

Current Research on Farm Succession

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Current Research on Farm Succession

- Increasing research interest?
- Some definitions
- Current research: the FARMTRANSFERS project
- The future research agenda

The Process of Agricultural Restructuring

<i>Drivers</i>	<i>Land Managers</i>	<i>Restructuring</i>	<i>Implications</i>
Global	Embracers/ exploiters		
EU		Land	Economic
National	Reactors/ adapters	Labour	Environmental
Regional		Capital	Social
Farm	Resistors		

Source: Lobley et al 2002

The Restructuring Spectrum

Static businesses

Minor change businesses

Traditional agricultural restructuring

Diversifiers

Capital consumers

Leavers

Source: Lobley et al 2002

The Restructuring Spectrum

Static businesses (18%)

Minor change businesses (20%)

Traditional agricultural restructuring (20%)

Diversifiers (25%)

Capital consumers (3%)

Leavers (15%)

Source: Lobley et al 2002

Some terms that are used

- Inheritance
 - The inter-generational transfer of land and farming assets
- Succession
 - The inter-generational transfer of managerial control
- Retirement
 - The inter-generational transfer of managerial control
- *Farming Succession*Le Transfer*La Transmission*Farm Transfers

FARMTRANSFERS.....

1991 England

1993 France

1997 Canada: Ontario and Québec

1997 England (again)

2000 Iowa (USA)

2001 Japan

2001 Virginia (USA)

2003 N Germany

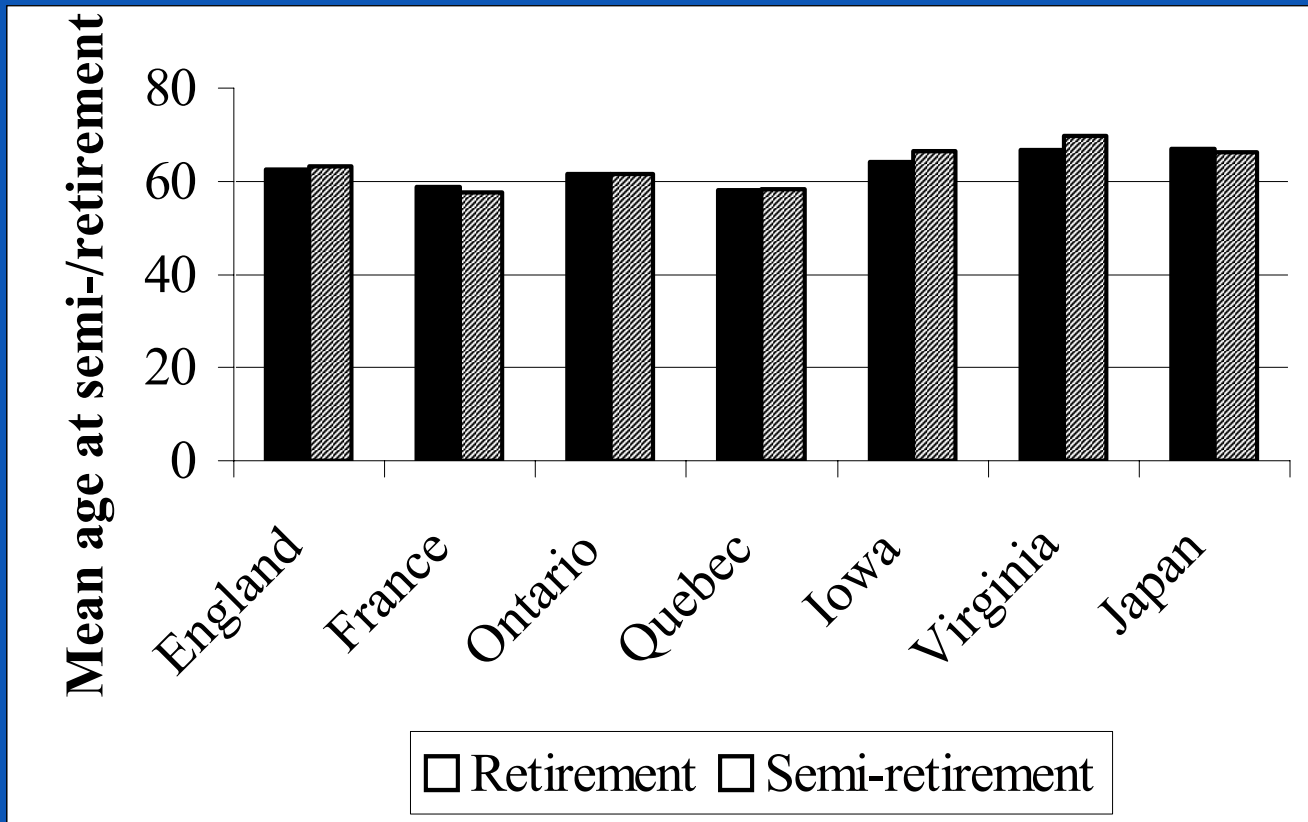
2003 Poland

Retirement from farming?

‘There is an old tradition that farmers never leave the land until they die, go broke or retire’

(Anderson and Hepworth 1980: 1)

Expected Age of Retirement



Expected Age of Retirement

	England 1997	France 1993	Ontario 1997	Québec 1997	Iowa 2000
Retirement:					
Mean Age	62.4	58.7	61.5	58.0	64.2
Standard Deviation	4.8	3.2	7.2	5.8	9.1
Semi- retirement:					
Mean age	63.3	57.7	61.5	58.2	66.4
Standard deviation	4.7	4.1	6.5	6.7	6.6

Retirement: What is required

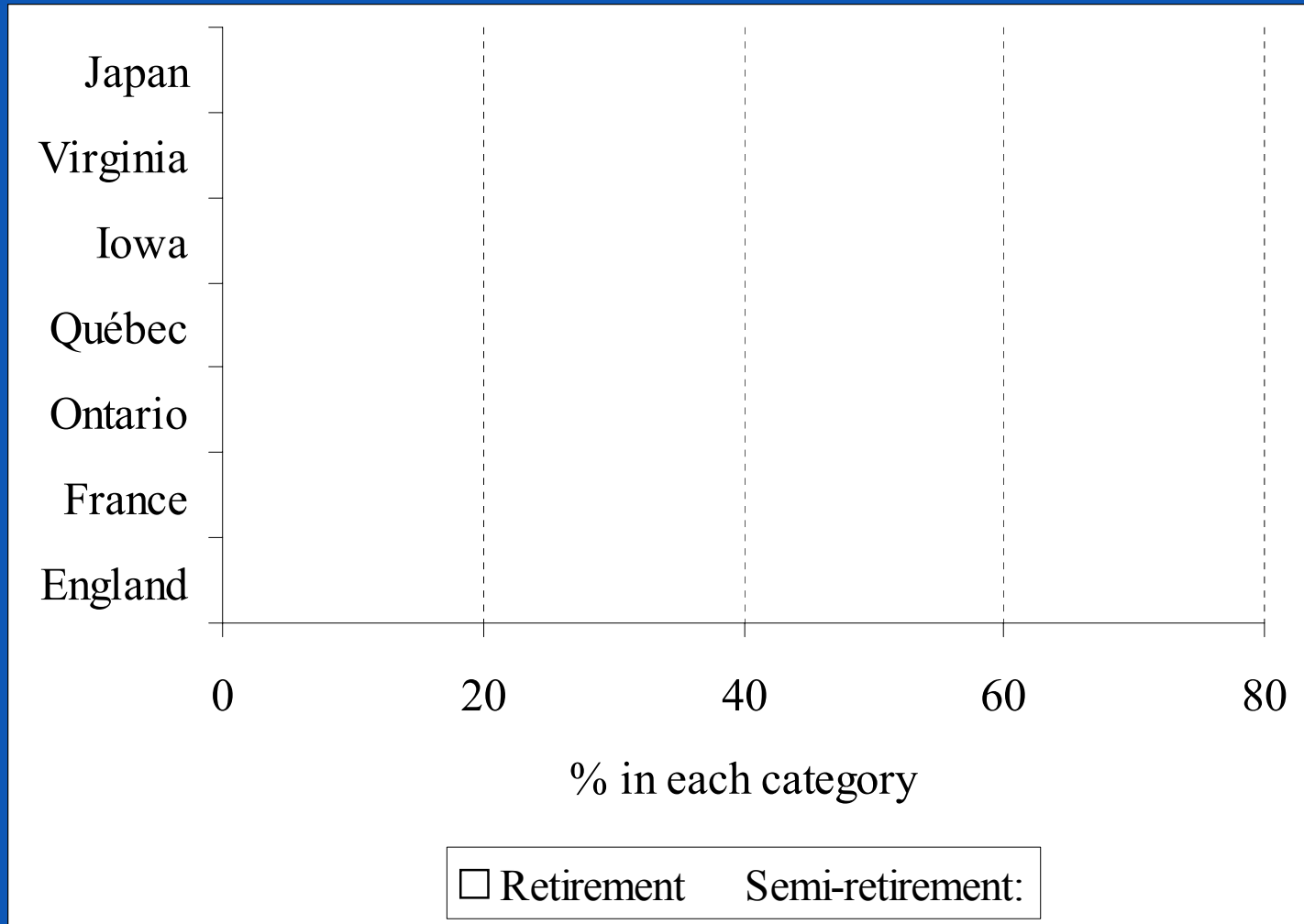
- A place to live
- An assured income for myself and my spouse
- A easy, smooth, effortless transfer of the business to my successors

