



**KELLOGG**  
RURAL LEADERSHIP  
PROGRAMME



Achieving successful family farm succession in the  
New Zealand dairy industry

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## Executive Summary

Family farm businesses are the backbone of the New Zealand dairy industry, with many farms being handed down generation after generation to be retained under family ownership today. The dairy farming landscape, however, is changing. Dairy businesses are increasing in size, scale, and value. There are also many challenges looming in the sector as the country navigates towards being more environmentally sustainable, and the consumer demands more sustainably produced food. These challenges will largely need to be handled by the next generation of farmers. To ensure family farm businesses, and the New Zealand dairy industry, can continue to thrive it is important that succession is done well.

The aim of this report is to understand the key challenges that farming families face when trying to navigate through the success process and identify solutions to these challenges. The methodology includes a literature review, followed by semi structured interviews to gain insights from farmers and experts on their experiences. Interview responses were thematically analysed with key themes then critically analysed to gather findings.

Key challenges to succession were found to be poor communication, incorrect legal structure, a reluctance from farmers to start the process, and a lack of clarity. Solutions to these challenges were identified as improving family communication, getting the legal structure right, reading literature to improve understanding, putting a plan in place, and engaging the help of an independent facilitator.

### Recommendations for farming families:

- Start discussions early regarding succession with your children and trusted advisors. Know that the succession process takes time. Early discussions help establish clarity for parents on potential successors, and clarity for children on how they may organise their lives.
- Plan for succession. Parents to establish what the desired outcome for succession. It is important that this plan comes from the parents. It is also important that this is a formal and written plan and is followed up on regularly.
- Look to establish good family communication habits from a young age. For families who struggle to communicate effectively, all family members should be encouraged to read two books which provide great insight into effective family communication. These books are 'The Secrets of Happy Families' by Bruce Feiler and 'The 7 Habits of Highly Effective Families: Building a Beautiful Family Culture in a Turbulent World' by Stephen Covey.
- Establish a company/trust structure
  - When first setting up the farming business with a solicitor or accountant, the company/trust structure should be put in place. This should be right at the beginning of the farming journey and well before succession is thought of.
  - If the farming business is not currently in a company/trust structure it is important that this structure is set up and assets are transferred to this structure before proceeding with succession.

- Engage with an experienced succession facilitator who is an expert in their field. The facilitator will help to start the process, lead the process and, along with a support team of trusted advisors, help the family to achieve success. A facilitator can also help to improve family communication and the formation of a written succession plan. Funding is available and can be accessed through MBIE and your Regional Business Partner under the Management Capability Development Fund.
- Read the 2<sup>nd</sup> Edition of 'Keeping Farming in the Family' written by Ian Blackman. This is a well-thought-out book that has been specifically written to help New Zealand farming families through the succession process.

### **Recommendations for the dairy industry:**

- Industry bodies to engage with accountants and solicitors who deal with farming families to help them better understand:
  - The implications of setting up partnership and trust structures for family farming businesses and the subsequent challenges that arise with these structures when the succession process begins.
  - The importance of the company/trust structure for family farm succession and the all-around benefits that this structure provides to family farm businesses.
- Industry bodies to create awareness about independent facilitators. Specifically:
  - That there is a number of experienced succession facilitators available
  - There are significant benefits that independent facilitators can provide to make the succession process easier
  - That there is funding available through MBIE to help cover the cost of this service.

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# Table of Contents

<b>Executive Summary</b> .....	2
<b>Acknowledgements</b> .....	3
<b>1. Introduction</b> .....	6
<b>2. Aims and objectives</b> .....	7
<b>3. Methodology</b> .....	7
<b>4. Literature review</b> .....	8
4.1 Importance of succession in the dairy industry .....	8
4.2 Challenges to successful family farm succession .....	10
4.2.1 Lack of clarity .....	10
4.2.2 Reluctance to start .....	10
4.2.3 Poor communication .....	11
4.2.4 Incorrect legal structure .....	11
4.2.5 Lack of a suitable successor .....	13
4.3 Solutions identified to overcome succession challenges .....	14
4.3.1 Planning for succession .....	14
4.3.2 Starting early .....	15
4.3.3 Improving family communication .....	15
4.3.4 Getting the structure right .....	16
4.3.5 Seeking advice and support .....	16
<b>5. Findings and discussion</b> .....	17
5.1 Key challenges to farm succession .....	17
5.1.1 Lack of clarity .....	18
5.1.2 Reluctance to start .....	18
5.1.3 Poor communication .....	18
5.1.4 Incorrect legal structure .....	18
5.1.5 Lack of a suitable successor .....	19
5.1.6 Achieving fairness .....	19
5.2 Solutions to challenges of farm succession .....	20
5.2.1 Starting early .....	21
5.2.2 Put a plan in place .....	21
5.2.3 Improve family communication .....	22
5.2.4 Getting the structure right .....	23
5.2.5 Engage the help of an independent facilitator .....	24

1. Trusts Act 2019 legislation came into effect in New Zealand on 30 January 2021 and at this time the maximum lifespan of a Trust was increased from 80 to 125 years.

5.2.6 Read the book 'Keeping Farming in the Family' .....	25
5.2.7 The successor .....	25
5.3 The desired outcomes from succession.....	25
<b>6. Conclusions</b> .....	<b>26</b>
<b>7. Recommendations</b> .....	<b>27</b>
<b>8. References</b> .....	<b>29</b>
<b>9. Appendix</b> .....	<b>32</b>

# 1. Introduction

The dairy industry is New Zealand's biggest export earner with forecast revenue of \$21.6 billion in the year to 30 June 2022 (MPI, 2022). Global demand for dairy produce appears to be strong with dairy commodity prices currently at record levels. Food production will likely have to increase by 70% to feed a projected population of 9.1 billion by 2050 (Langrange, 2015). This will continue to drive increased global demand for dairy products.

There are competing challenges looming in the dairy sector with the current government in New Zealand accelerating the drive to reduce emissions and improve water quality to improve environmental outcomes. The consumer is also demanding more ethically sourced, environmentally sound, and healthy food (KPMG, 2021). These challenges will have significant implications for dairy farmers who will need to change the way they farm to reduce their environmental footprint. It will be the next generation of farmers who will face these challenges and devise solutions to ensure they remain truly sustainable (both financially and environmentally).

Dooley (2008) explains that the significant majority of dairy farm businesses in New Zealand are family owned. Family farm businesses are therefore the backbone of the New Zealand dairy industry. The success of our dairy industry will be driven by the next generation of farmers who will require different skills to navigate the challenges that will be faced (Dooley, 2008). It is important that intergenerational succession processes are done well within family farming businesses to ensure our primary sector continues to thrive.

Although succession is critical to the success of the agriculture industry in New Zealand, it is very concerning that only 30% of farms have identified successors (Brown & Roper, 2017). Research suggests that succession is currently being carried out too late on the majority of family farming businesses on New Zealand (Nuthall & Old, 2016). Delaying succession makes it more difficult for the incoming generation to be in a position to successfully take over the family farming business.

This report explores challenges farmers may face during the succession process, to better understand why successors are not being identified and the process is not happening sooner.

This report will focus on answering the question:

*How can challenges be overcome to enable successful family farm succession in the New Zealand dairy industry?*

## 2. Aims and objectives

The aims and objectives of this report are to:

- Understand the major challenges farming families encounter when working through the succession process
- Provide solutions to these challenges
- Provide key recommendations to both farmers and the dairy industry as to what actions can be taken to enable improved farm succession in the future

## 3. Methodology

This report uses a combination of literature review and interviews to form the basis of the findings, conclusions, and recommendations.

