

## Forward

It is not possible to comprehensively summarise twelve weeks of travelling spanning intermittently over a two year period in a report such as this. One journey which began on 3<sup>rd</sup> July amid a bomb scare at Heathrow was a sharp wake up call and gave me a better appreciation of the gift of life. That six week trip was to include Argentina, Brazil, Australia and onto Canada totalling 29,500 air miles.

I have approached this study from two perspectives. One is as a third generation dairy farmer and secondly, with empathy and personal passion on the subject of succession as a daughter, sister, wife and mother.

While I have attempted to tell an interesting story, I outline the main people and their stories or events which influenced me and the thought process during the 'Nuffield' experience. On some occasions the visual images were more profound than any words of mine could express.

Being a Nuffield Scholar -it is an experience, a wonderful opportunity and a challenge, all far greater than I could have ever envisaged.

Arising from my study, the views expressed in this report are entirely my own and do not necessarily represent the views of the Nuffield Farming Scholarship Trust or my sponsors ICOS or any other sponsoring body. If however some of the contents assist others achieve greater family harmony, then I will be very pleased.

Clare O'Keeffe  
Springwood Farm  
Garryduff  
Ballyclough  
Mallow  
Co. Cork

## Acknowledgements

- ICOS-  
Irish Co-operative Organisation Society for sponsoring this scholarship.
  - The Nuffield Farming Scholarships Trust for the opportunity, guidance, support and encouragement provided by  
Director, John Stones, N. Sch, (U.K)  
Cambell Tweed, N. Sch., (Nth Ireland),  
Thomas Horgan, N. Sch. (Ireland),  
Jim Gelsch, N. Sch. (Australia)
  - My husband, partner and father of our children John O'Connell who has always been supportive and a great friend.
  - All of my new friends and their families in China, Australia, Argentina and Canada who hosted me at short notice and who displayed a generosity of spirit and kindness which at all times was much appreciated.
  - Michael O'Farrell, Jose Maria Azumendi,
    - Brent & Cymone Alexander, Kathy Simms, The Gresham family, Bill Thompson,
    - Chaminda Baddewithana, Serrita and her family.
    - Liz & Art Bailey,
    - Special thanks to Kathy Simms, Lyn & John Sykes who generously shared their time and home and to Lyn for the valuable grounding and subsequent training as a succession facilitator.
    - David & Mary O'Connell in Sydney, who gave me their home to use as my own, much appreciated.
    - Collectively and individually my precious children, Mervyn, Fiona, Heather and Jack.
- Thank you for encouraging me to take this opportunity and coping with my absence especially during the school holidays.

## Credits

Canadian Farm Business Management Council, staff and associate members.  
Mr. Wendell Joyce, Mr. Donald Daigle, Dr. David Kohl. Mr. John R. Baker, Mr. John Anderson KPMG, Dr. Jean Philippe Perrier, Université Laval and Dr. Matt Lobley, University of Exeter

## **Table of Contents**

Executive Summery.....	3
Background.....	4
Introduction.....	6
The study Tour.....	7
China.....	9
Australia .....	13
Brazil .....	15
Argentina.....	17
Canada, Ottawa.....	20
Conclusions.....	25
Images from China.....	27

## **Executive Summary**

The Succession Subject ‘Intergenerational transfer of family farms and assets in an Irish rural context’.

This report covers a study funded by ICOS and Nuffield Ireland.

It aims to address the complexities of family relationships while facilitating the transfer of skills, management and assets within a working family business and what options, solutions and choices maybe available.

It includes a historical overview of traditional succession practise in Ireland and the changes and challenges from a socio economic perspective. Each country which was visited as part of this research had unique land and taxation laws, traditions and norms. While the passion for security of ownership which still runs deep in the veins of farmers is not unique to Ireland alone, but is mostly

prevalent in the indigenous people of countries which experienced colonization and/or a serious deprivation of primary needs. As a contrast, the report examines some broader approaches to succession. It highlights innovative approaches to redress the lack of new blood into the farming sector. The report's conclusions highlight the need for effective facilitated communication in succession planning. The core conversation involves intergenerational family members speaking honestly from the heart and listening to the hopes and concerns of all others present. Family harmony is best achieved when an all inclusive approach is adopted, that includes the parents who generally are the asset owners and maybe considering an exit strategy from the business and their children. By children I refer to adult children. The importance of open and honest communication at each stage of planned transition minimises future family conflict. The issue of how to embrace the intangibles while maintaining family relationships and a viable family farm business remains by and large the unaddressed challenge. The exit strategy is always an option. The core concentration revolves around and is central to the asset owners and intergenerational family members; this is far more than a legal transaction.

