



**A Nuffield Farming Scholarships Trust  
Report**

*Award sponsored by*

**David Allen, Esq.**

**Succession of the family farm:  
dividing the emotion from the business**

**Rebecca Hill**

**July 2014**

**NUFFIELD UK**

## **NUFFIELD FARMING SCHOLARSHIPS TRUST (UK)**

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# A Nuffield (UK) Farming Scholarships Trust Report



Date of report: July 2014

*"Leading positive change in agriculture.  
Inspiring passion and potential in people."*

|                          |   |
|--------------------------|---|
| Title                    | Succession of the family farm: dividing the emotion from the business.  |
| Scholar                  | Rebecca Hill  |
| Sponsor                  | David Allen, Esq.   |
| Objectives of Study Tour | <ul style="list-style-type: none"><li>• To examine the differences between countries when considering passing down the family farm</li><li>• To examine existing succession planning issues within the UK and discuss some feasible solutions</li></ul>   |
| Countries Visited        | Australia in 2012<br>Canada, France, Belgium and the UK in 2013<br>Paraguay and Brazil in 2014  |
| Findings                 | <ul style="list-style-type: none"><li>• The issues and problems are the same the world over</li><li>• Large scale pioneer farmers in countries such as Paraguay and Brazil have less emotional constraints than those in "old" countries such as the UK and France</li><li>• In countries with huge land mass the land is often passed down separately from the business, often involving off-farm siblings in the inheritance</li><li>• Many families within the UK cannot afford to pass down the family farm, having made little or no provision for retirement</li><li>• Little use is made of life policies to help deliver inheritance for non-farming siblings</li><li>• Discussion is essential amongst all family members; knowing what expectations are and managing those expectations</li></ul> |

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## **DISCLAIMER**

The opinions expressed in this report are my own and not necessarily those of the Nuffield Farming Scholarships Trust, or of my sponsor, or of any other sponsoring body.

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## 1. Introduction

### CONTEXT

My career choice was an easy one to make. For as long as I can remember I have never wanted to do anything other than farm. Although I was in the top stream at school, I left after my O-levels to follow my dream of farming. I attended Sparsholt College to take a three year diploma and then worked abroad on farms. To further educate myself in agriculture I have been very fortunate to attend the John Edgar Trust Business Management Course, the Worshipful Company of Farmers Management Course and have now received a Nuffield Farming Scholarship.

On returning to the family farm I was given sole charge of the calf rearing unit and sheep enterprise. This stood me in good stead for the untimely death of my father in 1999. Since his death I have been farming in partnership with my mother in Dorset.



Me, Rebecca Hill

Today we are a mainly arable farm, along with a flock of early lambing ewes, running over 1250 acres. We own some of the land, but also farm through a whole myriad of agreements: share farming, farm business tenancies (FBTs), contract farming, and short term grass keep.

Over the last ten years we have converted a range of traditional buildings into commercial units which, among others, include a micro-brewery and a bakery that open to the public on Friday evenings. We were also fortunate enough to gain planning permission for a new farmhouse on the farm. These two things have been the main focus of expansion in recent times, maximising value on our own property.

The farms are part of the ELS schemes and were also under 'Countryside Stewardship'. We have some lapwing plots on which we work with the Game and Wildlife Conservancy Trust, carrying out surveys on the birds.

Over the last six years we have been involved with Bournemouth University who carry out a month-long training for archaeological students, carrying out a dig of an Iron and Roman Age site on the farm. This is a fantastic opportunity for the students to get hands-on experience and discover what is buried beneath our land. We hold an open day at the end of the dig for the locals and other people who are interested.



## MY FAMILY

I have two wonderful children, Flora and JJ, who especially love lambing time and are up at 5.30 a.m. telling me to “Get up ,mummy, we need to go lambing”.

Along with the busy life of being a mother and a farmer, I am also a director on the board of Dorset County Show, which is a two day agricultural show promoting our industry. I am captain of our local skittles team, I enjoy upholstery and entertaining friends; a meal made from ingredients solely from the farm and the vegetable patch is the best thing I can put on the table.

At the age of 45, time was running out for me to have a chance of taking a Nuffield Farming Scholarship. The timing could not have been worse as far as my personal life was concerned, but the challenge of travelling, running my business, bringing up children and sorting ‘stuff’ out has invigorated me to move forward with renewed vigour to the next step in my career and life.



Me and my children - in close-up!





## 2. The rationale behind my topic

I wish every day that my best friend and mentor, Dad, was here farming with me, but I am very aware that his untimely demise has given me the ability to run my own business and be the boss from an early age. Will I have the ability or courage to let my children take hold of the reins and 'let them have a go'? I am hoping not to pop my clogs too early!! so things need to be in place to facilitate the next generation into the farm, if that is their wish. In all honesty I do not know whether either of my children, Flora or JJ, will want to follow in my footsteps but, if farming is their chosen career, then I want to help them with their dreams by thinking about my succession route now. This is the rationale behind my study topic: 'Passing down the family farm'.

In my report, which I hope you find enjoyable, I have told my story as I see it. I hope you do not find it prescriptive, but rather an objective look at a very real issue. If nothing else, by reading my report, I hope it makes you think about your own situation and maybe gives you a few ideas.

I could give you many real examples but often these stories have been told in confidence, so my report has not pinpointed any one person's inheritance issues.