A literature review was initially completed to reconfirm initial thinking around family farm succession and to also gain a better understanding of;

- The importance of succession for the New Zealand dairy industry
- The common challenges that farmers are faced with when working through the succession process
- Solutions to these challenges to ensure a successful outcome for family farm succession

Semi-structured, qualitative interviews were then completed with a group of selected farmers and two highly experienced succession facilitators. Interviews were completed either in-person or via video conference.

Seven dairy farmers were interviewed, each from successful family farming businesses. Interviewees were made up of three older generation farmers and three younger generation farmers. Four of the seven interviewees had a successful succession plan in place, while the remaining three were in the process of working through the early stages of succession. The farmer interviews were designed to give a better understanding of the succession process from a farmer's point of view, what has worked well, the challenges that have been faced through the process, and how these challenges have been overcome.

The two experienced facilitation experts interviewed are widely known, having helped facilitate succession for around 1,000 and 150 farming families, and having 30 and 10 years' experience respectively. These experts have provided additional insights which have been a valuable part of this research project.

This report critically analyses existing research on farm succession through the literature review. Interview responses from farmers and experts have identified the key challenges to succession, and perceived solutions to these challenges. These challenges and solutions have been thematically analysed, which is a key method of qualitative analysis (Braun & Clarke, 2006).

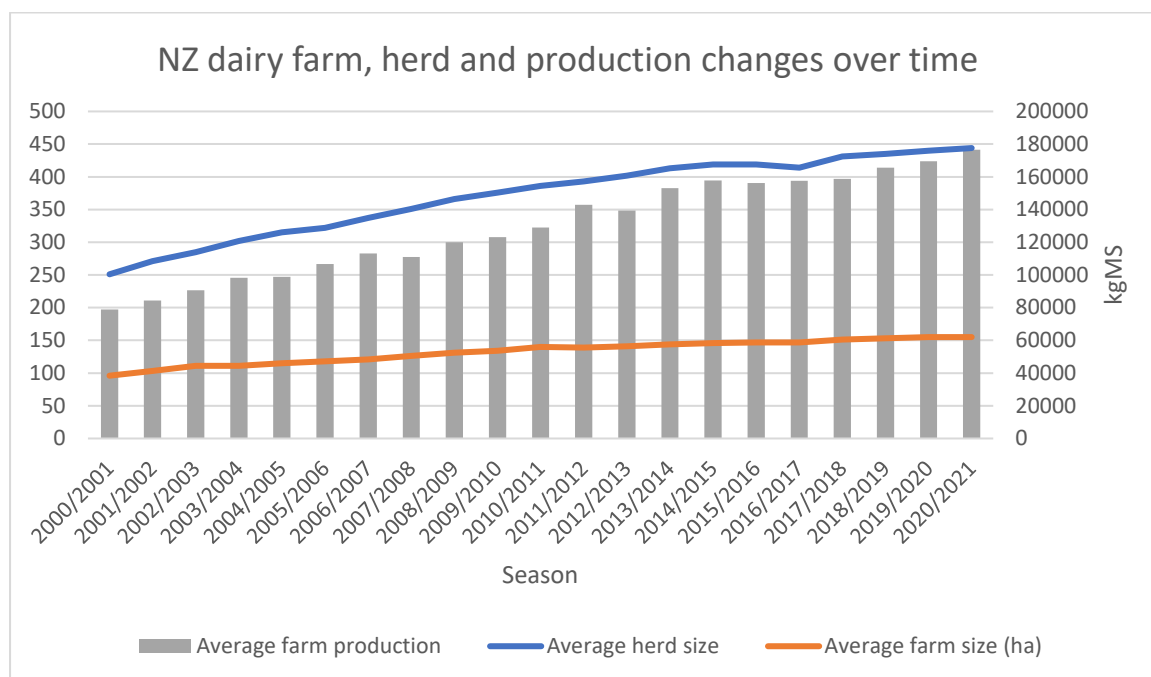


Interview responses were initially grouped together under each interview question with key points then coded. Key themes were then identified for both challenges to succession, and solutions to overcome these challenges. Specific challenges and solutions were then grouped within each theme identified. These key interview themes from both farmers and experts were again critically analysed against the literature review information. This method has been effective, with information being gathered from three separate sources (the literature, farmer interviews, and succession facilitator interviews). This has given a robust data set from which to establish key findings, conclusions and recommendations.

## 4. Literature review

### 4.1 Importance of succession in the dairy industry

Dairy farming in New Zealand is underpinned by family-run businesses. Dooley (2008) suggests that in New Zealand, that the majority of dairy farm businesses are family owned (86% in the North Island and 70% in the South Island).

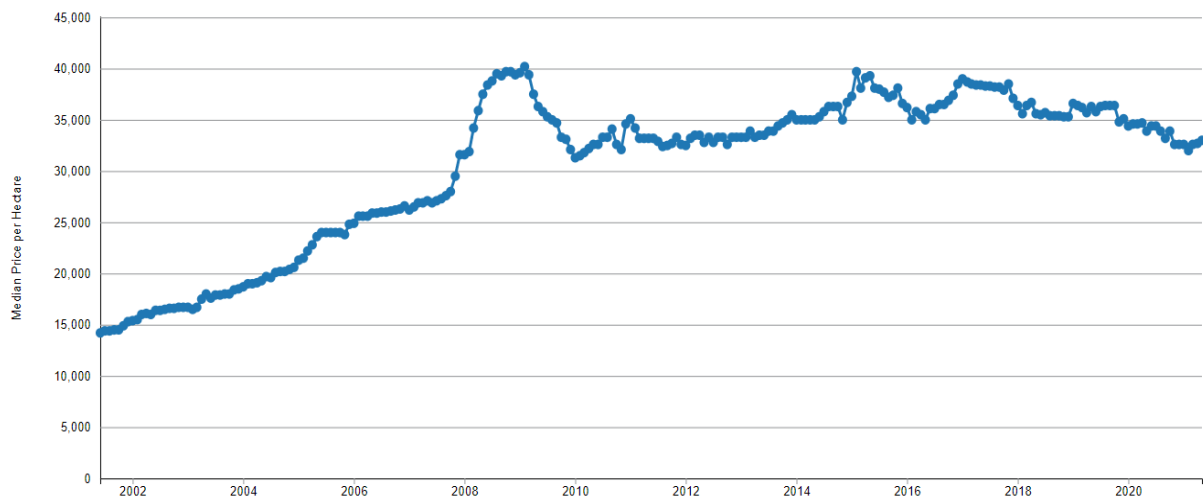


**Figure 1 – NZ dairy farm, herd, and production changes over time (DairyNZ – New Zealand Dairy Statistics 2020-21)**

New Zealand dairy farming businesses, which are predominantly family-owned, are becoming larger in scale. Figure 1 shows that over the past twenty years the average herd size has increased from 251 to 444 and the average farm size has increased from 96Ha to 155Ha. Average farm production has also increased significantly from 78,914kgMS to 176,503kgMS over this period. This increase in scale has been brought about through a period of new dairy farm conversions and also the amalgamation of smaller farms into larger farms. This growth has largely been fuelled by bank lending with rural debt increasing fourfold over the last 20 years to \$45 million (RBNZ website).

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The value of dairy farms has also increased significantly across New Zealand as shown in Figure 2 below.



**Figure 2 – NZ dairy farm median sale price per hectare over time (REINZ – Rural Insight Report 2022)**

Dairy farm values have more than doubled in the past 20 years with the median sale price back in 2000/2001 at only \$14,200, increasing to \$33,000 by 2020/2021 (REINZ website). The average family dairy farm is a much more significant business than it was 20 years ago, and because of this, effective farm succession becomes much more important to get right.

