EARLY START A GOOD START FOR SUCCESSION PLANNING.

Aging farmers without farm succession plans to help them step into well earned, enjoyable retirements are among the greatest concerns for realtors, financiers and farm advisors in New Zealand.

Bayleys New Zealand country manager Simon Anderson said his agents were dealing monthly with farmers who were considering ways and means to exit their farm properties, but who also ran the risk of confusing retirement and succession.

"The truth is the two are two very different issues, and one has to be managed properly for the other to become a comfortable reality."

He pointed to the rise in average farmer ages. Census data shows the average age of cattle farmers in 2013 was 56, up from 53 in 2006, while sheep farmers on average were 53, up from 50 in 2006.

Dairy farmers were relative spring chickens, with an average age of 41, compared to 40 in 2006, with the slower rise in age average reflecting the steady inflow of younger farmers moving in to a rapidly expanding sector at that time.

But Anderson said regardless of land use, more statistics and studies supported the need for greater thought to go into how the farm's succession would be managed when the average of those years became too great.

> "There is a risk of confusing retirement and succession. The truth is the two are two very different issues."

Rabobank research that found less than 20% of farmer respondents had a documented succession plan, 48% had an informal plan and a third had nothing in place at all.

That was despite two thirds of respondents aiming to hand over the farm in the next 10 years as they approached 65.

The concern was enough to prompt Rabobank to take on a succession planner to help negotiate a pathway for the farm owner to release some or all of their capital, then plan for how they will spend their retirement years.

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Anderson said there are many options available to potential sellers, and buyers, of the family farm.

Options being presented to retiring vendors can include retaining some vendor finance within the farm business to help the incoming owner out if they themselves are not capable of raising all the capital required through banks.

Lease to buy options also hold appeal for young operators keen to get in the gate of a retiring vendor’s property.

This could be the case when an older farmer does not have a relation who wants to take on the farm, and wants to help out someone he has identified as a motivated operator.

Leaving some funds within the property not only helps provide a passage for new blood, but can also keep the old blood engaged with the property, proving to be financially and personally rewarding to the exiting farmer.

Hamilton lawyer and farm succession specialist Neil Davidson of Davidson, Twaddle and Issac cautioned that farming families should forget about seeking an “off the shelf” solution to their family’s situation.

He said “silver bullet” solutions have been marketed, but each family needs its own tailored solution reflecting what all individuals want out of the exercise.

He also stresses the need to develop a succession plan sooner rather than later in the principal’s lifetime.

“The earlier you think about it, the more you can achieve to help ensure the plan remains relevant and achievable.”

Whatever path is chosen, he recommends a trusted third party facilitator be appointed who understands the business and the family, and can get a clear read on what each family member wants from their involvement.

Simon Anderson said he has seen many successful farmers enjoy an amicable departure from the family farm, looking forward to a well funded, relaxing retirement in return for their years of hard work.

“But the critical thing is to ensure there is a good plan there, and to achieve that good advice is paramount.”

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