Me and my family – the reason for working hard and leaving my farming legacy



### 3. Where I went, when and why

I chose to visit the following countries – which, as you can see, included Great Britain:

| COUNTRY   | DATE OF VISIT  | REASON FOR VISIT   |
|-----------|----------------|--|
| Australia | November 2012  | Well known for being proactive about succession            |
| Canada    | March 2013     | To attend the Contemporary Scholars' Conference            |
| Wales     | May 2013       | To look at regional differences                            |
| Scotland  | June 2013      | To look at regional differences                            |
| France    | September 2013 | As part of Europe  |
| Belgium   | October 2013   | To visit European parliament                               |
| Paraguay  | February 2014  | Wanted to look at succession in a less established country |
| Brazil    | February 2014  | Progressive country in the global market                   |



Herringbone parlour in Wales



## 4. England, Wales and Scotland

As part of my travels I have spent time in our own country, looking at whether there are regional differences within Great Britain. As well as looking at my topic, I wanted to share my views on some of the issues we face.

Without doubt the biggest subject during my travels was the Common Agricultural Policy (CAP) and the effect it will have on farming from 2015. The huge bearing that political decisions have is enormous: from keeping historic payments in Scotland and Wales, to subsidies on wind turbines and solar parks.

Wherever I went in Great Britain, I found that there had been massive diversification into:

- Agritourism
- Land usage as an energy provider
- Commercial units etc.

This was not the case in larger countries such as Australia and Brazil. I think this has been a necessity in Great Britain to maintain profits, rather than an active wish to take up these projects. It shows the resilience of British agriculture and its ability to adapt to markets.

Agriculture is far better supported in Wales and Scotland, not in monetary terms, but in terms of being wanted; in understanding the importance of agriculture and its fiscal value to the region. I saw really fantastic bodies in the Welsh 'Farming Connect' programme and Scotland's 'Go Rural' initiative, giving support and funding to areas in the region where it is needed. We have lost that facility in England.

The worry that I have for British agriculture is its ability to compete with commodities on a global market. In comparison with South America and Australia, the negatives are:

- High land prices.
- High labour cost
- At present high capital machinery cost
- Comparatively small holding size
- High cost of living

### 4a. England

As a farmer from this country, I feel that CAP and subsidies have made farming inefficient and have caused us to take our eyes off our market; which nowadays is a global one. When we are negotiating the CAP, Defra (Department for Environment, Food and Rural Affairs) and our farming bodies negotiate for the UK as a whole. England as an individual country does not have a government body looking at its specific issues. Wales still has the Welsh Assembly promoting their agriculture, while Scotland has its regional parliament. Farmers are hugely adaptable, but our government needs to decide whether it wants us to farm for food, for energy or for conservation. I find farming within England is becoming fragmented and lacking direction as a whole. I am not advocating that we farm without subsidy, but we need to have a level of profitability in our business that enables us to make profit without needing subsidy.



I would like to see a body set up in England that promotes English farming. Since the setup of Defra we have lost a body that solely promotes farming, and I think this has been detrimental to our industry. We find ourselves with a sea of different bodies representing us, but not a single body actually promoting our industry. Let us see the NFU, CLA, HGCA, EBLEX etc, plus government as a whole, have a common voice and a common goal of making British agriculture unique.

If in the future we are going to struggle to compete in the global market, why not make UK agriculture a niche product, supported and loved by the 60 million people that live on this island? An example of this would be to maintain the ban on genetically modified crops, as our consumers want.

Farmers in England are passionate about their businesses, and the ability to diversify to maintain profitability shows the resilience that farmers have.

#### **4a.i. Findings relating to England**

1. *Farmers are hugely adaptable but our government needs to decide whether they want us to farm for food, for energy or for conservation*
2. *The worry that I have for British agriculture is whether it has the ability to compete with commodities in a global market*
3. *Farmers in England are passionate about their businesses and the ability to diversify to maintain profitability shows the resilience that farmers have.*

#### **4b. Wales**

Compared to England, Wales is hugely livestock orientated. The main thing that struck me was their brilliant promotion of Welsh lamb, giving their product identity and provenance. Having the Welsh Assembly and programmes such as Farming Connect were definitely helping the region.

As in all areas of the UK, those wanting to start in farming have an uphill struggle to be able to rent land, especially when having to compete with farmers who have massive historic subsidy payments. Again, I found that in Wales subsidies were hugely distorting the situation for new tenants. The landlords were retaining the subsidies and new tenants lose the benefits of them.

Farming in Wales, as everywhere else in the UK, ranged from the highly intensive indoor units to the extensive grass based systems.

#### **4b.i. Findings relating to Wales**

1. *The big thing that struck me was their brilliant promotion of Welsh lamb, giving their product identity and provenance*
2. *Those wanting to start in farming have an uphill struggle to be able to rent new land, especially when having to compete with farmers who have massive historic payments*

#### **4c. Scotland**

This was my first visit to Scotland and what an amazing place it is!

As in Wales, the change from historic to regional payments will have winners and losers in the Scottish agricultural sector. Along with the CAP changes the Scots have the question of Scottish





Independence which will also have a massive impact on their farming future. I found that the Scottish Government, like its Welsh counterpart, was very supportive of agriculture and its promotion, and I was especially impressed with their push on Agritourism, and by bodies such as Go Rural.

In both Wales and Scotland I met people who were actively pushing the whole question of passing down the family farm, with many conferences in place to tackle the issue and bring it forward for open discussion.

#### **4c.i. Findings relating to Scotland**

1. *Scotland has increasingly important political issues which will impact Scottish agriculture, especially in the short term*
2. *The Scottish people are very resilient and will adapt to the changes thrown upon them*



View over the western side of Scotland



## 4. Australia

I have been fortunate enough to visit Australia on three occasions – each time doing a ‘busman’s’ tour and visiting farms. So it was great to visit Australia as part of my Nuffield Farming study. The country, when it comes to farming, is not for the faint hearted. Not only do you have deal with what the weather throws at you, but in many cases it is a lonely existence, with people living many miles from the nearest town. Getting used to shopping once a month and living on the same vegetables out of the garden is very different from the accessibility available in the UK.

