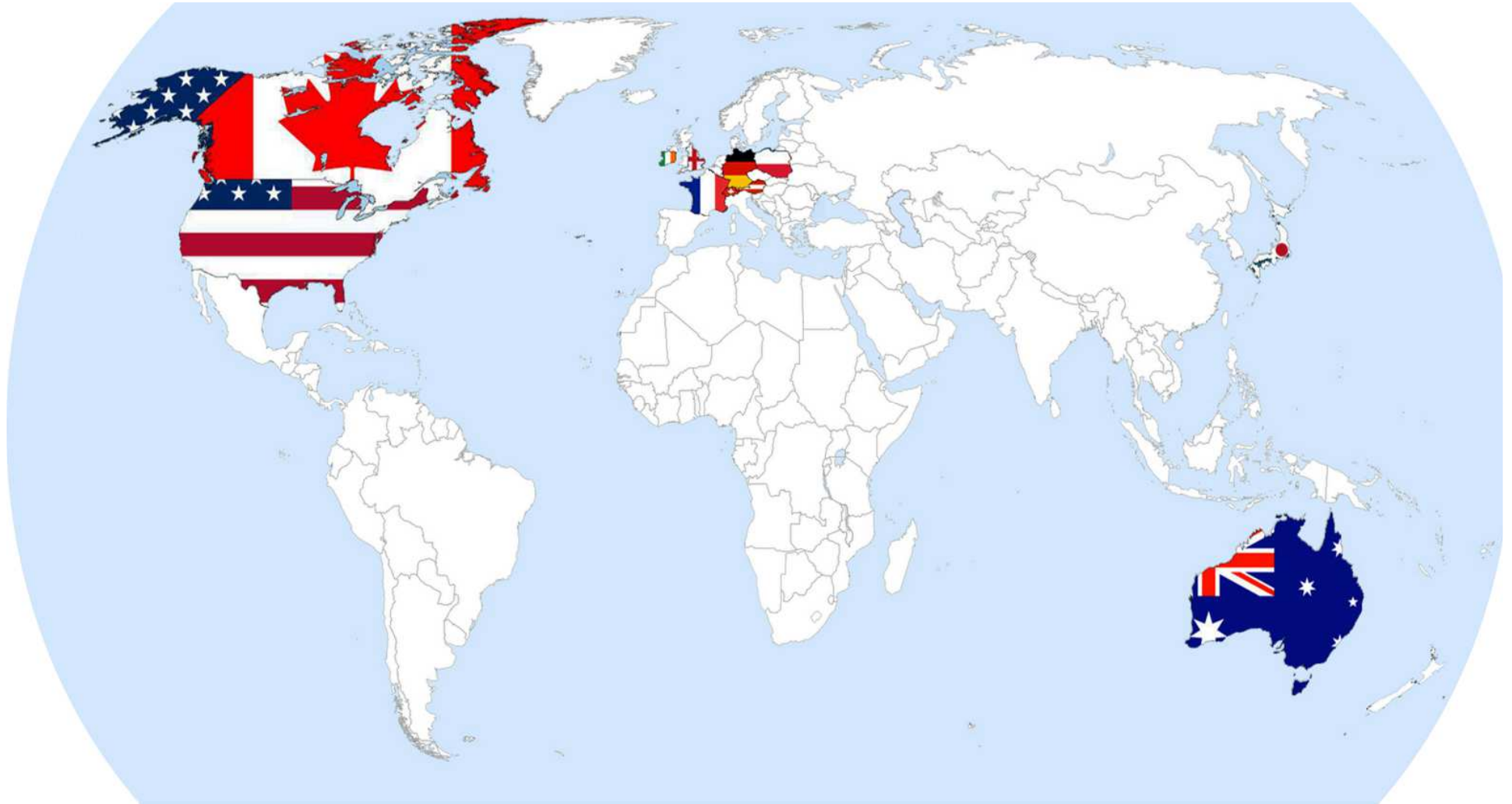


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Some definitions

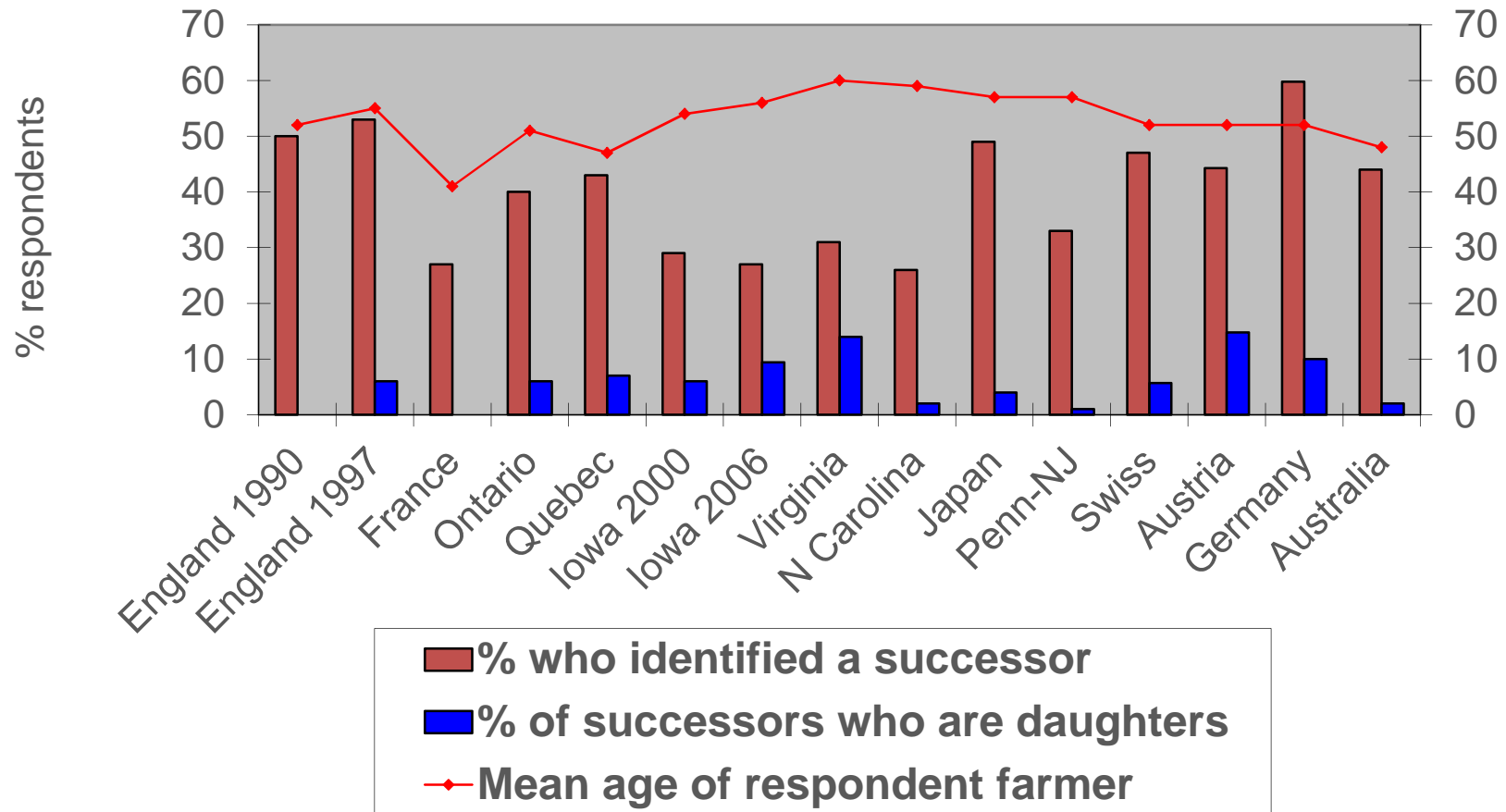
- **Succession:** The inter-generational transfer of *managerial* control
- **Retirement:** Withdrawal from physical labour/managerial control. Inter-generational transfer of managerial control.
- **Inheritance:** The inter-generational transfer of *ownership* land and farming assets