**'In the long run, we shape our lives and we shape ourselves.  
The process never ends until we die. And the choices we  
make are ultimately our own responsibility.'**

**Eleanor Roosevelt**

## **Back ground - Setting the scene**

There are no tow-bars on a hearse nor are there any pockets on a shroud. Therefore what you own on this earth will remain here after you and that's a fact. You, most likely would like to be remembered for all the right reasons and it's probably your wish that harmony within the family prevails. To quota Kathy Simms, an Australian Succession Facilitator *'Siblings are generally generous while Mum and Dad are alive, they become more selfish when parents are dead.'*

Before moving on to share my experiences of the countries visited to date, it is important to set the scene in Ireland, which is the foundation from which this study emerged.

In Ireland the rural countryside is dotted with family farms and homesteads. Traditionally, since the foundation of the state -1921 farming in Ireland has been family centred, both in ownership and labour provided. The average farm size of less than 60 acres with few owners or their spouse employed off- farm, and it was not untypical for three generations to live under the one roof. The land transferred to the eldest or only son and this transaction frequently followed his marriage or the farm was inherited following the demise of the owner. Also it was not uncommon for a successor to be selected 'as the one with least academic ability'. The other siblings were encouraged to continue in education or seek a trade while the identified successor frequently commenced his farming life as a young teenager.

A first benchmark date for Irish farmers was for those born on or after 1/1/68 where by a certificate in farming became a requirement initially for stamp duty/tax benefits. In line with other European countries an agricultural qualification is a requirement for younger farmers (under 35 yrs) to avail of and qualify for farm grants, schemes and taxation benefits.

The 1990's saw land values in Ireland appreciate beyond the rate of return from most farm enterprise, the sale value for agricultural land in 2006 averaged €20,000+ per acre. Farm sale prices of up to double this value were also achieved depending on location, accessibility, aspect and size. Land zoned as development fetched multiples of this value. Key factors being close proximity to major cities i.e. within commuting distance to work and size, small parcels suitable for hobby farming were much in demand .The purchasers were typically the sons or daughters of farmers (or developers) who worked and benefitted financially in the 'Celtic tiger' economy but desired to have their homes and family located in a rural setting.

## **Introduction**

I decided to look at the area of farm succession from an International context because I wanted to establish best practise perspectives and if possible apply these in Ireland. As a third generation dairy farmer and from my work as an Agricultural Development Officer with a Rural Development Company in Ireland, I have gained first hand experience with the core values of farm families and understand the complexities, passion and emotions attached to family farms. The number of lives touched through a family farm business maybe significantly greater than anyone cares to admit. As family relationships also form part of the family's legacy, consideration needs to be given to the consequences for such relationships when making decisions about what is best for the farm business following the retirement /demise of the main asset holders. The most notable and core issue rests in the planning for change .The transfer of the assets from one generation and the expectations of all other family members.

Is it possible to have a suitable, harmonious and workable settlement agreement within a succession plan going forward and does a model exist?

Questions encompassing financial security and life style for retiring parents whose needs will change as time progresses, is this consideration included in the succession discussion and ultimate plan. What if the unexpected happens, an adult child returns home due to changes in their personal or professional lives, a serious illness, an accident, a marriage breakdown or a divorce, how and are these issues discussed as part of a families succession plan? These were some of the questions which underpinned this research.

**'Challenges make you discover things about yourself that you never really knew'.  
Cicely Tyson**

The diverse spectrum of asset values and liabilities attached to family farms is a subject beyond the scope of this report. The question underlying my Nuffield study was to find if possible a model of succession planning which could be adaptable to benefit Irish farm families.

Where by-

1. family harmony would be maintained
2. family members felt fairly treated
3. the retirees could retire with dignity
4. the future viability of the core business was protected.

