



NUFFIELD
Farming Scholarships



YOUNG PEOPLE AND SUCCESSION PLANNING

Overcoming barriers for next
generation farmers; **A Bitesize Guide**

INTRODUCTION

Each year, 20 people under 45 are selected as scholars and sponsored by the Nuffield Farming Scholarships Trust to travel, research and report on subjects they are passionate about and which contribute to advancing agriculture, horticulture, forestry and ancillary industries.

These studies bring new thinking, technology or management approaches from across the globe to the UK. While many know of Nuffield Scholarships, few farmers are aware of the huge knowledge base of global reports, dating back to 2006, that can be accessed via the online Nuffield library.

This Bitesize Guide, supported by the Elizabeth Creak Charitable Trust and the Royal Agricultural Society of England, gives an insight into the practical farming experiences and research freely available at:



<https://www.nuffieldscholar.org/reports>



NUFFIELD NEXT-GEN SCHOLARS

Nuffield Farming Scholarships Trust now has a new Next-Gen Scholar pilot, which has already seen three Next-Gen Scholars from Northern Ireland - Bronagh Dempster, Ewan McCracken and Kirsten Henry – undertake a study tour in England, Scotland and Wales. Their visits included Warrendale Wagyu, Metcalfe Farms and the Royal Highland Show, as well as being part of Nuffield’s annual dairy group tour, recently held in North Wales.

The Next-Gen Scholarships are focussed on young people aged 18-24 as part of Nuffield’s initiative to develop young talent. They aim to help young people establish themselves in agriculture, using the Nuffield Scholar network to link successful applicants directly to farmers. The initiative is currently a pilot scheme, and is being extended into 2025, aiming to expand the programme across the UK.



<https://tinyurl.com/yhuaaa3t>



WHAT IS THIS GUIDE, AND HOW SHOULD I USE IT?

'Young people and succession planning – overcoming barriers for next generation farmers' is a topic which can be thought about often, but can be challenging to discuss and difficult to put into practice.

This Bitesize Guide provides some guidance and advice to tackle the issue, helping a new generation come into agriculture. It's designed to bring together key findings, discussions and recommended actions from relevant Nuffield Scholarship reports, all highlighted as 'Talking points'.

Each Talking point includes a TinyURL link and QR code to access the relevant Nuffield Farming Scholarship report for more information, case studies and discussions.

The Bitesize Guide is designed as Bitesize 'Talking points' which you can use to start or develop discussions round farm succession, whatever stage you are at in your farming career.



TALKING POINT 1:

The start of succession discussions

John Martin, NSch 2011



Most - though not all - families will reach a point of realisation where they weigh up the benefits and disadvantages of dealing with succession.

There are common issues that push families to address the issue:

- The parents not knowing what to do but wanting to take a back seat;
- The children (successor/s) not knowing when something is going to happen.

Farmers tend to work according to a seasonal cycle, with the result that they delay dealing with difficult decisions which don't have a seasonal deadline. There always appear to be more pressing issues, such as drilling a crop of wheat or lambing sheep. Eventually there is a realisation that something needs to be done to address the issue, despite the perception it is a difficult subject to tackle. This often only occurs when individuals accept the risks of doing nothing are greater than the benefits, with regards to their business and personal relationships. Though for some the penny never drops.

BENEFITS OF ACTING:

- Family unity and happiness
- Continuity of family success
- In control of managing change
- Doing what you want to when you want to
- Open communication with family members
- Expectations are real
- Building on each other's strengths
- Involvement and being valued for your contribution
- Establish disciplines to monitor and revise plans
- Flexibility to change course as circumstances change

RISKS OF NOT ACTING:

- Nothing is done and stress builds up
- Parents feel unable to retire
- Dysfunctional family relationships – conflict
- Irreconcilable differences leading to family break-up
- Resentment
- Frustration
- Misunderstanding between individuals
- Breakdown of management process and loss of the business



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Once individuals come to a decision that they need to address the issue, the next problem is how. If their only experience of succession planning is the process that they went through with their own parents, there is a fair chance it wasn't well planned or implemented.