Blackman (2017) explains that there are significant benefits of having families retaining ownership of farmland, both environmentally and economically. Many families farm with a view toward the next generation and because of this are actively working to ensure the farm is farmed sustainably. Further to this, farming families have pride in the way they farm, striving to increase the economic value of the land as their forefathers have in the past.

When succession on a family farm occurs from one generation to the next it is important to note that it is not just the land that is transferred. There is also a significant amount of knowledge and passion that is required to continue dairy farming successfully (Blackman et al., 2015). Nuthall & Old (2016) share this view and explain that 'Succession must not only involve the transfer of farm assets but also consider effective ongoing management'

This transfer of assets and knowledge is important for not only the continued success of the family farming business but the success of the dairy industry as a whole. Nuthall & Old (2016) further support this view suggesting efficient farm succession is critical for the financial and emotional well-being of families and rural communities and New Zealand as a country.

Global research suggests the younger generation of farmers may be better equipped to deal with looming challenges. Younger, well-educated farmers are often more open to adopting environmentally friendly farming practices than their older counterparts (Morais et al., 2018). Cavicchioli et al. (2018) take this idea further and suggest it is important for farm succession to successfully occur to ensure sustainability and innovation are promoted in the agricultural sector.

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## 4.2 Challenges to successful family farm succession

To better understand why farming families are struggling with the succession process, it is important to identify the major impediments they are facing. Challenges have been identified through a broad range of literature reviewed and have been organised into four major categories; poor communication, incorrect legal structure, lack of planning, and reluctance to start the process.

### 4.2.1 Lack of clarity

Lack of clarity can come from the older generation or younger generation.

Many older generation farmers do not consider life after farming and how they intend to retire (McLeod & Dooley, 2012). For the succession process to proceed, parents need to figure out what they want to achieve and how they intend to get there (Blackman, 2017). Conway et al. (2021) explain how it is often the older generation farmers who are reluctant to plan effectively for the future even though planning is seen as a critical step to successful succession.

The younger generation can also lack clarity on what they want to do in life. Research suggests that globally, parents are now encouraging children to pursue careers outside of farming (Dooley, 2008. Pitts et al., 2009). This is a change from the past where children were encouraged to become farmers early in life (Froese, 2014). Children now often start in career off-farm, where they get a chance to explore different opportunities. These different opportunities may be attractive, making it harder for them to decide whether they really want to come back to the farm.

### 4.2.2 Reluctance to start

Reluctance to start the succession process can occur due to several reasons. Conway et al. (2021) suggest the reluctance of the older generation to progress succession can stem from their reluctance to embrace change. Differences in perspectives between generations can create conflict in opinions in regard to the future development of the farm. Often the older generation have an unconscious bias towards the way they have traditionally done things in the past, even if there are potential benefits of making changes. In a contrasting view, Nuthall & Old (2016) explains that farmers have a desire for the farm to be handed down to the next generation but can be reluctant to discuss and work through succession as they often don't know where to start.

Often for the parents, farming has been a massive part of their lives. The thought of giving up ownership and control of the farm can therefore be quite confronting. Santhanham-Martin (2019) suggests that for the older generation, farm succession is often tied in with retirement and the reluctance to cease farming completely. This can signal them having to start thinking about life after farming, what might happen once they are no longer physically able to meet the demanding requirements of dairy farming, and even death. Blackman (2017) has a different view, suggesting that today it is very rare for control and ownership to be passed onto the next generation all at once, with there often being a period of shared ownership and control. Even though succession may happen slowly over time, it can still be a big step to start the process for the parents who are essentially handing over their life's work.

Reluctance can also stem from parents not wanting to put pressure on their children to continue farming (Santhanham-Martin, 2019). This can be down to their own negative

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experiences and difficulties they have experienced with farming. Because they do not want to pressure children to decide about their future, they may be unsure who the successor will be.

Deavoll (2018) explains that 'farming is often seen as a less desirable future for the younger generation'. This view is shared by Blackman (2017) who suggests long hours and hard physical labour mean that the current generation is questioning whether they want to end up in a farming career. Dooley (2008) has a different view suggesting attitudes are changing and young people today are developing a greater affinity for the land and are more willing to come back to the family farm which bodes well for the future.

#### 4.2.3 Poor communication

McLeod (2009) describes ineffective communication and lack of transparency as the main reason for failed intergenerational farm succession, with 60% of failures attributed to these issues. Global research suggests that the quality of communication within a family contributes to the effectiveness of the succession plan (Pitts et al. 2009).

Kaplan et al. (2009) describe the following reasons for poor communication between generations when it comes to succession:

- Avoidance of raising perceived uncomfortable issues
- Assuming everyone has the same expectations and understanding about the future
- Resistance to change
- Fear of the unknown
- Desire to avoid conflict
- Uncertainty about children's plans and career choices
- Established family decision-making patterns
- Facing up to the reality of growing older and passing on control
- Concern about the stability of successors family/marriage

Nuthall & Old (2016) explain that farm succession is such a complex topic to discuss, and because of this, farmers are often reluctant to discuss and organise succession. Communication regarding succession can be difficult as parents, succeeding children and non-succeeding children will all have different perspectives on what they think should happen. To ensure relationships remain intact, the succession discussion is therefore not had and put to the side. Kaplan et al. (2009) found that farmer communication was often passive when discussing plans for the family farm. Parents often would stall to see how their children's careers and relationships panned out before starting to discuss the future of the family farm. This passive communication can often lead to parents incorrectly assuming what their children's needs and wants are regarding succession (Dooley, 2008).

#### 4.2.4 Incorrect legal structure

The legal structure an essential vehicle to allow the transfer of wealth from one generation to the next. It is therefore a very important consideration for family farm succession. This can be a challenge depending on the structure of the family farm business that is currently in place as some structures do not allow for easy transfer of assets.

Several common legal structures are used in New Zealand family farm businesses with the most common being sole trader, partnerships, companies, and trusts. Nuthall & Old (2014) confirm that of the 805 New Zealand family farm businesses that they surveyed, 69% of respondents held assets in a partnership structure, 47% held assets in a trust structure, and

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14.5% in a company structure. It is important to note that some businesses may hold land assets in one entity and other assets in a second entity.

Hamilton (2016) explains that different factors that are taken into account when setting up the legal structure of a family farm business. These factors may include flexibility, tax, and protection of assets from business risk. Spargo (2011) suggests in New Zealand, farmers commonly have predetermined legal structures set up well before succession planning becomes relevant. Structures have often been put in place initially for tax purposes, with future succession not factored in. This can have significant implications in the future when succession becomes relevant.

Sterritt (2014) suggests that in the New Zealand dairy sector, more businesses are moving away from simple husband and wife partnership structures to more complex structures such as trusts and companies. This may suggest over time farmers have received differing advice from the likes of their accountant or solicitor when setting up the structure of their businesses.

Weller (2013) suggests there appears to be no common theme in regard to the legal structure of farm businesses in Australia, with farms in the same region and of similar size often structured differently. McAllister & Geno (2004) suggest Australian farm legal structures were somewhat influenced by age with older generation farmers more likely to have a sole trader or partnership structure and younger generation farmers more likely to have a more complex trust or company structure.

#### Sole trader/partnership structure

The sole trader and partnership structures are commonly seen throughout family farming businesses. They are easy to set up and cost-effective. However, there is a higher liability for individuals involved than either a company or trust structure. These types of structures are inflexible when it comes to succession. The farming business assets cannot be transferred over time and must be sold to a new entity for succession to occur. There is also added risk when parents pass away under a sole trader or partnership structure, at which point, the will becomes the vehicle to distribute assets. Unfortunately, wills, on their own, are inflexible and add risk to the succession process (Blackman, 2017).