Farmtransfers

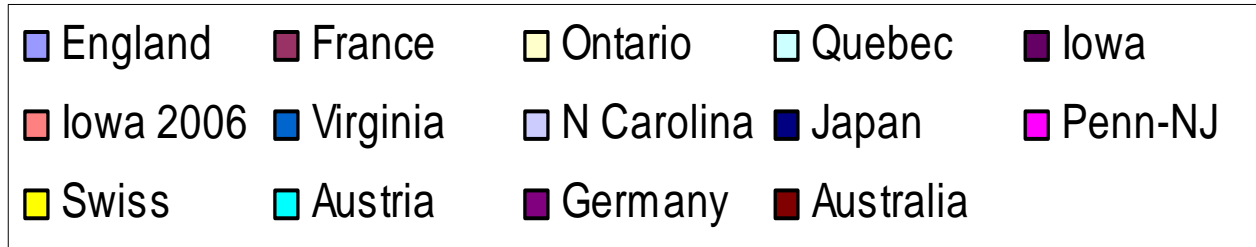
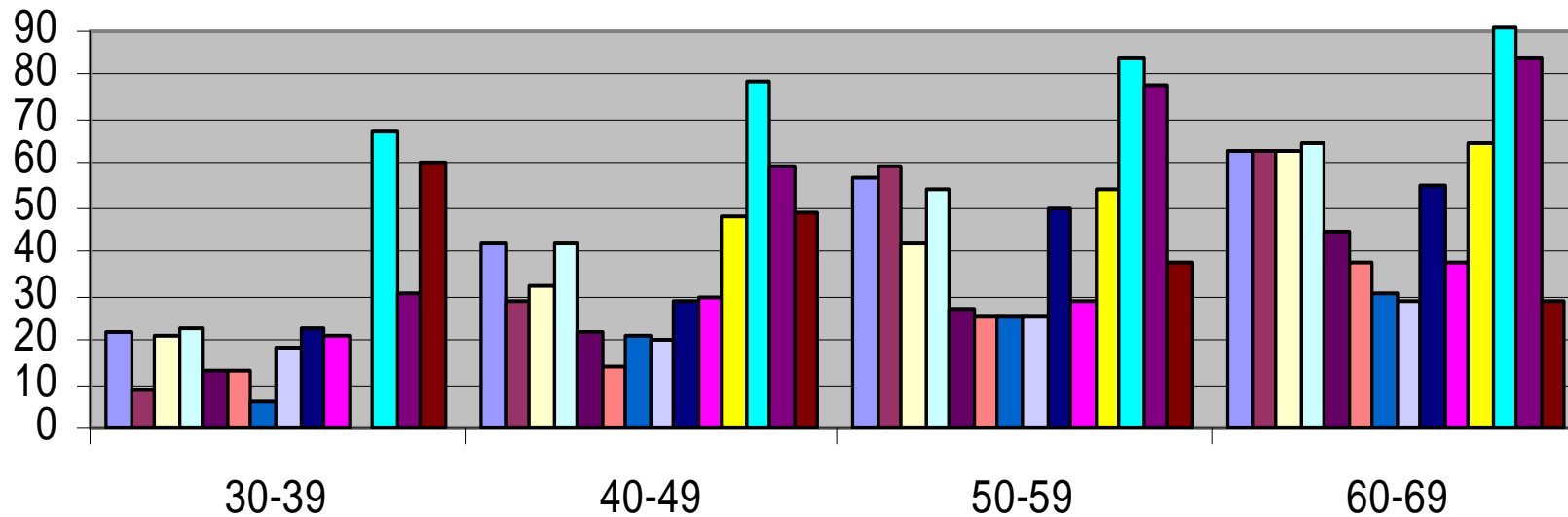