History tends to repeat itself within families. Depending whether the process was well implemented or not, if all things are equal the same process, good or bad, will be repeated with the next generation. The challenge is to break the cycle where generational transfer was poorly implemented in the past.

Once individuals come to a decision that they need to address the issue, the next problem is how. Few families will have the ability to address all aspects of succession planning effectively. Having identified that they need to do the right thing, they must now work out how to do the thing right.



John Martin and family on his Nuffield travels in New Zealand.



John Martin, NSch 2011 <https://tinyurl.com/3mbrk55w>



TALKING POINT 2:

Beginning the process

Gail Lewis, NSch 2014



Succession is often a complex issue for farm businesses. Agriculture is an industry like no other in that the home and land all form part of both the family's life and their business world. As a result succession is extremely difficult and family situations are all unique - no one case will be the same as the next.

No-one likes to consider their own death, and certainly not plan for it, but the ultimate point is that there are two certainties in life: you will be born and you will die. But succession does not only come in the form of death, which we often imagine. Divorce and family fallouts can force the issue. Or, succession strategy can be as a result of proactive thinking.

Though the subject is difficult to discuss and uncomfortable for family members, the reality of all impacts on succession is well established and the need to discuss is therefore most imperative.

In considering succession remember: firstly the stakes are high, secondly that opinions within the family will vary, and thirdly that emotions run strong.

The first step in succession planning is to consider what each person involved actually wants.

KEY RECOMMENDATIONS:

IMPORTANT PRINCIPLES OF SUCCESSION:

- Obtain professional advice from solicitors, land agents, accountants, mediators/facilitators
- Recognise and appreciate the difference in each farming business
- Recognise and appreciate the differing opinions of each family generation
- Communicate openly and with consideration

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CONSIDER:

- What each generation wants
- What each generation needs
- Maintain, build, repair family relationships
- Manage expectations
- Transfer of management
- Transfer of ownership
- Formal agreement



Gail Lewis (centre) with Australian succession facilitator Lyn Sykes and husband John.



Gail Lewis, NSch 2014: <https://tinyurl.com/4vxrsf6r>



TALKING POINT 3:

Using a facilitator for family discussion

Peter Craven, NSch 2020



Setting up a family discussion requires some planning. The magic is created in the people skills required to facilitate a conversation between family members, a process best facilitated by someone who can help ask the right questions of the family.

For many, the thought of having such an open and honest conversation can be terrifying, not knowing what will be brought up and hearing perhaps the true feelings, dreams, and ambitions of family members for the first time.



The art is to encourage a truthful conversation but also to keep that conversation safe so that the family can make meaningful discussions and progress. These conversations can only happen with everyone's blessing and not until everyone is prepared to come to the table and fully listen.

A facilitator can help with discussions, says Peter Craven.



Peter Craven, NSch 2020: <https://tinyurl.com/9z8tusk2>



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Lyn Sykes is a succession facilitator in the agricultural industry in Australia and New Zealand. Her approach is always to empower the family members who are addressing their personal succession issues, rather than to dictate or give her own opinion.

To ensure he/she is freely able to assist all parties to the succession, the facilitator should not be emotionally influenced when dealing with clients. Succession is a difficult topic for many people as traditionally in generations past the succession plan was not known until the owner's Will was read out. This led to a culture of lack of communication.

Succession is a difficult subject, one which raises emotions and personality traits within a family. Lyn adopts the method of holding formal family succession meetings where all parties in the family are present together with their spouses. Personalities must be taken out of the equation and tactfully managed for the critical conversation to take place and communication to occur freely. Humour is a tool that we all enjoy: it is possible in tense situations to use humour to create a space between the problem and situation.