Moving house?

‘When Daryl went into farming in partnership with his dad in 1968, he was under the impression that someday soon he and Marilyn would move into the big house and the folks would take the little one, the one that Grandpa Tollerud built when he came from Norway. But nothing had been said about this for a long time. The little house would be fine for an older couple, who tend to sit quietly and not tear around chasing each other. But the old folks sit quietly in the big house, with four empty bedrooms upstairs. "We really need a larger house," Daryl says. "Well," his dad says, "Soon as we get the pig barn built, we'll see about adding on to it".’

(Garrison Keillor: *Leaving Home*)

Proportion Moving House



Retirement income?

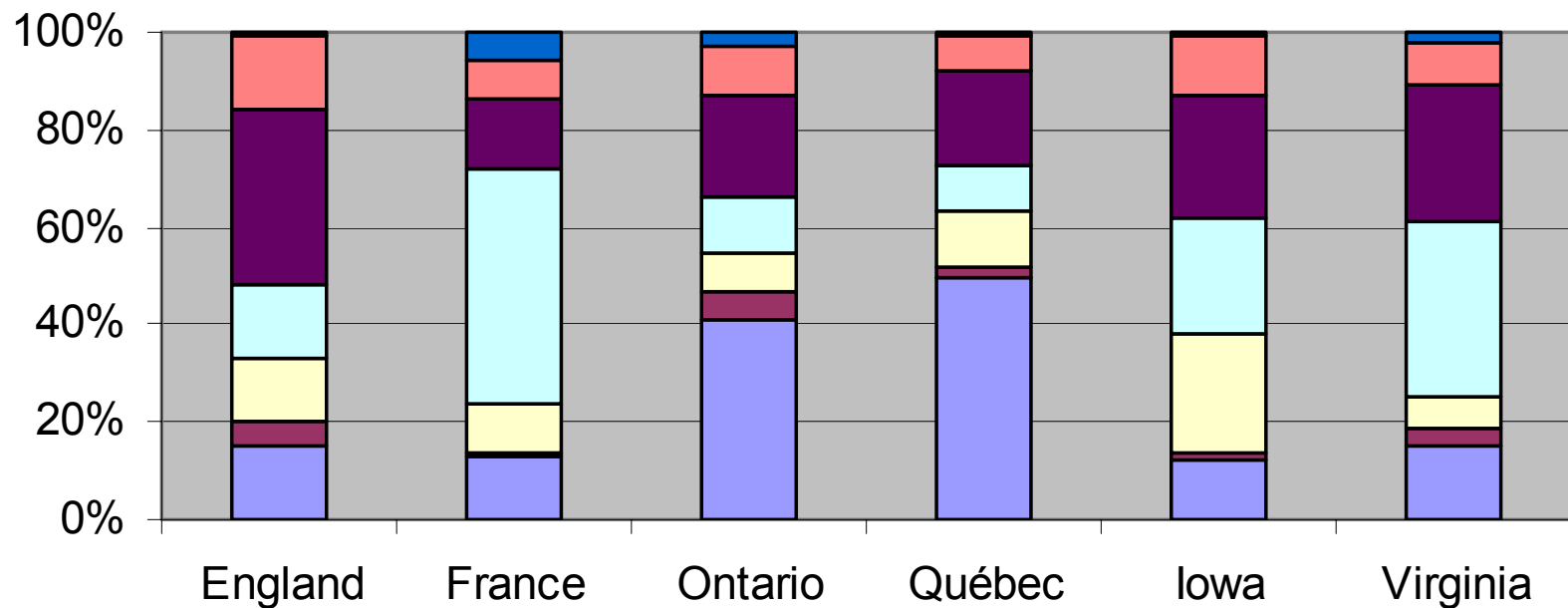
From *Twelve Key Points in the Successful Transfer of a Farm*:

Point Number 1

‘ensuring parents have an adequate retirement income’

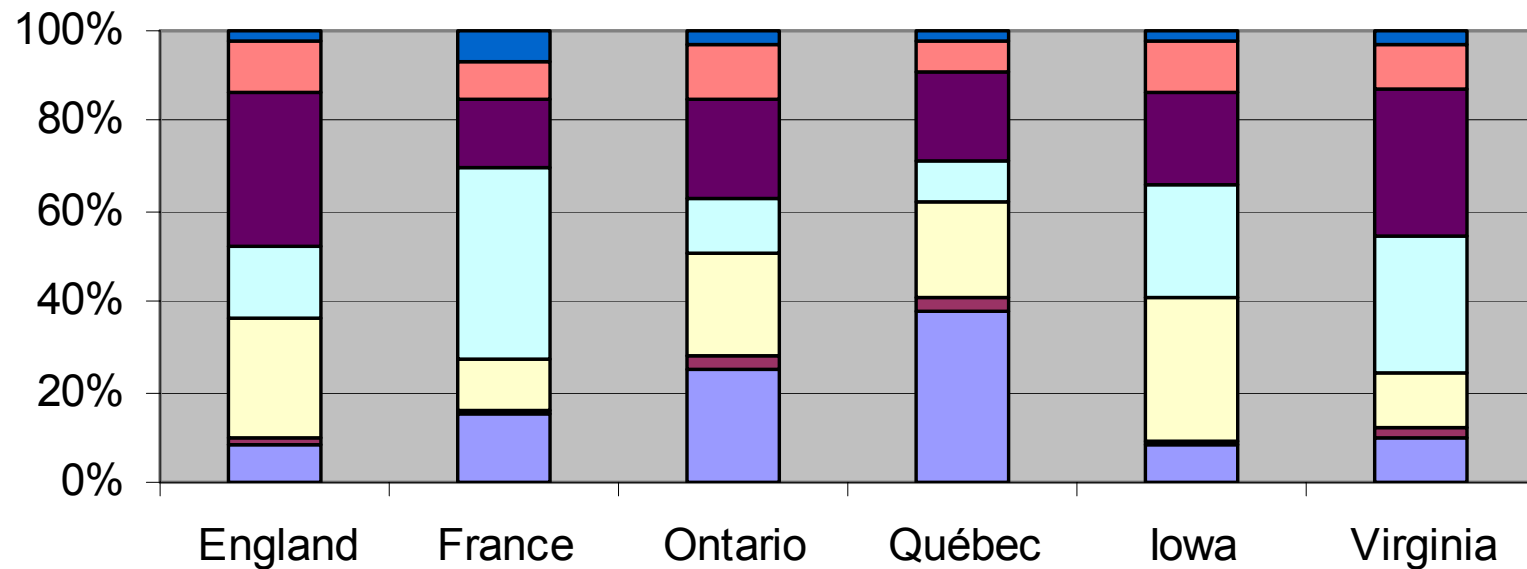
(Lachapelle)

Sources of income: Full retirement



- Sale of land/farm assets
- Sale of other property
- Farm income
- Public pension
- Private pension
- Other investments
- Other

Sources of income: Semi-retirement



- Sale of land/farm assets
- Sale of other property
- Farm income
- Public pension
- Private pension
- Other investments
- Other

Objectives of the farm family business

- ‘For many, the strategic time-scale was intergenerational... Only a minority gave profitability as their prime objective... Their chief desire was to maintain control and pass on a secure and sound business to the next generation’

(Hay and Morris 1984:
*Unquoted companies: Their
contribution to the UK economy*)