The core issue rests in the planning for change .The transfer of the assets from one generation is much more than a legal process as underlying are emotional issues compounded by close relationships. The intangibles need to be identified, acknowledged and discussed and this is a challenge which most fear and many avoid.

### **The study tour**

Succession and inheritance issues are not unique to Ireland. The same emotive issues emerge almost globally but were more evident in countries not restricted by government succession policy. It may appear noticeably easier to avoid the succession subject within a farming family as unresolved emotions frequently cloud the core subject and are difficult to suppress. As the older generation who frequently are the asset holders face the fact of their eventual demise, following a lifetime committed to the land, their wish is usually for the business to continue into the next generation. Long term planning is vital if the fairest transfer is to be achieved.

Commencing in Holland where a much organised system of transfer is in place which closely represents a sale transfer to the successor. In much of Europe up to 40% of farms are held on long term land leases. This is not the case in Ireland .Traditionally the Irish adopted an 11 month lease system. In more recent years 3yrs extending to 7 or 10 year leases are slowly being formulated mainly to facilitate milk quota leases and partnerships. Without security of a long term lease, this inhibits investment and long term planning for all parties involved.

<http://www.agriculture.gov.ie/media/agricultureie/payments/MilkDetailedRules.pdf>

[http://www.teagasc.ie/advisory/milk\\_partnership/info\\_forms.asp](http://www.teagasc.ie/advisory/milk_partnership/info_forms.asp)

This Nuffield study presented the opportunity to travel to five different continents. The research included meeting farmers and their families, frequently at their farms discussing their attitudes and opinions on succession, and most importantly listening to their family succession story. One aspect which I found equally fascinating was the eagerness of others who willingly wanted to share their family succession history-ordinary people with whom I met briefly as I travelled .How they felt unfair decisions were made by previous generations and the consequences for the extended family .Some were still stuck in that communication and contact had totally broken down within the family. Cutting off all links with some or all their family of origin. Surprisingly within a short seemingly casual conversation I was privileged to hear their version of a family succession story. How some could never bring themselves to re-visit the family homestead nor attend the funeral of parents/siblings. The awareness of the unresolved hurt and loss of family unity was a dimension of succession which passionately intrigued me. What could be learned for this legacy and what needed to change to promote family harmony. One such case was Edwin –his father had a twin brother and both brothers worked on the family farm. On the marriage of his twin brother he was told to leave the farm as the farm now transferred to his brother. On asking '*why is my brother getting the place as we both work here side by side*', he was informed that his brother was the first born. He left Ireland for Canada and never returned to his home again.

The conclusion does include positive action in that progress has been achieved personally and nationally as I co-ordinate a succession facilitation service and work as a team member of Succession Ireland. [www.successionireland.ie](http://www.successionireland.ie)

The opportunity to work alongside succession planners and participate in succession planning workshops in Australia were most insightful and beneficial .From Australia to Ottawa where the adrenaline rush and serious jet lag made attending the International Farm Succession Conference 2007 in Ottawa a memorable experience.

In countries where people have freedom of choice on succession, inheritance and retirement, the same core heart felt issues emerge. Historically rural communities in Ireland grew around the farming community and it is vital that this indigenous industry remains in the hands of those best suited to the job.

**'Every minute you are angry, you lose sixty seconds of happiness'.**

**Ralph Waldo Emerson**

## **China**

It was almost impossible not to be touched by the vast differences between Ireland and China.

On arrival at Guangzhou Airport my first priority was to exchange currency, as Chinese Yen are not available in Irish Banks. The conversion process looked simple €1=10.09RMB (YEN). So I handed in €200 and the assistant slowly counted out the large wad of small 100 RMB notes and handed them to me with my receipt. I was ready for my first taxi trip in China!

Very few taxis have seat belts and there are no obvious speed limits on the roads. We ducked in and out between motorbikes, overloaded trucks and anything, which could travel on wheels. Sitting safely in my hotel later I counted the wad of money again and could only smile as I counted 1650 RMB and not the expected 2000 RM. I had learnt my first lesson: Trust no one (at least for the moment)!