Gail Lewis, NSch 2014: <https://tinyurl.com/4vxrsf6r>



TALKING POINT 4:

How a facilitation process works

John Martin, NSch 2011



Involving outside help to assist with developing a succession plan and its implementation is part of the culture of openness within the agricultural sector of countries I visited.

Facilitators were often asked to become involved by parents wanting to develop a succession strategy, but also, less frequently, the younger generation engage their services when they feel frustrated that they don't know what the parents' intentions are.

The facilitators I encountered generally followed a similar system of assessing the current family dynamics and understanding the farm business, before working with them to produce a step by step plan to reach the desired aims. The ideal in every situation is that at the end of the process every family member is on good terms with all the others, and all are completely satisfied with their share.

The sad reality is, that even with a mediated process, there may be some dissatisfaction among a proportion of the participants. Key to achieving a positive outcome is that all family members buy into the process and, by forgoing something at a personal level, are contributing to the ongoing success of the whole family and its business interests. The challenge can be to get this concept accepted by all parties.

In New Zealand, Coach Approach is a professional facilitation company which helps identify and implement a suitable succession strategy. The process begins with an introductory session which explains the process to the participants.



John Martin, NSch 2011: <https://tinyurl.com/3mbrk55w>



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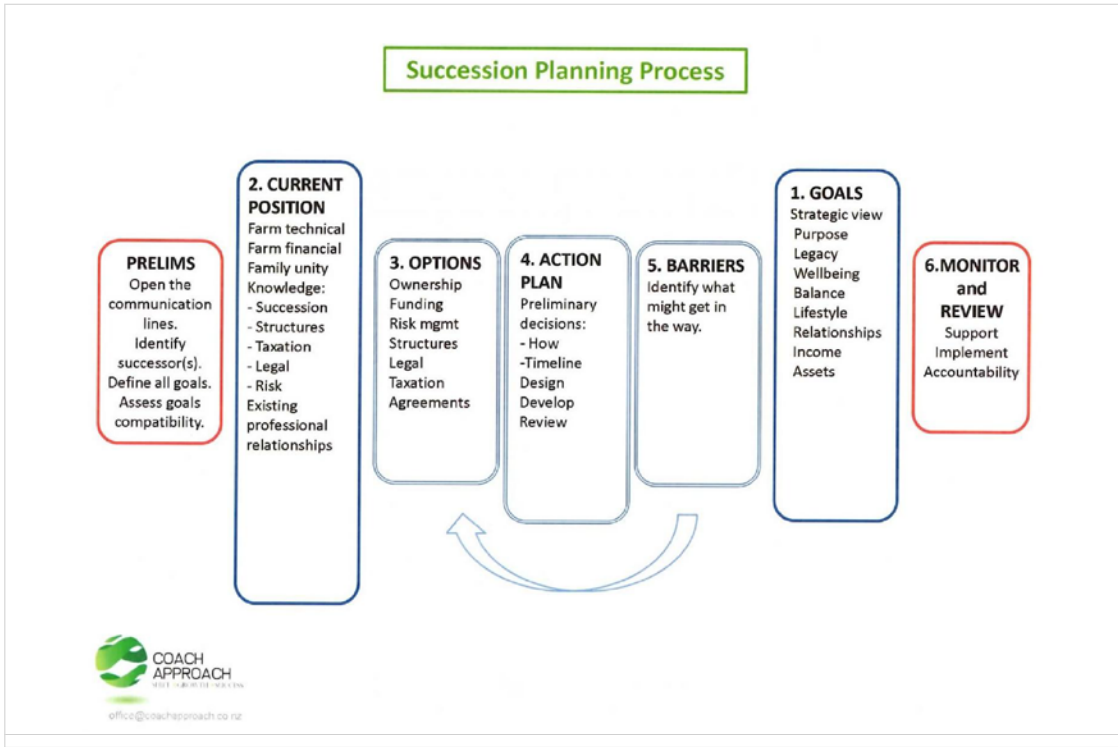
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This is followed by working out what the aims of the whole process should be. This might seem a little back to front, but if you don't know where you are going any road will take you. Once you know what you want to achieve and have clarified the current situation, the plan must identify how best to make the journey.