The ability to adapt and react in Australia is awesome. Over a 25 year period, I have visited one farm 3 times. Twenty five years ago, the property was all Merino sheep and Hereford cattle and times were pretty hard. Ten years later the stock had gone and the property was growing cotton, using copious amounts of water for irrigation. When I visited this time the availability of water had been stopped making cotton unviable, and the property was cropped with canola and wheat. The local area had built massive silos to centralise the storage and movement of grains. The adaptation to global demand was very evident.

The other big issue of interest was that 25 years ago a crop was planted in the ground provided they had rain, and the inputs that followed were minimal. Today the crops are grown in similar vein to Europe, with massive use of fertilisers and pesticides. The risk/reward ratio is huge and if they get a weather disaster, in the form of a drought for example, there is a possibility of losing everything. A farmer I met in Western Australia budgeted over a five year period, facing the fact that one year in five he would be unlikely to harvest a crop.

Australia has such a different attitude to that in the UK, being more ‘gung-ho’ and willing to take risk. The banks are willing to lend at 100% of asset value, with many people taking up interest-only loans. If the worst comes and the family has to sell their property, often due to a succession of bad harvests due to weather, there is no stigma attached to being a loser. They will pick themselves up and start again. This is a much harder thing to do in the UK. In Australia there is a greater acceptance of taking risks and trying something out, and if it fails they pick themselves up, brush themselves down and start again.

Time and time again in Australia the next generation were encouraged to go out and train for a different profession or do something else before coming back to the family property.

The really successful family businesses were those that encouraged the next generation to start or take on their own enterprise, giving them sole responsibility for that unit. In many cases the next generation had to buy the enterprise or the business as a whole. This re-enforced the belief that, with youth and debt, your business will be stronger and more successful.

### 5a. Findings from Australia

1. *A farmer I met in Western Australia budgeted over a five year period, facing the fact that one year in five he would be unlikely to harvest a crop*
2. *Time and time again in Australia, the next generation was encouraged to go out and train for a different profession or do something else before coming back to the family property*



3. *Australia has such a different attitude to that in the UK, being more 'gung ho' and willing to take risk. The banks are willing to lend at 100% of asset value with many people taking up interest-only loans*



*This Australian property was run by a father, son and daughter team – hardworking and determined to succeed*





## 6. France

France was very interesting. I live in Dorset; our location may be close to France, but our attitudes are poles apart. I was lucky enough to travel to the western side of France, through Normandy, Limoges, the Central Massif and almost to the south coast. The French are an unbelievably passionate nation but in my experience are happy with their lot and not looking to expand their businesses. Family life and happiness are paramount, with Sundays put to one side for family.

We were told the story of the Mexican who fished with his family every day. An American came along and said: "You need to catch two fish every day so you can afford to save one fish towards a boat, and then you will be able to catch ten fish. The Mexican asked why. The reply was: "So you can retire at 60 and spend time with your family." The Mexican just smiled and said nothing - he was already spending time with his family. Who has got it right?

I have to question who has it right in our case - the Brits or the French. The Brits increasingly looking over their shoulders at their neighbours, trying to out-beat them and better themselves; or the French who seem happy with their lot, make every Sunday important for the family and enjoy what life has given them.

I went to Roquefort where cheese is made from sheep milk sourced only from the Roquefort area. Lacaune sheep produce the milk which is collected from a small area. The cheese is ripened in the caves at Roquefort, where it has penicillin from burnt mouldy bread added. It has a very strong taste, not to my liking I'm afraid. This is a good example of co-operation as the product is patented so that nobody else can produce it.

I asked about what would happen in the future with sorting out succession, to which the farmer, who was about 40, said he was too young to think about it. The interpreter also told me that it was a very sensitive question. It was very difficult to talk about the issue of succession.

Without doubt the inheritance laws in France – which decree that assets must be divided between all children - and how the farms are passed down has led to farms becoming smaller. This would be a whole topic in itself, and is another illustration of how politics can make a difference to agriculture and culture. I went to the Champagne region and visited a grower who grew 8 hectares of vines. When asked about expansion and succession, he felt he would not expand by buying land, but would improve on quality and marketing. We saw many small growers in this area, and many paid into a co-operative, such as Moët, to gain market share and maximise output. Again people were happy with their lot and not interested in taking up debt to get bigger.

During my travels I was amazed by the strong regionalisation I found; I saw only Charolais cattle in the province of Charolais and champagne was only made in one small region. This identity is unique and has fantastic marketing clout.

### 6a. Findings from France

1. *In my experience the French are happy with their lot and not looking to expand their businesses*





2. *During my travels I were amazed by the strong regionalisation we found; we only saw Charolais cattle in the province of Charolais and champagne was only made in one small region. This identity is unique and has fantastic marketing powers.*
3. *Without doubt the inheritance laws in France and how the farms are passed down has led to farms becoming smaller. This would be a whole topic in itself, but again a demonstration of how politics can make a difference to agriculture and culture.*



Above : Cattle in the French region of Aubrac

Left : Grape harvest in Champagne. Although really busy harvesting, the French still had time for a three course lunch with wine



## 7. Canada

I visited Canada to take part in the Nuffield Contemporary Scholars' Conference (CSC), visiting the province of Ontario. We were there in March, just as the snows were thawing, so the countryside was not shown off at its best. The vast majority of crops there were spring grown, once the snows had gone. Run-off and erosion from the snows were a problem, especially where ground lay bare over winter.