#### Trust

Trust structures have become more common in recent times. Trusts are often set up as the land-owning entity with either a partnership or company then set up to own other farming assets and be the trading entity. Hamilton (2016) explains that trusts can be effective in protecting assets when a relationship breakdown has occurred. Trusts can also provide flexibility in the distribution of income and assets to a large group of people as beneficiaries. Blackman (2017) also explains that if any form of death duty or capital gains tax is introduced in the future, which is quite possible in New Zealand, a trust can better protect farming assets than other ownership structures. The Trust also ensures the preservation of assets if individuals involved were to pass away. The Memorandum of Wishes document is created when a Trust is formed and outlines how the trustees want the trust to be run in their lifetimes, and once they pass. New Zealand has one of the highest numbers of trusts in the world, and it is suggested that the reason for this is due to our unique tax and legal landscape from the 1950s onwards (Law Commission Report, 2021).

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Trusts, however, also have limitations; having a maximum lifespan of 125 years<sup>1</sup>, being expensive to set up, maintain, and wind up, and the farm asset having to be sold to facilitate succession.

### Company

The company structure has the benefit of being very flexible, with changes to ownership not requiring assets to be sold. The company is unique in that assets can be transferred slowly over time through changes in shareholding. A company does not have a lifespan so essentially can remain in place forever. Directors are individually liable but shareholders (or owners of the company) are shielded and not individually liable.

The company structure, however, does have some disadvantages. These include being more complex and costly to set up, having additional statutory requirements, additional legal and accounting costs and being expensive to wind up. In a family farming situation where there is a desire for intergenerational farm ownership, the company could remain indefinitely, negating the disadvantage of a costly wind-up.

**Table 1 – Pros and cons of typical structures for farming businesses in New Zealand (Blackman, 2017. Hamilton, 2016)**

Structure type	Pros	Cons
<b>Sole trader or Partnership</b>	<ul style="list-style-type: none"> <li>- Very simple to set up</li> <li>- Cost-effective</li> </ul>	<ul style="list-style-type: none"> <li>- Higher liability to individuals involved</li> <li>- Lack of flexibility for asset transfer</li> <li>- Additional risk if individuals pass away</li> </ul>
<b>Trust</b>	<ul style="list-style-type: none"> <li>- Effective protection of assets</li> <li>- Potential protection from future taxes</li> <li>- Preservation of assets if individuals pass away</li> </ul>	<ul style="list-style-type: none"> <li>- Costly to set up, maintain and windup</li> <li>- Maximum lifespan of 125 years</li> <li>- Lack of flexibility for asset transfer</li> </ul>
<b>Company</b>	<ul style="list-style-type: none"> <li>- Flexibility for asset transfer</li> </ul>	<ul style="list-style-type: none"> <li>- Costly to set up and windup</li> <li>- More complex statutory requirements</li> </ul>

#### 4.2.5 Lack of a suitable successor

‘Succession must not only involve the transfer of farm assets but also consider effective ongoing management’ (Nuthall & Old, 2016).

In a family farming situation, there needs to be a suitable successor that can take over the business for intergenerational farm ownership to succeed. The two key attributes of a suitable successor are their willingness and capability.

Deavoll (2018) explains that ‘farming is often seen as a less desirable future for the younger generation’. Children are more often now choosing careers outside of farming. These views are shared by Blackman (2017) who suggests long hours and hard physical labour mean that the current generation is questioning whether they want to end up in a farming career. Parents

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who are farming are more frequently finding they do not have a willing successor which can result in the family farm being sold. Dooley (2008) has a different view suggesting attitudes are changing and young people today are developing a greater affinity for the land which bodes well for the future.

The other key attribute for a successor is their capability. Chiswell (2016) explains that a successor may lack capability due to the parents' reluctance to give up control and pass on responsibility. This lack of capability may also arise if the succeeding child is from a non-farming background.

### 4.3 Solutions identified to overcome succession challenges

Literature identified key challenges to farm succession as; lack of clarity, reluctance to start, poor communication, incorrect legal structure, and lack of a suitable successor. Solutions to these challenges are identified as; planning for succession, starting early, improving family communication, getting the structure right, and seeking advice and support.

#### 4.3.1 Planning for succession

Blackman (2017) explains the definition of planning as 'The process of thinking about what you want, deciding future goals and taking actions to achieve the stated goals'.

The first step in planning for succession is to ensure the farming business is financially viable. Succession is not possible without a financially viable business that can comfortably support two families (Blackman, 2017). This is because there is often a period when both the parents and the succeeding children's families will have ownership of the family business and require an income from the operation. Dooley (2008) supports this view and adds that a family dairy farming business requires scale to enable financial viability. Financial viability must be established before starting the succession process.

To create a plan it is important to understand the end goals of succession. Literature suggests there are three objectives that appear well thought out. These are that the parents' needs are met (both financially and emotionally), the farm business remains viable long-term for the succeeding children, and there is fairness and equality for the non-succeeding children (Blackman, 2017. Santhanham-Martin, 2019).

Nuthall & Old (2016) suggest that when parents are clear and concise about what is proposed, this can give the younger generation a good guide on how they may organise their lives, including appropriate training, education, and work experience. Blackman (2017) supports this view explaining that the parents need to make the decision that they want and communicate this to the family, seeking feedback and not permission. McLeod & Dooley (2012) has a contrasting view suggesting that the needs, wants, expectations, and fears of all family members should be considered.

### 4.3.2 Starting early

It is important to start the succession process early, as it can take time to work through (Santhanham-Martin, 2019. Pitts et al.,2009). Because succession happens over several years it is important that conversations regarding succession start early. Previous Kellogg reports focusing on family farm succession have identified that starting conversations early is critical to success (Duynhoven, 2019. Schlater, 2017. Nelson, 2016. Barrett, 2016). Early conversations result in early identification of potential successors which then allows time for appropriate support to be put around them and a plan to be put in place.

Stevenson (2013) suggests several events may happen that should initiate the start of the succession discussions, these include;

- One or more potential successors showing interest in farming
- One or more potential successors shows indecision about their careers and are considering farming
- Parents settle on a timeframe in which they desire to retire
- One or more family members feel that some discussion around succession should take place

These initial discussions have benefits for all of the family. For the parents, it may help identify which of the children are showing interest in becoming the successor. If the parents are leading the discussion it helps the children understand that there may be a future on the farm if they are interested. It is apparent that if the parents start the discussions, by identifying a timeframe in which they wish to retire, this can then be incorporated into the succession plan.

### 4.3.3 Improving family communication

Froese (2014) explains that 'Farm families that have regular communication through business meetings are 21 percent more profitable'. This suggests that effective family communication is not only beneficial for succession discussions but can have a significant impact on the financial success of a family farming business.

Kaplan et al. (2009) suggest that rather than a wait-and-see approach, succession can be helped by including the younger generation in key discussions and decisions about the future of the farm. Nuthall & Old (2016) agree, suggesting that including children in farm business conversations from an early age can teach families about effectively resolving disagreements, understanding and acceptance of different perspectives, and appreciation of other family members.

It is clear that farming families that are poor communicators can take steps to improve in this area. Two books that have been read through the literature review process give good insight into effective family communication. These are 'The 7 Habits of Highly Effective Families' by Stephen Covey and 'The Secrets of Happy Families' by Bruce Feiler. Feiler (2013) suggests that families who communicate effectively are willing to change the way they do things to improve, talk a lot about everything, and spend time having fun together.



#### 4.3.4 Getting the structure right

The company structure is widely suggested as being the best structure to allow the intergenerational transfer of assets. Lockhart (2015) explains how 'The only business structure commonly used worldwide to shift wealth from one generation to another, and then between siblings within a generation, is the company'. This is ideal for a family farming business where the family intends to pass the farming business down through generations.