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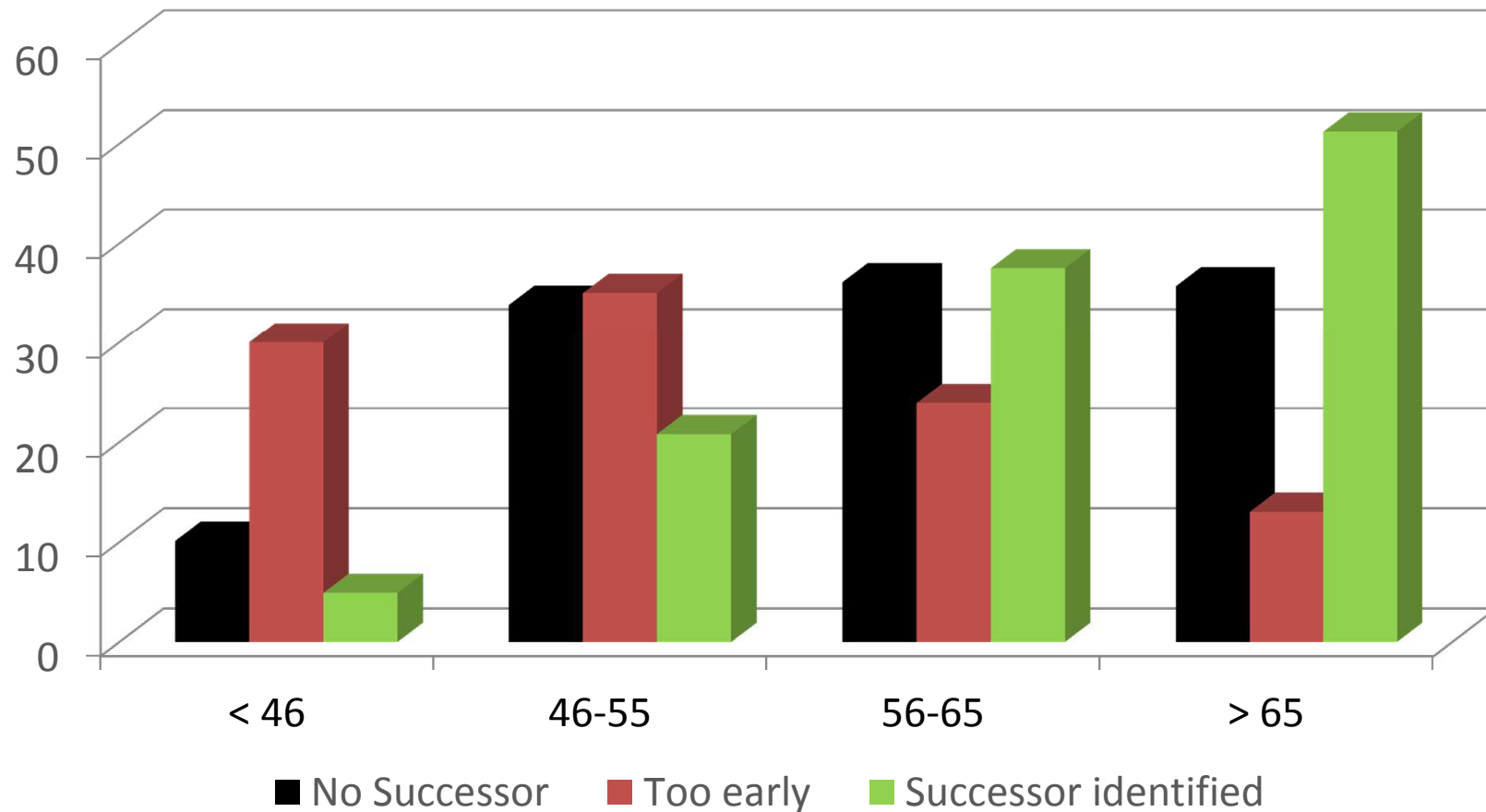
Identification of a successor