The trade links between the United States and Canada are very strong, with a lot of produce going from Ontario into New York State. We learnt a lot about the politics of Canada; their agriculture is very well supported and food security is important to the wider population. It came across that their markets were extremely well protected and the Canadians would pay more to buy their own products before importing from elsewhere.

In a similar vein to America, the farmers can buy insurance via the government to protect crop losses and poor harvest. This was an amazing concept and seemed to take the risk out of farming. Again, this is a huge political decision which influences agriculture not only in Canada, but across the world.

I enjoyed Canada, but it is really hard to pinpoint the Canadian philosophy. I think the insurance policies attached to agriculture have made it a safe, steady environment, where people would opt for the safe option, rather than take on too much risk.

### 7a. Findings from Canadian visit

1. *Their agriculture is very well supported and food security was important to the wider population*
2. *Their markets are extremely well protected and the Canadian public would pay more to buy their own home-produced product before importing.*
3. *The farmers can buy insurance via the government to protect crop losses and poor harvest. This was an amazing concept and seemed to take the risk out of farming.*



The stunning Niagara Falls which we visited on a very cold frosty morning



## 8. Paraguay

I did not really know what to expect when visiting Paraguay but had an impression there would be little infrastructure and farming would have a long way to go to be at a European standard. How wrong I was. Large tracts of land were being farmed on a massive scale and at a very technically advanced level, often operated by groups of people who had emigrated to Paraguay after the Second World War. Without exception their produce was marketed through central co-operatives for the area. For example we visited the Japanese community and the Mennonite community and each would have their own co-operatives.

The country on average has 1500 mm of rain per year and they are able to grow two to three crops per year.

Soil erosion had been a massive problem, so the majority of technically-minded farmers are direct drilling crops; the mulch protecting the soil and retaining moisture from the intense heat and the organic matter allowing penetration and preventing run off when there is extreme rainfall.

I was hugely impressed with the farming in Paraguay. On many occasions we saw a combine cutting soya and a drill in the same field planting maize or wheat. Wheat was very much the poor relation to the other two crops. The biggest issue I could see was that although they were growing in rotation, effectively it was only 6-9 months before a soya crop was re-grown. When we visited the country it was just wall-to-wall soya, making the area a monoculture.

Agriculture in Paraguay is a tale of two halves; approximately 20,000 being large, very technical farmers, farming the vast majority of the 2 million hectares. The other half is made up of 250,000 subsistence farmers, farming between 0.5–25 hectares apiece.

Poverty is a big problem in Paraguay, with a 3.5% birth rate, and the poor becoming an ever increasing problem, with little welfare system in place to tackle the problems. Putting this into perspective, the birth rate of the UK is just over 1%. In Paraguay, 35% of inhabitants live below the poverty line.

Women do not figure in Paraguayan farming. There is no option for the daughter to come into the farm; that just does not happen. The wives are very much the 'housewife' and not involved in running the business. In many cases nobody lives on the farm itself, but they commute from the town – often 2 hours away.

The sons are encouraged to come home to farm, and I saw an example of one farmer selling 200 hectares of arable land to enable him to buy 1500 hectares of grazing because his son preferred the livestock. Another farmer's son had completed 6 years at university and was now back home on the farm where he was given his own enterprise to run. Often farms are bought for the next generation, so that they have their own identity.

The subsistence farmers, farming between 0.5–25 hectares, often used oxen or simple mechanical instruments.



Many crops were double planted, for example maize with beans in between the rows. We went to a small manufacturer which produces machines for the subsistence market, to be used with either oxen or a small engine. The detail in the machines was extraordinary.



A hand held seeder used for hand drilling.

We went to meet Victor and his wife who farmed 15 hectares of land with no till and maximum cropping.

They have cows, pigs, chickens turkeys, fruit and vegetables and are pretty much self- sufficient. They don't normally preserve very much because there is always fresh produce available. Animals destined for meat were killed under a tree at home. What was amazing about this guy was that he could not read or write and was happier talking in the local Paraguayan language. He had managed to move on from living in a wooden shack to building his own home and is now about to build another house for himself. His daughter will move into the existing home. His progression during his life is as amazing as that seen on the large farms.





Victor, who farms 15 hectares in Paraguay

### 8a. Findings from Paraguay

1. *Women do not figure in Paraguayan farming*
2. *The biggest issue I could see was that although crops were rotated, effectively it was only 6-9 months before a soya crop was re-grown. When we visited the country it was just wall to wall soya, making the area a monoculture*
3. *Poverty is a big problem in Paraguay, with a 3.5% birth rate, and the poor becoming an ever increasing problem, with little welfare system in place to tackle the problems*



This is a crop of maize which will be hand picked and was inter sown with edible beans. Any crops that they do not use for themselves are sold into the local co-operative.



## 9. Brazil

All I can say is Wow, what a place, it is MASSIVE.

It is in many ways similar to Paraguay, but a little more advanced in its thinking and attitudes. The cropping patterns, climate, and differences between the rich and poor were the same in both countries.

The 'stand out' thing for me when visiting Brazil was what is called the pioneer farming; those people who leave their existing lives behind and start from nothing.

We visited Leitissimo, which is in the State of Bahia, 4 hours north of Brasilia. Fifteen years ago, a New Zealander named Simon Wallace came over to Brazil and bought a block of bush. We were shown photos; he literally set up a tent and set about making a viable business, working in a tropical climate and wrapping a brand around the whole concept. The idea was to milk cows under a New Zealand outdoor system, under pivot irrigation.