Blackman (2017) suggests the company/trust structure provides the best foundation for a succession plan. This is where the company owns all farm assets and is the trading entity, with the parents' Trust initially owning all shares in the company. Having a Trust as a shareholder in this structure is important as it provides the same protections offered by a Trust and ensures that if something happens to the parents that the asset is preserved. Over time the company/trust structure allows the parents to sell shareholding to the succeeding children's trust for a smooth transition of ownership.

Being able to gradually pass on control during the parents' lifetime can have benefits for both generations. The older generation often still has a desire to be involved as for a lot of farming families, the farm has been a big part of their lives and they are often emotionally attached. Blackman (2017) suggests parents can pass over more control as they become less and less able to meet the physical demands of farming. The successor can also utilise this time of shared control and ownership to learn from the older generation to improve themselves as farm business owners. Lockhart (2015) explains that 'Instead of pensioning the older generation off, the younger generation should be embracing their wisdom as directors and keeping them actively engaged in business progress and family success for which they are compensated and/or rewarded by dividends'. By retaining the parents as directors and shareholders in a company structure, they can still draw a director's or shareholder's salary and/or dividends from the business and be involved in decision-making on the farm.

#### 4.3.5 Seeking advice and support

It is widely regarded that a support team should be put in place to help farming families work through the complex succession process.

Literature suggests a support team should be made up of a lawyer, accountant, and banker. A trusted farm consultant may also be a part of the support team. A succession facilitator is only required if neither one of the trusted advisors can drive the process (Blackman, 2017). This view is supported by other research suggesting that a facilitator does not necessarily need to be independent and can come from extended family or can be one of the family's trusted advisors. Nuthall and Old (2016) have a contrasting view, suggesting that because family farm succession is such a personal topic that can bring out emotions and conflict within a family, an independent facilitator can help the family to communicate better and work through the succession process.

An independent facilitator would be beneficial to help in circumstances where there are challenges to family communication.

## 5. Findings and discussion

Interviews completed with dairy farmers and succession experts have provided further information on key challenges to succession and how these may be overcome. The interviews identified one further challenge not identified by literature review which was 'achieving fairness'. The key findings from interviews have been critically analysed along with the literature review information and are summarised below.

### 5.1 Key challenges to farm succession

**Table 3 – Analysis of key challenges identified through farmer interviews, expert interviews, and literature review**

<b>Key theme</b>	<b>Specific challenges identified by farmers</b>	<b>Specific challenges identified by facilitation experts</b>	<b>Specific challenges identified by the literature review</b>
<b>Lack of clarity</b>	<ul style="list-style-type: none"> <li>- Parents unsure on how to deal with non-farming siblings</li> </ul>	<ul style="list-style-type: none"> <li>- Succession is a complex topic</li> <li>- Unsure on the desired outcome</li> <li>- Lack of clarity from siblings</li> </ul>	<ul style="list-style-type: none"> <li>- Succession is a complex topic</li> <li>- Ineffective governance and planning</li> <li>- Parents unsure about their retirement</li> </ul>
<b>Reluctance to start</b>	<ul style="list-style-type: none"> <li>- Unsure how to start the process</li> </ul>	<ul style="list-style-type: none"> <li>- Unsure on the desired outcome</li> </ul>	<ul style="list-style-type: none"> <li>- Succession is a confronting topic</li> <li>- Parents do not want to pressure children</li> <li>- Unsure how to start the process</li> </ul>
<b>Poor communication</b>	<ul style="list-style-type: none"> <li>- Ineffective family communication</li> <li>- Difference in opinions</li> </ul>	<ul style="list-style-type: none"> <li>- Difference in opinions</li> <li>- Conflict between family relationships and running a successful business</li> </ul>	<ul style="list-style-type: none"> <li>- Ineffective family communication</li> <li>- Lack of transparency</li> <li>- Difference in opinions</li> <li>- Avoiding discussions that may create conflict</li> </ul>
<b>Incorrect legal structure</b>	<ul style="list-style-type: none"> <li>- Existing business structure is not right</li> </ul>	<ul style="list-style-type: none"> <li>- Existing business structure is not right</li> <li>- Farmers trusted advisors lack a holistic view when setting up structures</li> <li>- Costly exercise to change the structure</li> </ul>	<ul style="list-style-type: none"> <li>- Succession is not considered when the structure is first put in place</li> <li>- Many existing structures will hinder the succession process</li> <li>- It is costly for farmers to change structure to facilitate succession</li> </ul>

Key theme	Specific challenges identified by farmers	Specific challenges identified by facilitation experts	Specific challenges identified by the literature review
<b>Lack of a suitable successor</b>		- There is often a suitable successor	- Children not willing to come back to the farm - Children lacking capability
<b>Achieving fairness</b>	- Parents unsure how to consider the non-farming siblings	- Parents unsure on how to consider non-farming siblings - Non-farming siblings not understanding what is fair and equal	

### 5.1.1 Lack of clarity

The first theme that came across was a lack of clarity. Literature found that ineffective governance and planning contributed to this lack of clarity (DairyNZ, 2021).

Experts and literature reviews aligned around succession being a complex process and parents being unsure of their desired outcome. Expert interviews identified siblings not having clarity as well as siblings not having a clear understanding of how the succession plan was fair to them.

### 5.1.2 Reluctance to start

It became apparent that there are significant consequences of leaving succession too late in the piece. Dairy farmland values have increased by 233% in the past 20 years and will likely continue to rise (REINZ, 2022). If succession is left too late in the piece, the successor could miss out.

Secondly, there were several factors identified which were specific reasons farmers were reluctant to start the succession process. Literature suggested reluctance came from parents not wanting to put undue pressure on children, and that succession was a confronting topic. Literature also suggested families were unsure how to start the process and this aligned with one farmer interviewed who agreed this was a major challenge.

### 5.1.3 Poor communication

Communication was identified as a challenge and it was widely agreed across literature and interviews that differences in opinions between family members was a specific challenge (Kaplan et al., 2009). These differences in opinions have the potential for conflict and to avoid conflict, prefer not to communicate instead. This then leads to a lack of communication, or passive communication and assumptions being made (Kaplan et al., 2009. Dooley, 2008).

### 5.1.4 Incorrect legal structure

It was found that existing legal structures of businesses being set up incorrectly was a major issue identified by literature and interviews. Incorrect structures can create problems in the

1. Trusts Act 2019 legislation came into effect in New Zealand on 30 January 2021 and at this time the maximum lifespan of a Trust was increased from 80 to 125 years.

future when assets need to be transferred as a part of the succession plan (Spargo, 2011. Blackman, 2017).

Of the seven farmers interviewed, four had company structures and three had Trust structures.

- All four interviewees with company structures believed that the business structure has helped the succession process for their family businesses.
- Two of the three interviewees with Trust structures believed the trust was a hindrance for succession as it made the transfer of assets difficult.
- One of the interviewees with a Trust structure did not see the trust as an issue for succession as there was a plan in place for the succeeding sibling to lease the farm into the future. It became apparent that for this family business, the Trust would work fine up until the point that the parents passed away. Once this occurred the Trust would cause complications and would need to be wound up with the assets then sold to a separate entity for the succeeding child.

One of the experts interviewed summed this up nicely and suggested that 'The elephant in the room is that 80% of farmland is now owned by trusts'. It was suggested that although trusts are an important structure required to protect the assets of a farm, it does not allow for a smooth transfer of assets. One of the experts interviewed suggested the legal costs alone of transferring assets from an incorrectly established structure could cost between \$10,000 and \$20,000.