The Coach Approach succession planning process, observed by John Martin in New Zealand.
Source: Coach Approach

TALKING POINT 5:

From family members to professional business partners

Alexa Parker, NSch 2018

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There is a right and a wrong way to integrate generations back into a family run business. Getting it wrong can lead to confusion and disconnect down the line. Getting this right means transitioning incomers from being family members only to also becoming professional partners in business.

External support can help understand where a business wants to go, avoiding conversation becoming clouded in too much emotion and not enough business focus. Attending a business governance course can help refine what to focus on as a business, to understand where the gaps are and turn it into a strategic plan.

The plan needs to work on two levels; one to address family needs such as money and independence and, secondly to incorporate the fact that the family is also business partners and require their different strengths recognised.

WHAT PLANS ACHIEVE:

- Boundaries – around how decisions are made on farm and which farming policies to adopt (eg fertiliser use etc).
- An awareness that better financial understanding may be needed and the desire to engage external support.
- Unity – a joint agreement of what the business wants to achieve.
- Clarity – on how the agreed plan will be delivered, who would deliver it and when.
- Focus - paying attention to what you can control and not what you can't (e.g. sweating about the weather).

KEY RECOMMENDATIONS

1. Don't let limiting beliefs and old fables rule your family business. Decide what would be more useful to believe.
2. Draft in the experts. External support to help bring your thoughts to life and to turn them into a plan.
3. See the value in differences as well as similarities within the family, be it skills, outside experience, style or preference and use them to your advantage.
4. Make sure everyone gets something if not all of what they want – there can be a win-win and you may even get a stronger business as a result.



Recognise family members' different strengths, says Alexa Parker.



Alexa Parker, NSch 2018: <https://tinyurl.com/45h963vy>



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TALKING POINT 6:

What about non-farming siblings?

Rebecca Hill, NSch 2013



You have made the decision that you want to pass that farm business to the child that has been working on the farm since they left college. You have a few savings or maybe a cottage, but you can't make things equal for the non-farming child, so what should you do?

MY VIEWS ARE:

1. You communicate your intentions.
2. You keep a record of all the hours the farming child works for no reward, which needs to be accounted for.
3. Fairness is tough, but not always equal.
4. When your children are young, and you yourself are therefore young, you take out a whole-of-life policy, which pays out a lump sum on your death. This can be in trust so no inheritance is payable. This goes a long way to making things more equitable.
5. Do not leave it until you die for others to sort out - there is a distinct possibility that this will degenerate into chaos, and probably will not result in the outcome you would want.
6. Do not under-estimate the emotional attachment to items - remember it is the little things that can cause the biggest disagreements. This may be that one of your children really covets a family portrait, or struggles with who is going to live in the family home.
7. If all these intentions were communicated, many family conflicts would be avoided.

This area is a really important one to think about because not getting it right could easily put your whole life's work in jeopardy.

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The use of life policies as a tool to help sort out your estate is one that to me seems completely under-used and under-valued. A sum of money going out each month can be pretty invisible but can act as an insurance policy for the future.



Think about siblings, says Rebecca Hill, pictured with her family.



Rebecca Hill, NSch 2013: <https://tinyurl.com/5cxtc6k6>



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TALKING POINT 7:

Consider the business vs the asset

Jamie McCoy, NSch 2013



People must feel valued, and, within families, inheritance should reward those who have invested - or will invest - most time and energy into continuing the family legacy. The farm should be considered in two ways when succession planning - the business and the asset:

THE BUSINESS CONCERNS:

- Do you wish the business to continue after your days?
- Have you a plan for how the business continues if you are incapacitated?
- If the younger generation are to be encouraged to take on the family business, are they prepared and trained properly?
- Are the older generation prepared for retirement? And the change of status in the business?
- Have you written and dated a plan of how to hand things over?
- Is the business capable of supporting the retiring generation's pensions?
- What if the older generation needs nursing care? Who would fund this?