When clearing land, 15% has to remain as native bush, and from the photograph below you can see the areas used for milking between the remaining bush.



Areas used for milking between the remaining bush

What has been achieved is mind-blowing. All the infrastructure had to be brought into the area – roads, electricity, housing, milking parlours, irrigation etc. At present the farm has 10 areas under pivot irrigation, each being 56 hectares and stocking at 10 cows to the hectare.

The milk is being processed in the factory on site, heat treated and made into long-life milk, and then marketed around Brazil. With a population of 200 million people they have a captive market and are not concerned about outside forces.



The business has also thought about the parochial care – they are situated an hour from the nearest town; housing has been built for the families of all the workers to live on site; they have a community garden providing fresh produce, a sports facility and even boast a school to teach the children up to secondary age. The achievement that Simon and his team have reached so far will remain with me for a long time.



School for the families of the workers

Throughout Brazil the technical farming is mainly being carried out by ex-colonials who settled in Brazil after the First and Second World Wars. The locals did not seem to embrace this way of farming.

The farms we visited were first and second generation farmers. The children today are being highly educated, going off to university and often going into professional careers - doctors, lawyers, accountants etc. Many children are not returning home to the family business.

One example of how succession is handled in Brazil is as follows:

The farmer has three children who are an agronomist, a professor and a lawyer respectively. The farmer farms 6000 hectares; he is 65 but wants to farm until he is 80. He does not want to split up the farm because he thinks '*they need each other to fly, and in unity there is strength*'. His plan is to give each child one third, and the one who decides to farm will get a salary and all three will share the profits.

The farmer's view is that the problem is not in his children, but that of the son- and daughters-in-law. It is a family business, his daughters have been trained and their husbands will not interfere, but his daughter-in-law will have too much to say!

This is a topic that will be discussed later and was one that I came across all over the world.

On another visit we met a farmer who was in partnership with his three sons. The parents owned one quarter between them and each son owned a quarter.





They farmed a small, highly valuable block in the Mato Grosso region, which, when the father realised that all the family wanted to be involved, they sold and then bought 2000 hectares in the Bahia region.

The day they sat around and chatted was the moment the farmer went into partnership with his children.

Good communication, knowing what each other wants and where they are going is important. Regular meetings and talking is paramount.

This farmer believed that the secret to his family's success and happiness was having no egos.

### 9a. Findings from Brazil

1. *'They need each other to fly, and in unity there is strength'.*
2. *The 'stand out' thing for me in visiting Brazil was what is called the pioneer farming; those people who leave their existing life behind and start from nothing.*
3. *The farmer's view was that the problem was not in his children, but that of the son- and daughters-in-law. It is a family business, his daughters have been trained and their husbands will not interfere, but his daughter-in-law will have too much to say!*



Iguassu Falls





## 10. Brussels



Emblems of the EU countries

I visited Brussels to look at the workings of the European Parliament and how the UK fits in. It was a really interesting visit and I do not want to get entangled in political debate, but the inefficiency and bureaucracy was mind boggling. Moving the whole parliament to Strasberg every month was bizarre, and how any decisions are made, when the wants between countries are so different, is beyond belief.

The whole system is challenging and complex and at times the UK-based representatives in the European Parliament do not exercise their democratic right to vote.

### 10a. Findings from Brussels

1. *Decision making is key because its influence makes its way into UK Agriculture*
2. *Policy decisions are crucial and directly affect our farming incomes*



## THE NEXT SECTION

**In this second section of my report I will be focusing on specific issues, with reference to the UK, which I feel are the fundamental topics when considering succession and passing down the business.**

**Whilst covering these topics, I will be drawing on the experiences and findings that I have found throughout my travels.**

### 11. The will to succeed

The photograph alongside shows Roger, a New Zealander, who is farming next door to Leitissimo in Brazil. He was setting up a dairy herd under pivot irrigation, to then sell the milk to the factory I talked about earlier.

The learning curve was pretty steep; he was milking two herds of cows through one parlour, because the electricity was not connected in his own parlour. The electricity connection was not completed due to Brazilian bureaucracy, and the use of a generator was costing him \$30,000 per month in fuel. By his own admission, Roger had also planted the wrong species of grasses to cope with the climate, and many areas would have to be re-planted. When we visited, building of the whole unit was still taking place. Things were probably not going as the text book said, but there is absolutely no doubt in my mind that failure was not an option and he was going to make a success of it.

*Roger's youth, enthusiasm, passion and just sheer determination were very evident.*