Secondly, it was found that there is not currently clear advice to farmers on how they may go about initially setting up their legal structure. This is evidenced by the many different types of structures that are in place as confirmed by the research completed by Nuthall & Old (2014). One interesting observation identified by both literature and one of the succession facilitators interviewed was that succession is not often considered by farmers' trusted advisors when initially setting up the structure of a family farming business. It was suggested that accountants and solicitors sometimes lack a long-term view when structures are put in place and that it is important for the sector they improve their understanding of succession.

#### 5.1.5 Lack of a suitable successor

In an interesting observation, the interviewees views did not align with the literature in regards to this being an issue. None of the farmers interviewed identified this as an issue. One expert even suggested that there were very few farms that they had worked with who had no identified a successor. One reason for the difference in opinion of farmers is that all farmers interviewed were identified as successful farmers who had already established successors.

#### 5.1.6 Achieving fairness

The interviews identified one further challenge not identified by the literature. One older generation farmer interviewed, who was in the early stages of planning for succession, suggested that the major challenge for them was working out how they were going to consider their non-farming sibling through the succession process. This view was echoed by one of the experts who often saw this as a challenge for parents. The second succession facilitator suggested that non-farming siblings lacking understanding of what is fair and equal was a further challenge that families needed to work through. The expert explained that often these non-farming siblings saw the major farm asset being transferred to the successor being unfair. They did not understand that the successor had often been responsible for the farm asset

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increasing in value over time and that this was increasing the value of the non-farming siblings inheritance.

## 5.2 Solutions to challenges of farm succession

**Table 4 – Analysis of key solutions identified through farmer interviews, expert interviews, and literature**

<b>Key Theme</b>	<b>Specific solutions identified by farmers interviewed</b>	<b>Specific solutions identified by experts interviewed</b>	<b>Specific solutions identified by the literature review</b>
<b>Lack of clarity</b>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Start discussions early</li> <li>- Having a formal plan</li> <li>- Transparency from parents around their thinking</li> <li>- Financials of business shared with family</li> </ul>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Start discussions early</li> <li>- Having a formal plan</li> <li>- Regular reviews of the plan</li> <li>- ‘Keeping the Farming in the Family’ is a good resource</li> <li>- Industry to create awareness that there are experts available to help them to start the process</li> </ul>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Start discussions early</li> <li>- Support from lawyer, accountant, and banker</li> </ul>
<b>Reluctance to start</b>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> </ul>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Start discussions early</li> <li>- Parents first establish the desired outcome</li> </ul>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Start discussions early</li> </ul>
<b>Poor communication</b>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Involve children in business discussions</li> <li>- Listening and compromising</li> <li>- Transparency from parents around their thinking</li> <li>- Communicate regularly</li> </ul>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Establishing ground rules for succession discussions</li> <li>- Improving listening and communication skills</li> <li>- Asking open questions</li> <li>- Include everyone in the process</li> </ul>	<ul style="list-style-type: none"> <li>- Independent facilitation</li> <li>- Involve children in business discussions</li> <li>- Build a culture of good communication</li> <li>- Be open to change</li> <li>- Spend time and have fun with family</li> <li>- Communicate regularly</li> </ul>
<b>Key Theme</b>	<b>Specific solutions identified by farmers interviewed</b>	<b>Specific solutions identified by experts interviewed</b>	<b>Specific solutions identified by the literature review</b>

1. Trusts Act 2019 legislation came into effect in New Zealand on 30 January 2021 and at this time the maximum lifespan of a Trust was increased from 80 to 125 years.

<b>Incorrect legal Structure</b>	- Structure will need to be changed but will be costly	- Company/trust structure is best for succession - Ideally set up the correct structure from the start - If required, change structure to facilitate succession - Help trusted advisors understand the importance of correct structure for succession	- Company/trust structure is best for succession
<b>Lack of a suitable successor</b>		- Independent facilitation - Development plan for the successor to build capability - Successor does not have to be family member	- Successor does not have to be family member - Corporate approach can work when no successor identified
<b>Achieving fairness</b>	- Independent facilitator - Including non-farming siblings in the process	- Independent facilitator - Company/trust structure - Provide early support to non-farming siblings - Include non-farming siblings in the process	

### 5.2.1 Starting early

Early discussions were identified by literature, farmers and experts interviewed as a specific solution to help with the challenges of lacking clarity and families being reluctant to start. Research suggested these initial discussions help the parents gain clarity which of their children are showing interest as potential successors. For children, parents leading the discussion helped them understand that there may be a future on the farm if they are interested (Stevenson, 2013).

One farmer interviewed suggested early discussions were important for their family as they needed time to work through different perspectives and disagreements between family members. This farmer also suggested that the family having a shared vision to what success looked like was important. One expert interviewed agreed with this sentiment, suggesting that getting early clarity on their desired outcome was important in the overall success of succession.

### 5.2.2 Put a plan in place

It was found that effective planning is important when discussing succession and this should be a priority to ensure success (Blackman, 2017. Santhanham-Martin, 2019. Nuthall & Old, 2016). Two of the farmers interviewed said that a clear plan was important to get a good

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outcome for succession, this was agreed by both succession facilitators. It was interesting to note that the two succession facilitators had contrasting views on what was more important between getting a plan in place and structure. One expert suggested a plan or strategy was important to get in place first before the structure was considered. The other expert suggested getting the company/trust structure in place was the most important thing to do first and that a flexible plan could be put in place around this structure in time. It is apparent that if the structure is not a company/trust, parents need to have certainty that the farm will be passed on through succession before the new structure is put in place. For example, there would be no benefit in putting the company/trust structure in place and then realising intergenerational succession is not going to happen, with the farm then being sold.

Secondly, it became apparent that the outcome is more successful when the plan came from the parents. One farmer interviewed believed it was important that parents clearly articulated what they wanted to the children. In this instance, the two siblings did not have much of a say in what happened, but respected their parents' wishes and have been happy with the outcome. Both succession facilitators agreed it was very important this plan was based on what parents wanted. One of the experts suggested the plan should be based on parents' wishes rather than trying to please each of the children. The second facilitator said that parents needed to get clear on what a good outcome looks like early and that establishing some non-negotiables is critical. In contrast, another interviewee believed it was important to listen to others' perspectives and there was value in involving everyone (including the non-farming siblings).

Finally, it was found that once a plan was established it was important this was formally written up and clearly articulated to the children. One of the facilitators commented that parents were happy when they knew there was a plan in place which was shared openly with all of the family. The other expert suggested that clarity was important for siblings as it allowed them to then make their own decisions and to have focus. This aligns nicely with the literature reviewed which suggests there are clear benefits to family farm succession when the plan comes from the parents (Blackman, 2017. Nuthall & Old, 2016). One facilitator suggested it was important that the plan was then followed up with regularly scheduled meetings with the family. They suggested at these meetings that successes should be celebrated, any changes identified and the plan adjusted accordingly.

### 5.2.3 Improve family communication

It became apparent that families could work to improve their communication. This required effort and commitment from everyone involved. Literature suggests families can learn to become more effective at communicating and there are three simple practices that every family can do which Feiler (2013) sums up well.

- *Adapt All the Time – be willing to change and evolve, have a constant desire to do things better as a family*
- *Talk. A Lot – Talk through good times and bad, and talk about everything. Communicating effectively is a key ingredient to success as a family*
- *Go Out and Play – Find things to do that you enjoy as a family and have fun together*

It was found through the interviews conducted that communication is an important prerequisite for successful family farm succession. All four of the interviewees whom had a successful succession plan in place mentioned that effective and transparent communication had a significant contribution to success.

All seven farmers interviewed felt that their family communication was effective and had regular informal communication between family members involved in the farming business. Three farmers interviewed had formal meetings, with one having monthly meetings with their farm consultant and the other two meeting formally only if something significant was happening in the business. The farmer who had monthly meetings felt there was a benefit in having a consultant act as an independent sounding board between family members. One expert interviewed suggested generally families who are effective communicators will have clarity on succession early which will result in a better outcome. Interestingly enough the same facilitator suggested some families who are good communicators may find it harder to communicate about succession, with there being so much riding on it.