THE ASSET CONSIDERATIONS:

- Is it possible to protect them from a divorce?
- Are they protected against unnecessary tax?
- Are the assets protected from stupid decisions?
- How and when are they to be transferred to the next generation?

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Plan for the unexpected – nobody expects a divorce, but think about pre-nuptial agreements to protect the future of the family farm. Where multiple offspring plan to farm together, taking multiple spouses into consideration can be difficult as everybody may have different objectives, and these may change with time.

Also think about separating the business of farming from the business of family, including setting boundaries around privacy, respect and listening. Showing each other respect in the workplace is vital when you work in a non-family environment, but at home it may not come naturally – working towards making the farm a professional place should help it remain a comfortable place for the people working there.



Consider the business and the asset separately, says Jamie McCoy.



Jamie McCoy, NSch 2013: <https://tinyurl.com/24rrvtre>



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TALKING POINT 8:

Think about retirement at an early stage

Rebecca Hill, NSch 2013



“The trouble with my parents is that farming is their hobby...”

ASK YOURSELF THESE QUESTIONS:

1. How do I see the future?
2. Do I have any interests off the farm?
3. Where will I live?
4. Do I have the funds to retire?

Some farmers cannot afford to retire. Farming families are often asset rich and cash poor and the gap between the value of farmland and return on capital is widening. Farmers spend their lives living for now, investing in new machinery and the business; but many do not save for their future, and take money out of the business now. Put bluntly, they cannot afford to buy a new house - so the next generation can move into the farmhouse - or manage without their income from the farm.

Ask yourself the question – Can the business support another family?

If funds are not available to finance retirement then is an option to sell to your inheritors? This happens in Australia and the question raised there was: ‘Why hand everything down on a plate?’

If full retirement is the route you want and you pass your assets down to the next generation, at the time of writing you have to live for seven years to avoid a tax penalty kicking in (although of course taper relief will kick in the closer you get to the seven year exemption).

So the question is, why pass down an asset which is in a nil rate tax band and run the risk of the estate having to pay tax? My answer would be to give your offspring the chance to take the business forward. There is no reason why a life policy could not be taken out to cover the seven year tax risk. Of course the younger you are, the cheaper those policies will be, making the need to consider your retirement planning at the earliest opportunity an important one.



Rebecca Hill, NSch 2013: <https://tinyurl.com/5cxtc6k6>



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TALKING POINT 9:

Consider different land tenure models

Gail Lewis, NSch 2014



Succession leads to a variety of land tenure models to consider, ranging from family partnerships, leasing of land to enable a younger person to get a start in the agricultural industry - or expand - and possibly joint ventures where farmers can combine assets and skills into one larger business capable of growth.

Parties involved must have the same values and trust each other to allow the business and relationship to develop. As collaboration develops between the parties there must be recognition of the need for continuous development of both the business and the relationship.

Land does not have to be owned for an individual to succeed in the industry: it could be managed using various land tenure systems to achieve the same satisfaction.

KEY POINTS:

- Using different models will encourage innovation, entrepreneurship, expansion and acceptable succession within the industry, ensuring a sustainable future for the farmer and the next generation.
- Understanding the person is critical. Any person who wishes to be part of a joint venture must be aware of who they are, what their strengths and weaknesses are, and be willing to compromise to ensure success. In any land tenure model the biggest weakness and most common factor of failure is the relationship.
- Models such as Share Farming, Contract Farming, and Equity Partnerships can all be used. In developing an arrangement, it is vital that all parties make clear their expectations, their goals, and that the arrangement is formalised in an agreement where the exit strategy is clearly defined. Successful facilitating will allow both parties to get what they want out of the arrangement.

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KEY POINTS:

- Using different land tenure models will encourage succession within the agricultural industry. Existing farmers with no successors or successors who are not interested in agriculture can ensure the farm continues. They could choose whether to have an active role in the farming of the family holding and could protect the capital asset for future successors as opposed to selling the farm.