Identification of a successor



Expectation of succession & age of farmer (SW England)



Transferring Knowledge and Managerial Responsibility

- Effective farm management requires the skills & knowledge learned from experience and related to a particular farm as well as from formal education and training.
- The delegation of managerial responsibility is a vital mechanism for transferring farm-specific managerial know-how in a farm business.

Activity/Decision	Eng	Ontario	Quebec	Iowa	Virginia
Decide when to pay bills	1	1	1	2	1
Identify sources and negotiate loans and finance	2	2	2	1	2
Negotiate sales of crops or livestock	3	3	3	3	4
Decide when to sell crops/livestock	4	4	5	3	5
Decide and plan capital projects	5	5	8	3	7
Decide long-term balance and type of enterprises	6	7	10	12	5
Make annual crop or livestock plans	7	8	4	7	9
Negotiate purchase of machines and equipment	8	6	9	8	8
Plan day-to-day work	9	12	11	10	12
Decide timing of operations or activities	10	9	7	11	10
Decide type and make of machines and equipment	11	10	12	13	10
Decide work method or way jobs are done	12	13	13	9	13
Decide level of inputs used	13	11	6	6	3

The 'farmers boy' syndrome

- In the late 1990s an estimated 24% of successors working FT on the farm classed as 'farmers boy' compared to 9% in USA (Iowa) & 7% in Canada
- "... it's hard for them to let go of the reins because it's all they've ever done and they've got nothing else in their lives. ... I've come across farmers in their 60s, maybe in their late 60s now who have never signed a cheque in their lives because their old dad in their 80s or 90s always signs the cheques. There's a lot of that about, although less so now" (retired farmer, 2013)

Benefits of succession and retirement planning

- Protect the business
- Protect family assets
- Allows successor(s) and older generation to plan
- Remove uncertainty

Risks of failing to plan

- Loss of the business
- Alienation of next generation
- Failure to prepare the next generation
- Older generation 'trapped' on the farm