The literature suggested that there is real benefit of instilling a culture of good communication in a family from an early stage (Kaplan et al., 2009. Nuthall & Old, 2016). This idea was supported by interviews. Two of the younger farmers interviewed confirmed their parents involved them as children in business discussions. From a young age they attended farm business meetings with accountants and bank managers. This set the scene for an open-book approach to communication between generations which has made discussions regarding succession much easier for these families.

#### 5.2.4 Getting the structure right

It was found that the company/trust structure is the optimal legal structure for family farming businesses that have a desire for intergenerational farm ownership. The interviews of both farmers and succession experts aligned with the literature.

Multiple benefits of the company/trust structure have been identified by both the literature and interviews. The company/trust structure:

- Allows for assets to be transferred slowly from one generation to the next over time.
- Allows the successor to be able to purchase shares in the business as they can afford to do so, including a stake in the land which appreciates in value over time.
- Allows the parents to receive regular payments from the successor as they sell off shareholding. These funds can be used for retirement or to provide early support to non-farming siblings.
- Allows the parents to still be involved in the family farming business, receive an income from the farm, pass on knowledge to the successor and control their exit.
- Provides better tax benefits than a Trust and the same protections as a Trust.

It became apparent that although there is likely to be significant costs associated with changing an existing structure to the company/trust structure, it is still well worthwhile. One of the experts interviewed suggested that the dairy industry should be lobbying to central government to make this process easier and more cost effective for farming family businesses.

Finally, it has become clear through interviews and review of available literature that the legal structure of farming businesses needs to be considered right from the start when a farming business is first set up, and well before succession discussions begin. It has also become clear that if it is the intention for a farm business to be intergenerationally owned, a company ownership structure with trust(s) as shareholders is critical. Unfortunately, many existing family farm business structures are not companies which may complicate the succession process for these families in time. These businesses could incur higher costs, have potential tax



implications and it could take a lot longer to transfer assets due to the complex process of winding up a trust. It was the interviewees' opinion that some accountants and solicitors who are setting up these structures, needed to have a more holistic view.

### 5.2.5 Engage the help of an independent facilitator

It has become apparent through the literature review and interviews completed that there are significant benefits to a family engaging the help of an experienced independent succession facilitator. The use of an independent facilitator to support farming families through succession is therefore critical to success.

An experienced facilitator can help provide a family with solutions to many challenges during the succession process. These include:

- Helping a family to start and navigate through the succession process
- Providing clarity with the development of a succession plan
- Improving family communication
- Improving capability of the successor by putting a development plan in place
- Helping to achieve fairness to non-farming siblings

It was found that an independent facilitator can help a family to start the process of succession, helping parents to develop a vision. A facilitator could also help to establish ground rules for succession discussions to ensure family members were on the same page.

A significant finding was that independent facilitation was suggested across the literature and interviews as a solution to poor family communication (Blackman, 2017. Nuthall & Old, 2016). One expert suggested that a family with a history of poor communication could work through succession successfully but having working family relationships was required before proceeding. The second expert agreed that farmers they have worked with were not necessarily the best communicators but with appropriate support, they could work through succession.

It was found that independent support was critical to putting together a clearly articulated plan. Literature suggested that it was important to have a competent lawyer, accountant, and bank manager who were involved in the process. If there was no one in the team to drive the process it was suggested an independent succession facilitator should be brought into the team. Interviews provided contrasting opinions with one farmer suggesting that the succession facilitator 'got out of him what he couldn't get out of himself about what he wanted'. One of the experts interviewed suggested an independent facilitator was important as they found solicitors and accountants often sided with parents. The other expert agreed, suggesting 'farmers often know what they want but don't know how to get there'. He suggested an individual facilitator is an expert to help them get to where they need to.

One of the succession experts suggested the cost of an independent facilitator could range from \$8,000 to \$12,000 depending on the amount of support required. It was also noted that funding support is available through the Management Capability Voucher Fund (MBIE) which generally covers half of this cost.

### 5.2.6 Read the book 'Keeping Farming in the Family'

To overcome the issue for farmers of not knowing where to start with succession, it has become apparent that the revised 2017 edition of 'Keeping Farming in the Family' written by Ian Blackman is a must-read.

This book is specifically written for farming family businesses in New Zealand and is clearly laid out. This book was read as a part of the literature review and recommended by experts interviewed.

The revised edition to the original book first published in 2011 includes amendments to bring the book up to date with current legislation.

### 5.2.7 The successor

It became clear throughout the interview process that it was not necessarily an issue if the identified successor lacked capability when they came back to the farming business. One expert interviewed suggested the successors' attitude and willingness to learn were more important than their capability. Ideally, the successor would be able to spend several years learning from parents who were still in the business as a part of a living succession plan. A development plan could also be put in place for the successor to build capability but which was followed up regularly.

Another learning was that for families who could not identify a successor within the family, there are options. One facilitator suggested that the successor didn't necessarily need to be related to the family and could be a trusted sharemilker or farm manager. The company/trust structure would allow the successor to purchase the farm as they were able and this would allow the older generation to exit the farm business on their terms. Funds from the sale of their shares could then be paid out to their non-farming siblings or to fund the parents' retirement. A second option is a corporate-style approach where a governance board was set up for non-farming children who could still be a part of the business and become shareholders, with someone outside of the family running the farm day to day (Martin, 2017).

## 5.3 The desired outcomes from succession

It was found through the interviews that the key desired outcomes for farmers were:

- For family relationships to be maintained throughout the process
- For everybody to be treated fairly throughout the process
- That the family farm business continued to be successful

It became apparent that above everything – family members wanted other family members to be happy. The below quotes from interviews confirm this thinking.

*'We want to be left with the feeling that we have been fair to our children'* – older generation farmer

*'I want to make sure that my parents are sorted and happy financially'* – younger generation successor

This reinforced the importance of effective communication within families. The literature reviewed confirmed that when communication was poor, assumptions were often made. When

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it comes to family farm succession, it is often the perception that everyone is out for themselves when that is not usually the case.

## 6. Conclusions

The aim of this report has been to identify key challenges to farm succession and to provide solutions to help families successfully navigate through the succession journey to achieve their desired outcomes.

There were six themes that emerged as challenges to successful family farm succession. Three of these themes (lack of clarity, reluctance to start, and not knowing how to achieve fairness) all stem from families being uncertain. The three key challenges are therefore identified as uncertainty, poor communication, and incorrect legal structure.

To overcome these key challenges to family farm succession, it is advised that the following solutions are implemented;

- Starting early – with succession it is never too early to start. Prior to starting the succession process, families should read relevant literature to improve their understanding. It is also important for parents to get clear early on what their desired outcome is, and communicating this effectively to siblings. This enables siblings to plan and set up their lives accordingly. This also gives families time to work through any disagreements that may arise.
- Independent facilitation – it came across strongly that independent facilitation is beneficial for multiple reasons. It was found that the use of an independent facilitator can help a family navigate through the complex process of succession, help them to develop a succession plan, help to improve family communication, ensure fairness was achieved for all family members, and to help the succeeding child with the implementation of a development plan.
- Improve family communication – effective family communication is a pre-requisite to successful farm succession. Instilling a culture of effective communication from a young age can shape the way families communicate into the future. Talking to children about the farming business and involving them in business discussions was found to be beneficial. Having an open book approach where family members feel comfortable talking about anything can ensure an easier journey through the succession process.
- Getting the structure right – it was found that the company/trust structure is ideal for family farm businesses with a desire for intergenerational farm ownership. There are no real disadvantages to this structure up from the start and this structure provides many benefits.