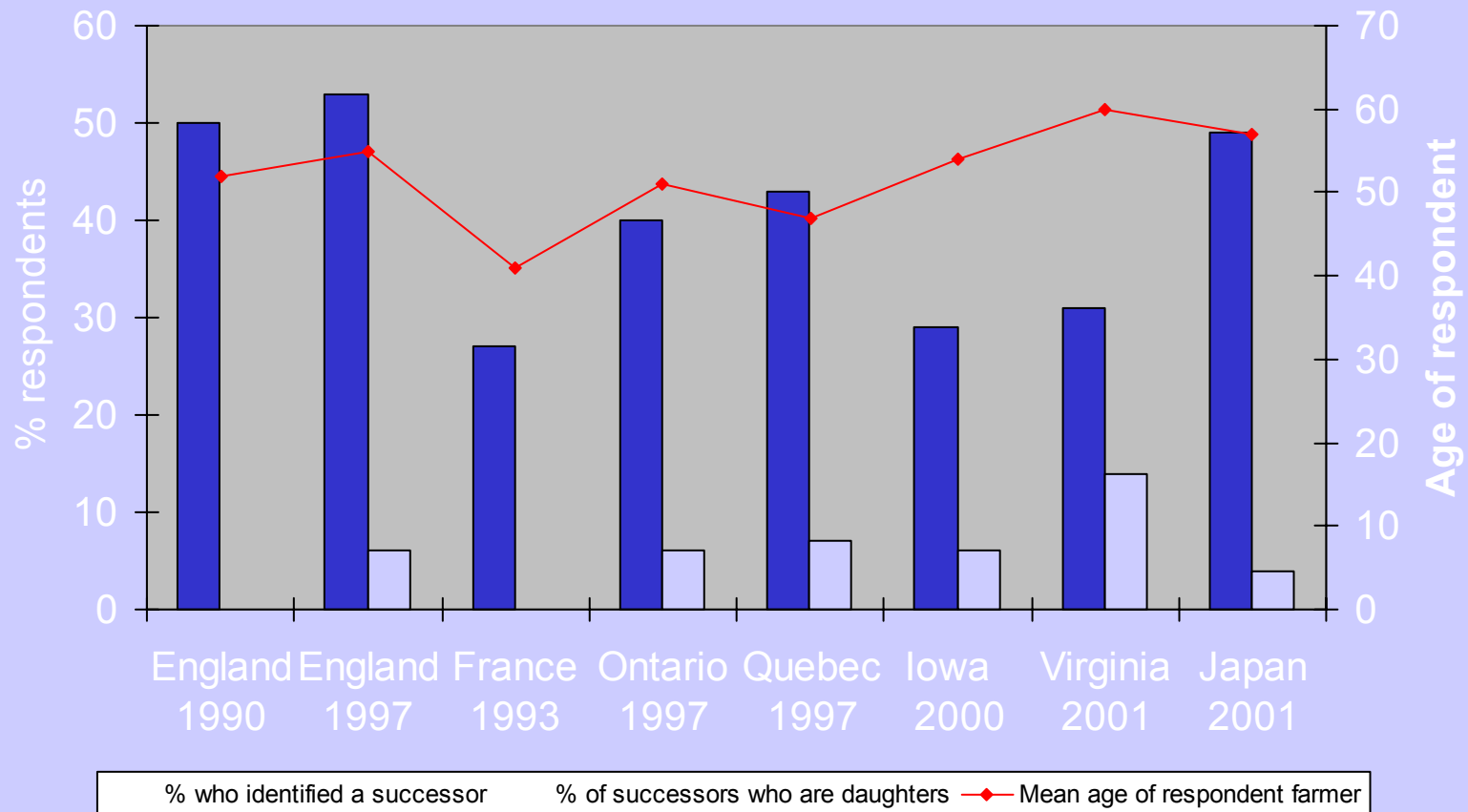
Patterns of Succession among farm family businesses