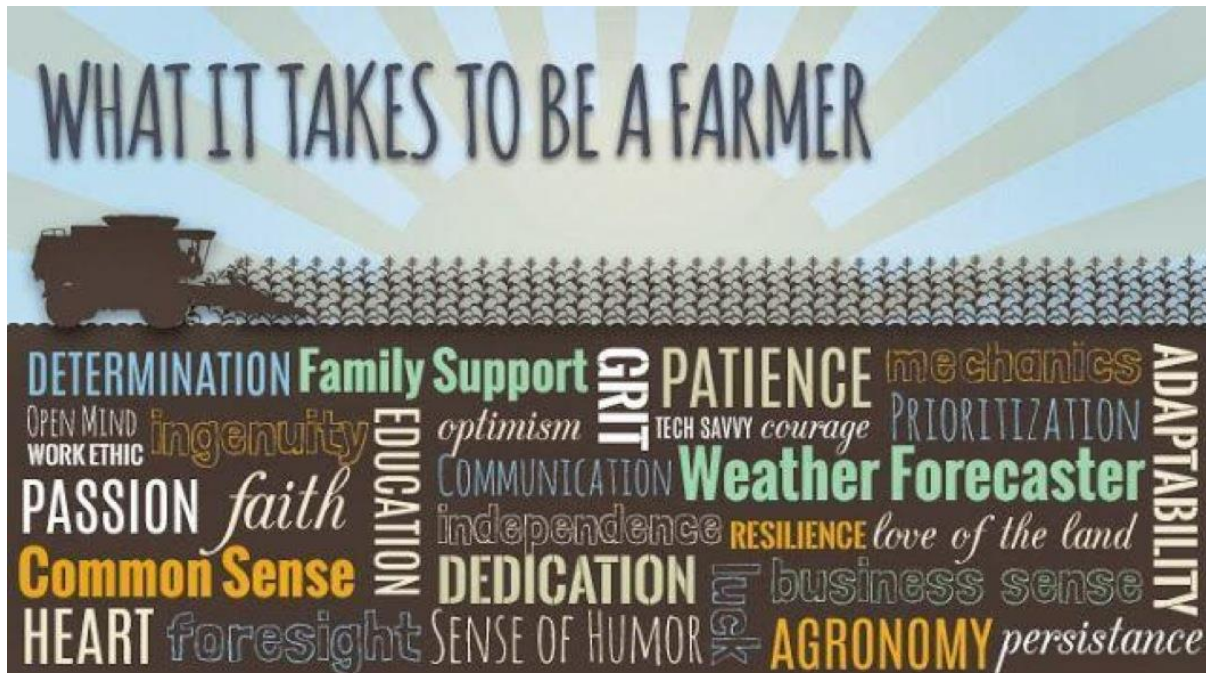
*I do believe you are probably born with those qualities, but the question is: how much does that enthusiasm become inhibited in those who are not given a chance?*



Roger Smyth



## 12. Farming – in the blood



Throughout my travels the love and passion for farming was evident. Farming is not a job or a career; it is a way of life. When looking at my topic around the world, I have been given many thoughts and ideas on why some farms are enterprising and others lag behind. Two that stand out and are most thought provoking are the following quotes:

1. YOU CANNOT FORCE YOUR CHILDREN TO LIVE THE DREAMS YOU HAVE' (A Belgian farmer, farming 10,000 hectares in Paraguay)
2. 'WITHOUT YOUTH AND PASSION IN FARMING, YOU WILL NOT SUCCEED' (A Canadian farmer)

This is the primary output of my study – too many people do not pass the business down at an early age. The average age of a farmer in the UK is 58, with many children not being given a free hand until they are older and have lost the enthusiasm to take the business forward.

I am not advocating that the farmer should give up all responsibility, if it is his wish to carry on farming, but maybe start by giving an *area* of responsibility. This might be starting a new enterprise, or taking on a certain part of the business, or indeed using the business assets to set up on a completely different holding. In my own case, when I first came home, I was given the responsibility of the calf rearing enterprise and the sheep flock, whilst my father concentrated on the accounts and arable. Without doubt it stood me in good stead to cope with his early demise.





Conversely how many children come home because they feel it is their duty to be at home and help run the family farm? This in the long term is not the right route either; harbouring lack of ambition, apathy and a sense of un-fulfilment in their own lives.



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And my son, JJ, would agree with that



## 13. Communication

***One of the key things identified on my travels is that communication is key to a successful transition of assets and business.*** It is important to differentiate between the passing down of the assets and that of the business. So often I have been told, “I have no idea what mum and dad’s plans are about inheritance, they just won’t talk about it”.

When it comes to planning your succession all parties need to be involved: parents, grandparents, children, husbands, wives, non-farming siblings etc. Anyone who will inherit a piece of the pie needs to know what to expect, and how big the cherry is going to be.

*One of the key things identified on my travels is that communication is key to a successful transition of assets and business.*

### IT IS KNOWING EVERYONE’S EXPECTATION AND THEN MANAGING THAT EXPECTATION

If there is friction, involve an outside professional to broker any talks that take place.

### HAVE A STRUCTURED PLAN IN PLACE

Many businesses will have short, medium and long term plans as to what they want to achieve from their business and how they plan to get to the final destination. The same philosophy needs to be adopted when considering inheritance.

### THINGS THAT NEED TO BE CONSIDERED:

1. Who stands to inherit from the estate?
2. Objectives and plans of each party. Do the parents want to retire?
3. What is their wish on how the estate is to be split?
  - Who will run the business?
  - How will the estate be divided?
  - Does anybody have aspirations to achieve something else?

The list is endless and needs to be thought through by each member involved.

### IT IS IMPERATIVE TO INVOLVE ALL PARTIES, AND THAT THEY ALL HAVE A SAY WHICH IS LISTENED TO.

How can these objectives be achieved?

- Timescale and set goals.
- Legal advice from professionals, to advise on inheritance tax, liabilities etc.
- Exit strategy.
- Managing the unexpected, such as illness, early death etc.



## 14. The assets and the business

The assets, such as land, houses and investments are completely different from the actual business, and when it comes to passing them down can be handled very differently.

***To separate or not to separate is an important issue to discuss and decide upon. On my travels I came across the two polar opposites.***

### 14a. With unity there is strength in size

Where family units were working well, this philosophy was adopted. Often the business was large enough that each family member had their own area of expertise – but without fail, each business would meet regularly, whether it be as a structured board meeting or over a cup of coffee, to discuss what was happening and where the business was, going forward.

When visiting large units in South America and Australia, I found that the land ownership behind the business was often split between siblings. Non-farming siblings would take a rent but have no interest in the business; any farming siblings would take a salary and the profits would then be divided.