## 7. Recommendations

As a result of the findings in this research, the following actions are recommended for both farming families and the dairy industry.

### Recommendations for farming families:

- Start discussions early regarding succession with your children and trusted advisors. Know that the succession process takes time. Early discussions help establish clarity for parents on potential successors, and clarity for children on how they may organise their lives.
- Plan for succession. Parents to establish what the desired outcome for succession. It is important that this plan comes from the parents. It is also important that this is a formal and written plan and is followed up on regularly.
- Look to establish good family communication habits from a young age. For families who struggle to communicate effectively, all family members should be encouraged to read two books which provide great insight into effective family communication. These books are 'The Secrets of Happy Families' by Bruce Feiler and 'The 7 Habits of Highly Effective Families: Building a Beautiful Family Culture in a Turbulent World' by Stephen Covey.
- Establish a company/trust structure
  - When first setting up the farming business with a solicitor or accountant, the company/trust structure should be put in place. This should be right at the beginning of the farming journey and well before succession is thought of.
  - If the farming business is not currently in a company/trust structure it is important that this structure is set up and assets are transferred to this structure before proceeding with succession.
- Engage with an experienced succession facilitator who is an expert in their field. The facilitator will help to start the process, lead the process and, along with a support team of trusted advisors, help the family to achieve success. A facilitator can also help to improve family communication and the formation of a written succession plan. Funding is available and can be accessed through MBIE and your Regional Business Partner under the Management Capability Development Fund.
- Read the 2<sup>nd</sup> Edition of 'Keeping Farming in the Family' written by Ian Blackman. This is a well-thought-out book that has been specifically written to help New Zealand farming families through the succession process.

### **Recommendations for the dairy industry:**

- Industry bodies to engage with accountants and solicitors who deal with farming families to help them better understand:
  - The implications of setting up partnership and trust structures for family farming businesses and the subsequent challenges that arise with these structures when the succession process begins.
  - The importance of the company/trust structure for family farm succession and the all-around benefits that this structure provides to family farm businesses.
- Industry bodies to create awareness about independent facilitators. Specifically:
  - That there are a number of experienced succession facilitators available.
  - There are significant benefits that independent facilitators can provide to make the succession process easier.
  - That there is funding available through MBIE to help cover the cost of this service.

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## 9. Appendix

### Appendix 1: Succession Interview Questionnaire – Dairy Farmer

1. Background Information
  - a. Please tell me about your family farming business including land area, cows milked and production?
  - b. Please tell me about your history and how you came to be involved in the family dairy farming business?
  - c. What is your current position in the family farming business?
2. Initial farm succession discussions
  - a. How was farm succession first brought up/instigated in your family?
  - b. Were there any challenges with these initial conversations?
  - c. Who instigated the process?
  - d. How long after initial discussions was the succession process instigated?
3. External assistance
  - a. Was external assistance sought to help with planning for succession in your family farming business?
  - b. If so how did you seek this external assistance?
4. The succeeding sibling(s)
  - a. How did the succeeding sibling(s) first enter the family farming business?
  - b. What was the (or is the planned) initial method of transferring assets to the succeeding sibling? (50% sharemilker, equity partnership etc)
5. Challenges
  - a. What have been the biggest challenges have you faced during the succession process?
  - b. How have you worked to overcome these challenges?
6. What is your desired outcome from succession?
7. What process have you followed for succession planning?
8. Legal structure
  - a. What is the legal structure of the family business? (partnership, company, trust etc)
  - b. Has this structure helped or hindered the succession planning process?
9. Age at farm succession
  - a. What age range was the older generation when the initial transfer of assets began within your family farm business? Below 40, 40-50, 50-60, 60-70, 70-80, 80+
  - b. What age range was the younger generation when the initial transfer of assets began within your family farm business? Below 20, 20-30, 30-40, 40-50, 50-60, 60+
10. Communication

- a. What communication (both formal and informal) exists within your family farm business?
  - b. Has communication with other family members been a challenge in your family farming business?
  - c. How have you worked to overcome these challenges to improve communication between family members?
11. Non-farming siblings
- a. How have the non-farming siblings in your family been considered in the family farm succession process?
  - b. How well have family relationships held up during the succession process?
12. Looking back
- a. What do you believe your family has done well that has contributed to a successful outcome for family farm succession?
  - b. If you started the succession process now, is there anything that you think should have been done differently?
13. The current New Zealand dairy industry
- a. What do you see as the biggest challenge(s) we are currently facing in the New Zealand dairy industry?
  - b. Which generation (older or younger) do you think is best equipped to handle these challenge(s)?
14. Work/life balance (farmers only)
- a. What hours would you (and your staff) work in a typical week in your farming business?
  - b. Do you think the hours worked allow you to have a good work/life balance?
  - c. If you answered no to the above question, what do you think could be done to ensure hours worked and work/life balance are reasonable?

## **Appendix 2: Succession Interview Questionnaire – Facilitator**

- 1. Background Information
  - a. Please tell me about your background?
  - b. Please tell me about your experience in succession facilitation?
- 2. External assistance
  - a. Why do you think families seek external assistance to work through succession?
- 3. The succeeding sibling (s)
  - a. What is the preferred pathway for the succeeding sibling(s) to initially enter the family farming business?
  - b. Can the succeeding sibling(s) successfully come from either a farming or non-farming background?
  - c. Do you often see capability issues with the succeeding sibling(s) that need to be addressed prior to family farm succession proceeding?
  - d. What do you think can be done to overcome any potential capability issues with the succeeding sibling(s) prior to family farm succession proceeding?
  - e. In your experience what is the preferred initial transfer of assets to the succeeding sibling in a family dairy farm business? (50% sharemilking, equity partnership etc)

4. Challenges
  - a. In your experience, what are the most common challenges families face during the succession process?
  - b. How do you think families can best work to overcome these challenges?
5. What is your desired outcome for succession when working with family farming businesses?
6. The process
  - a. Can you please tell me about the process you follow for succession planning?
  - b. Does this process work well for all families you deal with?
  - c. If you answered no to the above question, how do you remain flexible with your process to ensure you have a successful outcome for farm succession?
7. Legal structure
  - a. In your view, what is the most effective legal structure for a family farming dairy business which is likely to transfer assets between generations?
  - b. Can you tell me why you think this structure is most effective and superior to other legal structures?
8. Age at farm succession
  - a. In your view, what is the optimum age for the older generation to start discussing family farm succession with their children? Below 30, 30-40, 40-50, 50-60, 60+
  - b. In your view, what is the optimum age range for the older generation for the initial transfer of assets to begin within the family farm business? Below 40, 40-50, 50-60, 60-70, 70-80, 80+
  - c. In your view, what is the optimum age range for the younger generation for the initial transfer of assets to begin within the family farm business? Below 20, 20-30, 30-40, 40-50, 50-60, 60+
9. Communication
  - a. Do you think effective communication within a family has an impact on the successful outcome of family farm succession?
  - b. From your experiences, do families find it challenging to communicate when discussing the family farm business and succession?
  - c. In your view, what can families do to overcome challenges to improve communication between family members?
10. Non-farming siblings
  - a. What are the most common ways for non-farming siblings to be considered in the family farm succession process?
  - b. What do successful families do well to ensure family relationships remain intact during the succession process?
11. Summary
  - a. What do you believe are the most important things to get right to ensure a successful outcome to family farm succession in the dairy industry?
  - b. If there is one piece of advice you would give to a family dairy farming business in the early stages of thinking about succession, what would this be?
12. The New Zealand dairy industry

- a. What do you think could be done better at an industry level to support successful succession for New Zealand family farming dairy businesses?