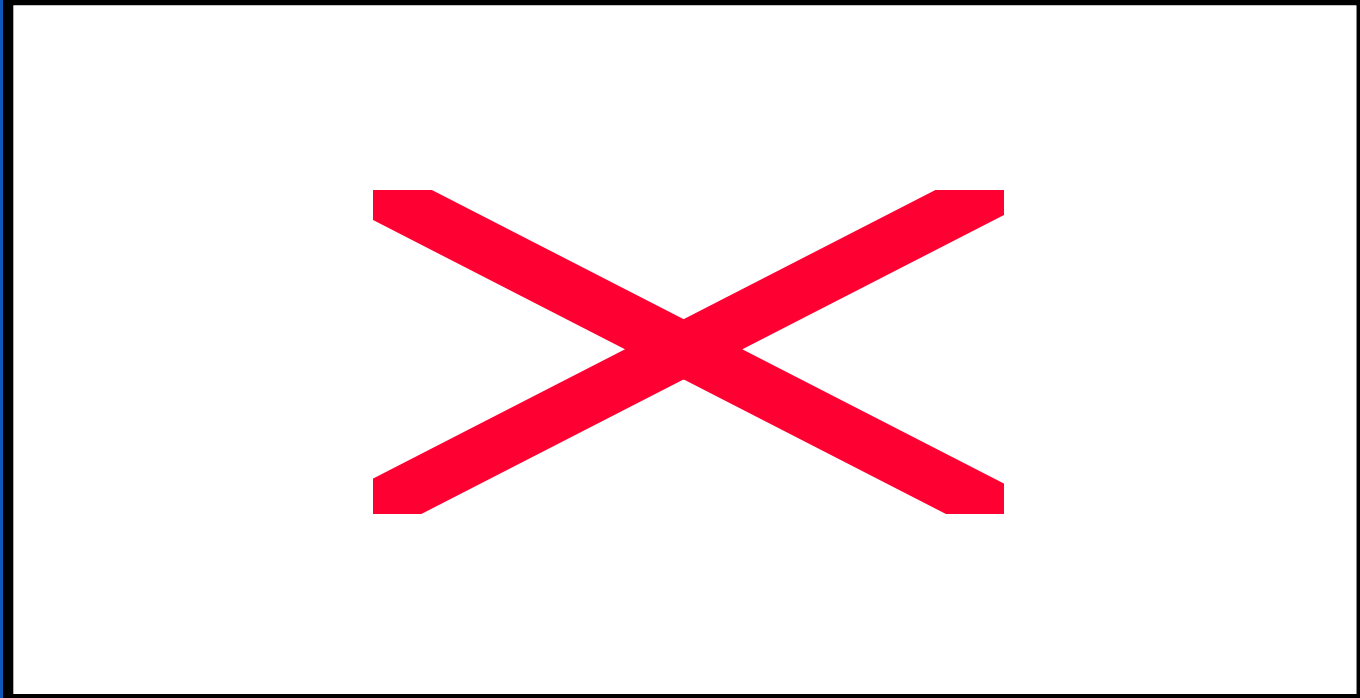
Responsibility for 'home farm' decisions	Much	<i>Partnership</i>	<i>Separate Enterprise</i>
	Little	<i>Farmer's Boy</i>	<i>Stand-by Holding</i>
		No	Yes

Running an independent enterprise?