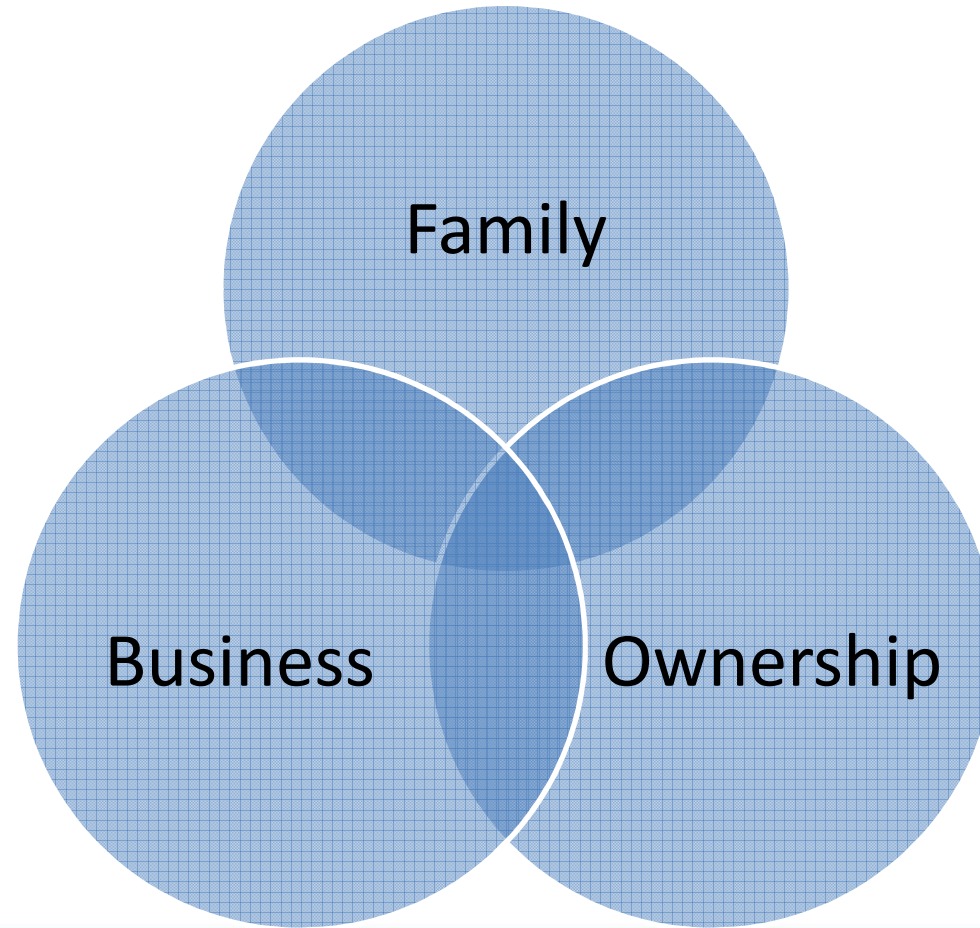
Thur 2 May	Fri 3 May
<p>8:30 - 12:30</p> <p>Family Business Frameworks</p> <p>Owens Case</p> <p>Joachim Schwass</p>	<p>8:30 - 09:45</p> <p>Governance</p> <p>Joachim Schwass</p> <p>10:00 - 12:30</p> <p>Live Cases:</p> <p>Wastenage Farms & Otter Brewery</p> <p>Matt Lobley</p>
<p>12:30 - 13:30</p> <p>Group Picture & Lunch</p>	<p>12:30 - 13:30</p> <p>Lunch</p>
<p>13:30 - 16:00</p> <p>Putting it into Practice</p> <p>Ben Bryant</p> <p>16:15 - 18:15</p> <p>Generational Succession & Strategy – Zegna Case</p> <p>Joachim Schwass</p>	<p>13:30 - 15:30</p> <p>Sociograms</p> <p>Creating dialogue Tools</p> <p>Ben Bryant</p> <p>16:00 - 17:30</p> <p>Lessons learned and Tool Kit - Q&A</p> <p>Joachim Schwass Ben Bryant Matt Lobley John Varley</p> <p>17:30</p> <p>Close</p>
<p>18:15 – 19:00</p> <p>Drinks & Buffet Dinner</p>	
<p>19:00 - 20:00</p> <p>Screening of Film: Carnuba</p>	

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Start at the beginning: Family, Ownership, Business



Define The Role

- Identify individual business roles
- Delegate decision making authority
- Establish accountability
- Develop a family business constitution – the goals and values of the business, it's aims, rules of behaviour ...