China is and has rapidly adapted to embrace global demands by utilising their competitive advantage to the maximum. The country had long periods of extreme wealth displayed through glorious Chinese architectural designs. Ornate Mosques, palaces, summer royal residences and castles-are currently open to the fee-paying public while simultaneously major restorations are underway. These ancient masterpieces steeped in history of a different era are all that visibly remain of former immense wealth and power.

The physical size of China is immense which gives rise to vast differences of landscape and living standards. The most fertile of agricultural land is capable of producing two crops a year while barren desert in the North East and extensive mountain ranges (including Mount Everest in the Himalayas) make any type of sustainable agriculture impossible. Rugged hills with patches of level land form

much of the rural landscape to the East. Major rivers are an integral feature, while to the South East low-lying flat lands have in recent times experienced extensive flooding.

China is the 3<sup>rd</sup> largest country in the World - bigger than Europe with a population of 1.3 billion (est.) Information on the country as a whole was easily available from official sources. The amusing part was the facts and figures obtained for my Nuffield study varied depending on the source! Almost 80% of the population are rural dwellers, living in small villages. Since the Revolution of 1978 farmers are in a position to provide food for their family, eating seasonal produce while any surplus is sold in the village market on a daily basis. These 'wet' markets are a feature of every village, town and city.

Farmers (or rural peasants as they were referred to!) are in a transitional phase as some 'new technologies' and 'western information' has brought rapid progress. A number of 'large model' farms have been developed, primarily to meet the dairy shortage of fresh milk, butter and cheese. Butter and cheese is 100% imported in China. The main consumers are non-nationals and nouveau riche Chinese.

Dairying is not a traditional Chinese farming enterprise but in the regions where some cows are kept it is very much a one or two cow herd size operation. Land is allocated on a per adult member basis on a 7 year system. The best use of the limited land is vegetable production. Self-sufficiency in vegetable production, including rice production, is the traditional system of farming and is still most commonly practised throughout much of China. Pigs and poultry meander relatively freely in the rural villages but are watched carefully, especially by the children and elders of the community. Exceptional monsoon rains are creating serious erosion problems while landslides are a continuous threat.

The majority of farms employ the traditional methods of farming using oxen, as a tractor with an attachment would be too large to use in the small plots. Also the cost would be prohibitive as diesel is a limited and scarce resource, especially in rural areas. Fuel and water are both scarce resources. It is not uncommon to see

people queuing for fuel in vehicles throughout the night. The refuelled vehicle is then delivered with a quota full of diesel, ready for the owner in the morning.

**'What is a big problem for your country is a small problem for China and what is a small problem for China is a big problem for your country' Lee Sing Lee**

We were privileged to visit a typical rural Chinese family. Our four-hour journey brought us to a very remote village at the foot of fog-covered hills. 'Serrate' was the first person from her village to attend university, which was made possible as her fees were funded by relatives from abroad. Living standards, particularly for rural dwellers, are at subsistence level with no waste facilities or personal luxuries. Serrate informed us apologetically that there were no toilet facilities at her home. We walked through the single street of her village where we observed the market stalls, laid-out with wares as done on a daily basis.

We were the first non-nationals ever to visit this particular village and were viewed with polite caution and general amusement by the locals. We were served traditional food for lunch in Serrate's humble home which comprised of seven different dishes of vegetables, all cooked on an open fire in two woks /saucepans. A boiled chicken dish, which always includes the head, was served with lots of rice. Fresh melon for dessert! As wheat was not grown in that region of China no flour based products were available or traditionally eaten.

The land in the village was owned by the Chinese Government and rented on a 7-year term to the adults of the village at an equal rate of one 'moo' per adult. As families function on an extended family basis, between 1-1.5 acres seemed to be the norm for the entire family. However it was possible that the family holding was further fragmented in many small plots surrounding the village.

It was a privilege to share and experience both the traditional and ultra-modern Chinese culture. On our Nuffield trip the Chinese people welcomed us and were interested and respectful towards our Irish culture. Many expressed their wish for stronger links between both of our countries. China is an immense land of beauty and potential that will play an increasing role on the World economic stage. Close links will be invaluable.

I extended the 'official' accompanied trip to visit Beijing and walk some of the Great Wall on 25<sup>th</sup> June under very hot scorching conditions.