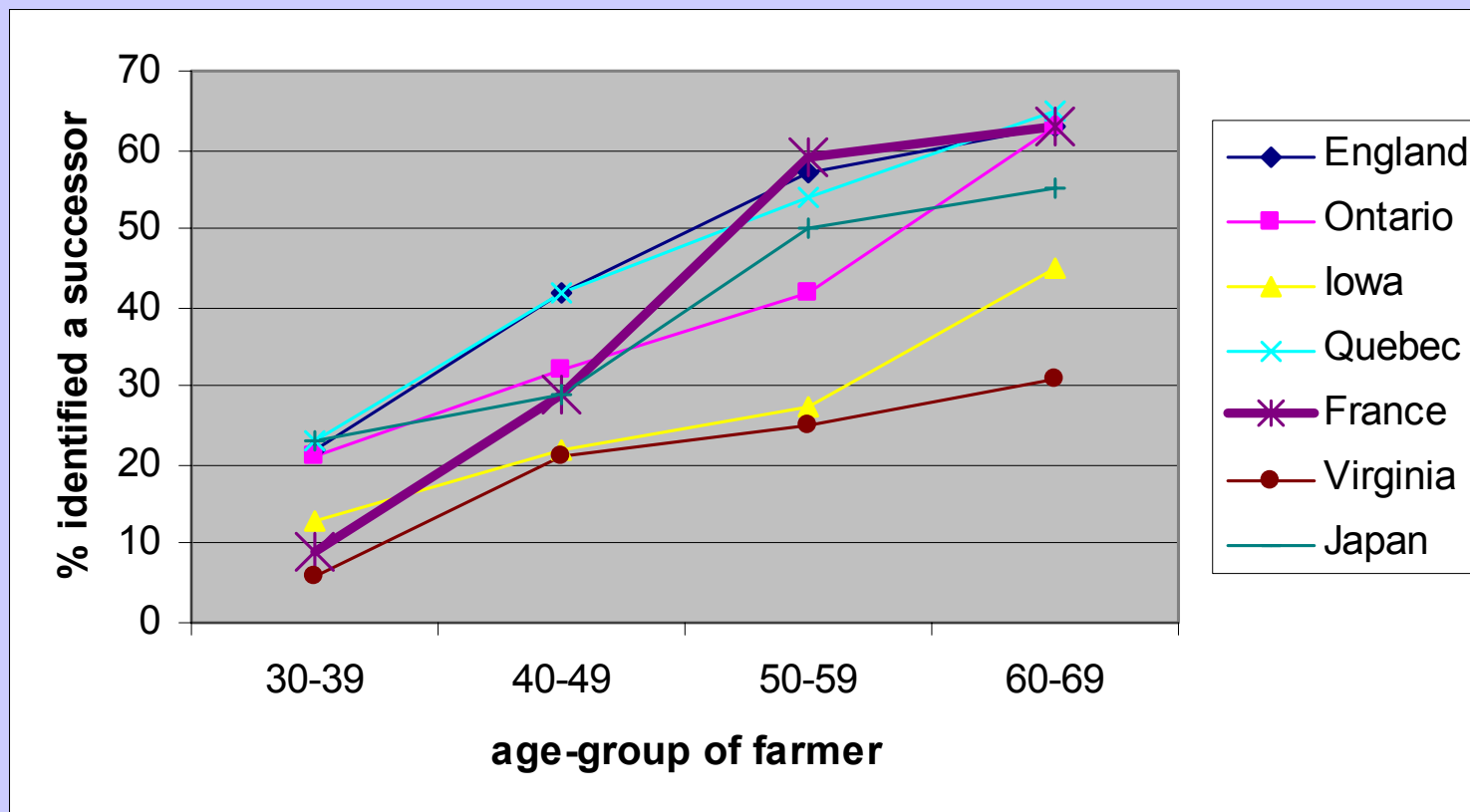


The identification of a successor





Proportion of farmers who have identified a successor by age group



The questionnaires in English and French

Decisions taken by:

	Yourself alone	Shared between yourself and your successor	Your successor alone
Plan day-to-day work	{.....}	{.....}	{.....}
Make annual crop/ stock plans	{.....}	{.....}	{.....}

	Vous seul(e)	la decision est prise en commun	Lui (elle) seul(e)
Plantification du travail quotidien	{.....}	{.....}	{.....}
L'etablissement des previsions	{.....}	{.....}	{.....}

Activity/decision	England 1990	England 1997	France 1993	Ontario 1997	Québec 1997	Iowa 2000	Virginia 2001	Japan 2001
Decides when to pay bills	1	1	1	1	1	1	1	2
Identify sources and negotiate loans and finance	2	2	3	2	2	3	2	1
Negotiate sales of crops/stock	3	3	2	3	3	2	4	6=
Decide when to sell crops/stock	4	4	4	4	5	7=	5=	6=
Decide and plan capital projects	5	5	7	5	8	4	7	9
Negotiate purchase of machines and equipment	6	8	9	6	9	5	8	12
Decide long-term balance and type of enterprises	7	6	6	7	10	7=	5=	11
Make annual crop/stock plans	8	7	5	8	4	10	9	4
Plan day-to-day work	9	9	8	12	11	11	12	3
Decide timing of operations/activities	10	10	12	9	7	12	10=	8
Decide work method/way jobs are done	11	12	10	13	13	13	13	10
Decide type and make of machines and equipment	12	11	11	10	12	9	10=	13
Level of inputs used	13	13	13	11	6	6	3	5

Responsibility
Scores
(rank order)