Gail Lewis, NSch 2014: <https://tinyurl.com/4vxrsf6r>



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TALKING POINT 10:

Should the next generation buy the farming businesses?

Jamie McCoy, NSch 2013



I believe that no farm should be a second generation farm. Succession doesn't have to happen overnight so it could be in transition between generations, but I really believe in this situation you should be working towards an end goal of one generation owning the business.

If the next generation is to take on a viable business then they should be able to raise the finances to make it possible to purchase the business as an ongoing concern. If the business cannot service debt then it is unlikely to be profitable, and the business strategy must be evaluated.

The process of borrowing money means you need to draw up the business plan including cash flows and, usually, five year projections, and is a catalyst to drive you to get to know your business well, understand what affects it, and also what profit needs to be made to keep things going.

Even if the purchase between generations is not made at market price, the process of a transaction also hands on the responsibility, facilitates the handover officially, and prepares each generation for the future. This transaction is not only for the benefit of getting the paperwork in order, but also facilitates the handover of decision making.

The next generation purchasing the business also provides a pension fund for the retiring generation. This may not be an invoice which is settled in full on day one, but a play-day fund for the retiring generation is likely to help manage any concerns about finances, and allow the retiring generation the opportunity to spend their time doing things away from the farm.



First generation Canadian farmers Vicky and Shayne Horn with Jamie McCoy.



Jamie McCoy, NSch 2013: <https://tinyurl.com/24rrvtre>



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TALKING POINT 11:

An alternative option from New Zealand

Robbie Moore, NSch 2016



In New Zealand's North Island, Jim and Marilyn Law own Palliser Ridge, a 1,440 hectare beef and sheep holding in the South Wairarapa. The business had a clear vision to create and maintain a large scale 15,000 stocking unit for sheep breeding and finishing, and a beef finishing unit which has long-term sustainability.

Jim and Marilyn had children of their own, but they had non-farming careers and had not shown an interest in coming back to the farm. The Laws had a longer-term need, a strong CEO to sustain and grow the business. They employed Kurt and Lisa Portas, in their mid-twenties, and together they acted as joint farm managers, operating and running the farm.

The Laws wanted to keep Kurt and Lisa involved within their business as they could see potential. When a neighbouring block of 287 hectares came on to the market, Jim and Marilyn provided a personal loan to Kurt to finance 40% equity in a non-leveraged new company which then purchased the block of land. There is a long lease on the new block of land back to the main company at market rate. Kurt is paid a dividend from the new company which is sufficient for him to pay interest on the loan to Jim and Marilyn. They also have an agreement in place which states that the capital is repayable when Kurt is able. Kurt and Lisa are fully motivated and keen to press ahead with developing the business.

THROUGH THINKING OUTSIDE THE BOX, THE LAWS HAVE:

- Provided an opportunity for entry for Kurt into business equity and land ownership. Kurt would not have been given this opportunity through more traditional land tenure means.
- Given themselves and their main business of Palliser Ridge a very good chance of success by motivating an individual to hopefully secure its long-term sustainability.

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*Jim and Marilyn Law with Kurt Portas (pictured centre) with the author, Robbie, and his fellow Nuffield Global Focus Programme Group on Palliser Ridge , New Zealand.
Source: Robbie Moore*



Robbie Moore, NSch 2016: <https://tinyurl.com/4er3vj2h>



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IN SUMMARY

This Bitesize Guide, from the Nuffield Farming Scholarship Trust and RASE, provides a snapshot into the breadth and depth of reports available at:



<https://www.nuffieldscholar.org/reports>



The website also features reports from global Nuffield Scholars, including Australia, New Zealand, USA and Brazil. The reports are a rich source of inspiration, case studies and thought-provoking recommendations for agriculture.

With grateful thanks to Farmers Guardian for supplying images for this report

Please get in touch at info@rase.org.uk if you have questions, comments or feedback.



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