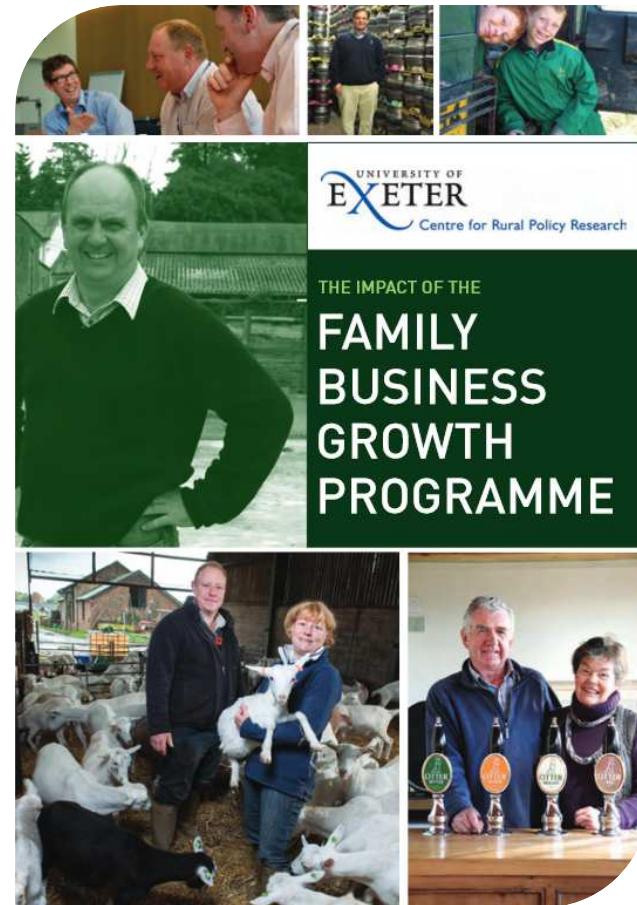
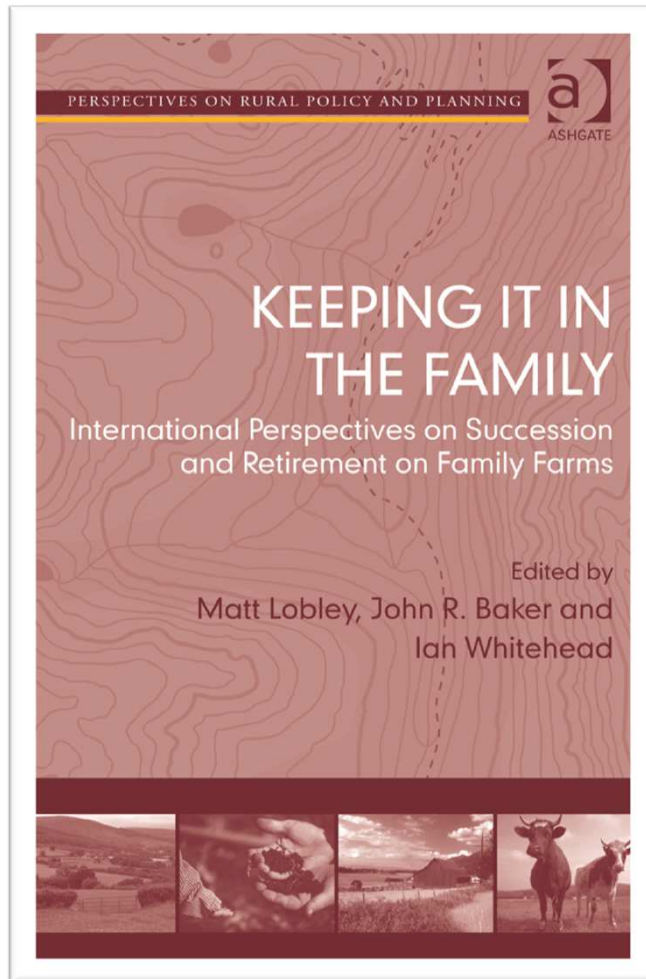
Conclusions

- High rates of succession testament to tenacity & persistence of farm families.
- As well as business assets, successors receive transfer of detailed local agricultural and environmental knowledge.
- Repeated transfer of farms down generations of same families in a locality results in farming families deeply socially embedded in their communities.
- Timely succession can act as powerful incentive to grow and develop the business.

Conclusions

- High rates of successor identification not enough. How can the ‘farmer’s boy’ issue be addressed?
- Encourage the delegation of management responsibility.
- Plan for succession. Plan for retirement. Involve the children & family.

Read all about it!



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Acknowledgements



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Local Enterprise Partnership

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Extension and Outreach

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Thank You

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