Responsibility levels for successors aged 25-29 years*

Activity	Iowa (n=14)	England (n=52)	Ontario (n=15)	Quebec (n=35)	France (n=59)
Decides when to pays bills	0.10	0.20	0.50	0.42	0.64
Identify sales of crops/stock	0.20	0.41	0.67	0.68	0.82
Negotiate sales of crops/stocks	0.30	0.43	0.62	0.69	0.78
Decide when to sell crops/stock	0.40	0.51	0.71	0.77	0.84
Decide and plan capital projects	0.44	0.64	0.75	0.91	0.90
Negotiate purchase of machines/equipment	0.30	0.55	0.56	0.91	0.86
Decide long-term balance and type of enterprises	0.30	0.45	0.31	0.96	0.82
Make annual crop/stock plans	0.44	0.64	0.73	0.80	0.88
Plan day to day work	0.20	0.61	0.88	0.92	0.80
Decide timing of operations/activities	0.40	0.65	0.64	0.85	0.82
Decide work method/way jobs are done	0.40	0.62	0.64	0.91	0.83
Decide type and make of machines and equipment	0.40	0.70	0.81	0.94	0.88
Decide type and level of feed/sprays/fertilisers/drugs used	0.30	0.66	0.67	0.74	0.81

(*proportion with at least equal shares in the activity/decision)

Patterns of farming succession in England, Ontario, Quebec and Iowa

Running a separate business unit?

No

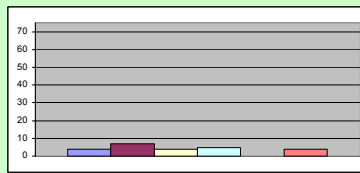
Yes

Responsibility for "home farm" decisions

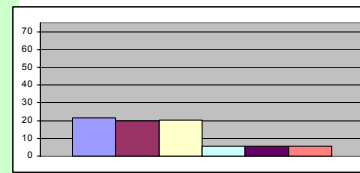
Much

Little

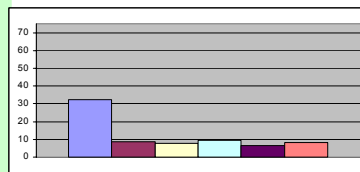
Partnership



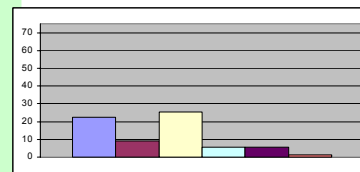
Partnership plus Separate Enterprise



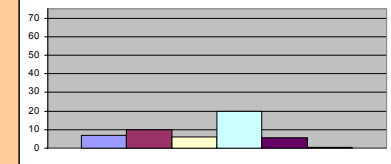
Farmer's Boy



Separate Enterprise

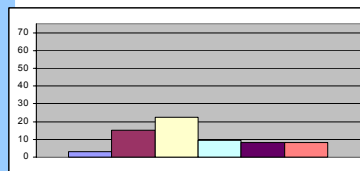


Stand-by farm

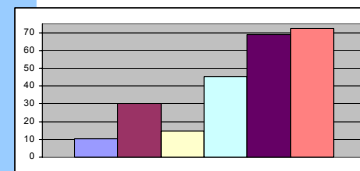


Not yet farming

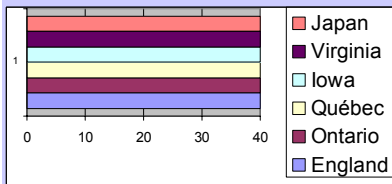
Full-time Education



Professional Detour



KEY



% respondents aged 50-59 talking about retirement to....

	France 1993	England 1997	Ontario 1997	Québec 1997	Iowa 2000	Virginia 2001
Family	55.1	27.8	63.0	63.3	54.5	70.4
Solicitor/lawyer		14.3	6.5	9.6	10.6	9.9
Banker	9.1	6.8	9.8	7.2	13.6	0.0
Accountant	28.4	39.1	38.0	33.1	18.2	23.9
No-one	28.0	44.4	28.3	27.7	32.3	25.4

Totals sum to more than 100% because some farmers indicated more than one category.

So What?



Future Research

Adding breadth and depth to our understanding of intergenerational farm transfers

Adding breadth: Other OECD countries eg Australia, New Zealand; Developing countries eg Nigeria, Kenya

Adding depth: what are the causes and consequences of the different approaches (a) for the individual business and (b) for the structural adjustment of the farm sector?

Questions and comments
please.....

Professor Andrew Errington