An issue I saw within the UK was that the average farm size was 50 hectares. By dividing units in the UK you are making them pretty un-commercial, especially if you then consider where FBT rents stand at the present time.

It is a much easier consideration to split a 5000 hectare unit than a 50 hectare one.

### 14b. Separation is far better than enforced sale

So many families believe that unity and size equal strength, but do not look at what is happening in their own family. The children do not get on; they are arguing constantly and not actually taking the business forward.

If you have more than one child, all being involved in the business, would you not be better to separate whilst there is a viable unit, or wait until it is eroded away and you are forced to sell?

It must also be remembered that once the matriarch is no longer there to referee any differences, the whole thing will become far worse.



## 15. Giving up control

One of the most difficult things is to give up control. After all a lifetime's hard work and perseverance that has gone into the business.

Without doubt within the UK we have a far greater emotional attachment to our land and property than exists in many other countries. Many farms and businesses have been in the same family for generations. This can be a significant burden when it comes to any discussions.

It is difficult when children are young, and maybe wayward, or will not do exactly as we want or expect.

How many family businesses do you know, where the parent or grandparent holds control of the cheque book until their death?

*Giving up control does not necessarily mean that you retire or have no involvement in the business. It is re-inventing yourself into a new role, to enable the next generation to take hold of the reins.*

### 15a. Sons- and daughters-in-law

The biggest single conflict I saw on my tour was issues with family members who have married into the business. It certainly does cause conflict, and in the majority of cases it is when the mother does not get on with the daughter-in-law. This is not a sexist comment, but caused by the sheer fact that more men (normally sons) want to come into the family business than women (normally daughters).

When a conflict begins between in-laws, it often halts any thoughts of succession or passing down the family business. The unit may spiral into disarray with no long term strategy. A business can very quickly become stagnant and not deal with issues.

Again, communication, with outside mediation, would be the best option, but so often nothing happens at all.

It is interesting to note that if a person inherits before marriage in the UK, the spouse is not entitled automatically to 50% of the assets should a divorce occur. This is because it is an asset that has not been built up together. How often do you hear that things are not passed down to the next generation because they do not want to lose half the farm to a divorce?

### 15b. Retirement

***'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?

The emotional tie to the farm and the house you live in is a very personal one, and one that is up to the individual families to decide upon.



When looking at this topic, a big problem I see is that farmers cannot afford to retire. We all know that farming families are often asset rich and cash poor and in today's society this is becoming an increasing problem. The gap between the value of the 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 quite 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?***

Realistically, profits in agriculture need to increase to help facilitate succession and bring youth into the UK farming industry.

***If funds are not available to finance retirement then perhaps an option might be to sell to your inheritors? I saw this happening 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, 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.

You also have to remember that you cannot pass down an asset and then have the benefit from it. For example if you pass down the farmhouse, you either need to move out or pay a full commercial rent.

**(Note: I am not a tax expert and advice always needs to be sought on your individual issues)**





## 17. Treatment of farming and non-farming siblings

***If we take the example of an average farm - which today is 50 hectares - then, in today's market, your land alone will be worth over £1m. before considering the farmhouse, buildings, business etc.***

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 for consideration 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.

***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.***

I took out a whole-of life-policy when I was 35. A lump sum is guaranteed to be paid out on my death, and I pay out the same amount p.a. now as I will when I am 70. The premium has been fixed since the start and does not increase. I have to live until I am 150 to have paid out in premium what my children will get back as a lump sum!

**Old school thinking.** Throughout the writing of this report I have had to check that I have written nothing sexist – i.e. 'when the son inherits' etc. Even with me, it seems so ingrained that the son will inherit. I have to mention this because, when looking at the whole issue of inheritance and succession, the 'old school' thinking is never far away.

Whether it be with me when I was pregnant: '*I bet you're hoping for a boy, to come home on the farm*', or on my visits: '*Well I have educated the girls, they now need to go and find a husband, the farm will go to my son*'. The hope for a male heir is never far away. However I write this in a year when 9 out of the 22 new Nuffield Farming Scholars are female. I could write a whole chapter on this subject alone, but that is a whole new story.



## 19. Final thoughts

I hope my content has given you food for thought, but I leave a final consideration:

***You are a 65 year old farmer, living in a 4 bedroom farmhouse and farming in partnership with your 40 year old child, who lives with their family in a small bungalow on the farm. On your death, no tax is payable, because it is all covered by current inheritance tax exemptions. Why then would you consider doing anything until you die?***

Has the time come to consider taxation on farmland, to generate a young, strong, dynamic industry where succession is planned rather than forced upon?

Until or unless UK inheritance tax laws are changed, many businesses will do little to pass down their assets to the next generation, because the most tax efficient way not to have to pay tax on one's estate is simply to hang on to it until you die.

Indeed when researching on the internet, I read an article in one of our main tabloid papers: 'Ten ways to avoid inheritance tax' and the following was written:

### ***'6. BECOME A GENTLEMAN FARMER***

*'Complex rules govern business property and agricultural land reliefs, so professional advice should be taken – not least about the risk of losing your capital while trying to avoid tax. But, in general, agricultural land which is let out can become IHT-free after seven years and could be IHT-free after two years if you play a part in farming it.'*

As a fourth generation farmer articles like this sadden me; when farming is my life and passion, the press is advocating that people play at farming, as a way of tax planning. We need to encourage vibrant and pro-active succession planning to ensure the future success of the UK farming business. There are many positive things that can be carried out.

It is so important to talk to your whole family about what your wishes and intentions are. Communication is the absolute key and should be clear and concise for all those involved. Managing the expectations of everybody is really important, especially when sorting out the inheritance for those not involved in the business.

