

A summary of the research exploring positive family farm succession



A NZIER 2023 Study for Thriving Southland

In this report, NZIER explored factors that enable positive family farm succession. Poor handling of farm succession can cause a raft of issues, including damage to family relationships, loss of the farm (through sale or otherwise) or poor management (*Nuthall and Old 2017; Sclater 2017*).

One assumption underlying this research is that younger farmers want and need to farm differently from their parents. The New Zealand literature suggests that, to some extent, this is true – younger farmers are less risk-averse, more influenced by social norms, and less focused on financial outcomes (*Brown, Daigneault, and Dawson 2019*).

They are also more likely to adopt new technologies, convert land uses, and farm because of family tradition (*Brown et al. 2019*). Younger farmers are more likely to implement sustainable management plans to help with meeting environmental targets. These intergenerational differences in ways of farming and prioritisation of environmental outcomes may cause some tension around succession (*Weastall 2020*).

One useful theory to understand the various stages of succession is Vogel's (2006) six-stage model, as described by Falkiner et al. (2017):

- » Farmer develops retirement plan
- » Successor identified
- » Gradual transfer of control from farmer to successor
- » Legal transfer of property
- » Successor begins to make changes on farm
- » Outcomes of changes have impacts on the farm business.

This model is helpful for thinking about succession in terms of if and when any issues might arise and when help is needed. Some literature has found that succession can fall down at the first stage, as farmers either do not want to consider retirement or stay on longer than is beneficial for the farm (*Falkiner et al. 2017*). However, successions do not necessarily pass neatly through all six stages in sequence, so it is important not to rely too rigidly on this model. The model also does not include additional members of the family, such as the children, who are not the successors. Their input and concerns will likely need to be considered as succession plans are developed.

International literature conclusions, that aligned with New Zealand, found that:

- » Around the world, family farm succession is a complex and 'sensitive' topic.
- » The financial viability of family farm succession is an issue, and increasingly so.
- » Ensuring equal treatment of siblings is central.
- » Succession is typically a gradual process, a journey rather than an event.
- » There is no single way for succession to occur; family dynamics play a huge role.



THE NEW ZEALAND STUDY FINDINGS

The report writers interviewed a range of different families and extrapolated some themes.

1. Older generations do make way for their successors to try new things
2. Success means looking after the whole family and ensuring the preservation of family relationships, including a lengthy apprenticeship period to learn the ropes.
3. Four key factors enable a positive family farm succession journey
 - a. **Good communication** – Family members should talk about farm succession openly and sooner rather than later.
 - b. **Clear vision and goals** – Establishing a clear vision and goals puts everyone involved on the same page.
 - c. **Capability** – The literature describes four types of capabilities required to successfully run a farm business: strategic, operational, management and financial.
 - d. **Financial viability** – Like any business, the farm ultimately needs to be financially viable after succession: for parents, children, and subsequent generations.

Environmentally focused farm practices were not a succession issue for the families in this study. They made incremental rather than major changes and tended to discuss and agree on changes to farming practices. In addition, financial drivers tended to be more important than environmental drivers for on-farm changes.

The full report gives more detail and context to each of the factors and can be read at: www.thrivingsouthland.co.nz/succession-planning

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