When children come home to join the family business, the units that set up a new enterprise, or give the child an area of the existing business to run and make their own, really stand out. It should also be remembered that often, by another member coming home, the business needs to expand or intensify just to stand still, because another family needs to be supported. If your children are treated simply as paid labour for all their lives, how can they be expected to turn into the boss on your death?

The use of whole-of-life policies could be a really important one, in either passing down the farm or making your estate more equitable for all parties. If you are a business that is asset rich and cash poor, a lump sum could be really useful in fulfilling your intentions.

My simplified, basic Conclusions are shown on the next page.



## 20. Conclusions

1. Tax burdens and political influence shape agriculture globally. Some policies are helpful to world production, whilst other issues make an individual country less competitive.
2. The problems and issues of succession are the same the world over.
3. There do, however, seem to be fundamental differences between countries - 'The New World' countries - such as Australia, Brazil and Paraguay - using scale to their advantage, but also being more open to risk.
4. Whereas old established countries such as France, UK and Canada, are more careful.
5. Without doubt farming attracts passion, and is often viewed as a way of life rather than a business.



## 22. Acknowledgments

Firstly I have to thank Mr David Allen for sponsoring my Nuffield Farming Scholarship. This is the first time Mr Allen has been a sponsor, so I feel an immense responsibility to get it right and hopefully he will be pleased with the outcome. Thank you also to both Mr Allen and his daughter for giving up an afternoon to meet me, talk to me and show me around their farm.

Thank you to all those people around the world who have given up their time to show me their business and their country plus let me listen to their family tales. They have together made the whole Nuffield experience something I will remember for the rest of my life.

Sometimes I have travelled with other Nuffield Farming Scholars – thank you to them all for their friendship and companionship. At times we laughed until we cried - the best tonic that anyone could receive.

I could not have done a Nuffield Farming Scholarship if I did not have an amazing team back home. The sheep managed to get out every time I was away and I would receive a phone call at very odd times of the night. It was as if they knew I was away and were just reminding me where home was.

To the wonderful Bobby, who came to work for me when the children were small, and has turned herself into someone I can't manage without. It meant that when I was away the children were still content, and with the advent of 'FaceTime' they could talk to and see me every day.

To Ben and Dave, who looked after and managed the farm in my absence. They did a great job and I would not have done a Nuffield Farming Scholarship if I didn't have guys at home who I knew would just get on with things.

James – Thank you for letting me do this study.



## 23. Postscript

A Nuffield Farming Scholarship has been something I always wanted to achieve, but time was running out and I was nearly too old to try to get an Award. My interview came at a time when my personal circumstances had changed and the children were 7 and 8. To say the timing was bad is a bit of an understatement.

Anyway, I went to interview feeling there was no way I would get a Scholarship, but, oh well, at least I could say I had tried. To my shock and gratitude I was wrong.

To meet nearly 70 like-minded people from around the world in Canada at the CSC which was just the best experience. With social media it is very easy to keep tabs on what is going on in everybody's lives.

The experience of a Nuffield Farming Scholarship, of making me go away and evaluate what is important in my life, has helped me to deal with my life experience. The process has also made me start believing in who I am, what I have achieved and where I want to go.

I have always loved farming and view myself as the custodian of my parcel of land, until the next generation is ready to take it on. Flora and JJ may not want to farm and that is their choice, but until that day comes I know now that I will carry on with my dream; of being a 'lady farmer in Dorset'.

### Rebecca Hill





## 24. Executive summary

Within the UK, the average age of a farmer is 58, meaning that many farmers do not inherit the business until they are nearly at retirement age themselves. UK agriculture needs youth and enthusiasm to take the industry forward. In so many cases passing down the farm asset and the business are not discussed until the farmer departs his business in his coffin.

The main objective of my study was to look at whether some businesses and indeed countries are more effective at the whole succession issue than others. I visited the following countries: Australia, Canada, England, Scotland, Wales, Brussels, France, Paraguay and Brazil.

*The problems and issues are the same the world over:* how to treat siblings, especially those not involved in the farm business, with some sort of equity, but also enable growth in the business. In countries, where a farm size of several thousand hectares is normal, there was much wider use of passing the actual land on to all family members with non-farming siblings taking a rent and farming siblings running the business.

In New World countries, such as Australia and Brazil, where pioneers and frontier farms have been formed, *the farm is very much viewed as a business and does not have the emotional attachment and the worry “that I am going to be the generation to lose the family silver”*. It is also a certain type of person who is prepared to leave the trappings of western life, and go to a place with nothing but bush, and have the foresight to see that something can be made. There is a much greater acceptance of failure and picking yourself up and starting again.

My findings within the UK, where land is becoming ever more expensive and holdings are often small in size, are that succession is more difficult. *Often retirement planning has not been thought about, and so passing down the assets is prohibitive, because the older generation needs to live in the farmhouse, or take an income from the business*. The other key finding is that parents worry that they cannot treat all parties fairly – life policies are often not considered in providing a lump sum for non-farming siblings. There is a huge emotional attachment to the land. Family conflict and the introduction of ‘in-laws’ is a major issue in preventing discussions on succession, and ultimately letting go of the control is a massive issue.

The businesses that are ultimately good at succession planning *have a very positive attitude to the next generation*; encouraging them to look at new enterprises and have ownership of the projects. In many cases children are encouraged to travel or take a different career path to broaden horizons before returning to the family business. Discussion between all parties is essential, with set goals and structure to succession. Expectations and the management of those expectations are key to successful succession planning.