Though most of the land is Government owned there is a long tradition of leasing on a 7 yr system. Land parcels are small; enough to feed the family, any surplus produce is sold locally. They-the peasant farmers too face a problem. If the son does not wish to continue farming the land can not stay with the family therefore the older generation have little choice but continue to work the land for survival. The converse is also creating a problem, as land parcels are increasingly available in remote rural areas; the existing farmers are encouraged to lease this additional land. They do not have technology, machinery nor the physically ability to farm bigger plots without investment. In 2007 a new educational programme offering technical assistance to the traditional farmers was introduced and encouraged in some regions. This was to redress food shortage problems and to introduce a broader selection of available food in remote areas. Prior to 2007 only specified crops or vegetables could be grown in any one area and a balanced varied diet was a challenge especially for peasant farming families. The age profile of the traditional Chinese farmer is not conducive to change but by necessity of survival, they are obliged to attend the new programme if they lease the land. The younger generation of men, must after a period of time sign off their rights to the land if they secure employment in the cities. There is a sense of obligation to the older generation but out of economic necessity and the hope of a better future there is a massive inward migration to the cities.

I travelled out east from Guangzhou, S.E. China to visit a very remote rural farming community. This region largely undisturbed by the economic boom, and a region in ways almost suspended in time. Chinese farm succession laws are rigid. Land is allocated only to the male but on condition that he physically farms the plot of land. The land is owned by the Chinese Government and rented to the male adults of the village at an equal rate of one 'moo' per adult. It is the minimum required for basic self-sufficiency. However it is possible that the family holding maybe further fragmented in many small plots surrounding the village. The challenge facing boys and families is that the younger generation want to be formally educated and get jobs in the booming economies in the cities.

Currently, the older generation continue working for as long as they physically are capable. There is no social welfare available to these rural peasants and rural poverty is tangible. This is a mere subsistence model of living and change is eminent as the younger generation of rural children want a different lifestyle and a better quality of life than their parents and previous generations endured

**'He who knows others is wise;  
He who knows himself is enlightened' . Lao-Tzu**



**The rat barrier at Guangzhou dairy**



**Men at work at Guangzhou dairy Co. Ltd**

## **Australia**

Succession planning as a service has evolved out of demand from the grass roots so to speak in Australia. In conjunction with the legal and accounting experts on succession a third dimension has been added which embraces the family unit. How to deal with the 'soft issues' the awkward complexities within families while ensuring the future viability of the farm, keeping the family and all relationships intact and securing a suitable retirement for those who wish to exit. The service of Succession Planning and Facilitation is widely available and used through out Australia. This service evolved over the past thirty years through the pioneering

work of Lyn Sykes and others who have worked with farm families to work through the complexities of family relationships while sharing a vision for the farm business into the future.

The subject of succession is difficult for many because it means facing change, a change in identity. Facing the fact of giving up what gave them their identity, control, management, ownership and ultimately the chequebook. The question of 'If I am not a farmer how do I identify myself, a retired farmer, an ex-farmer'? Most farmers have the best of intentions on succession but the gap between intention and action may be very wide. For many families it is not until the 'Will' is read that they know their fate, and a 'Will' is not a succession plan. Succession planning as a service has grown in popularity and usage by the fact that families want harmony and they want relationships to remain intact while treating all members as fairly as possible. This may seem difficult initially when viewed from the inside but is possible through effective communication and is most frequently achieved with the assistance of a good external succession facilitator. The New South Wales Farmers Association offers training in Succession Planning facilitated by Kathy Simms, Rural Skills Development Manager. Kathy facilitates day long workshops for asset owners throughout the NSW region; I participated in one such training group with Kathy's Aussie farmers in Dubbo. When one of these farm families feels it's time to consider the next stage of their career they consult and employ the service of a succession facilitator this is a private consultation and is paid for by the family. The positive results at family and farm level is proof that the earlier a family starts to plan the more options are available to them. A long but pleasant train journey to Wagga Wagga allowed me the opportunity to see different landscapes and country side. The drought left visible consequences of dead animals in barren countryside- returning to nature .A meeting with Bill Thompson, solicitor, at his Coolamon office was an eye opener and allowed me experience the true casual and direct Australian style of down to earth honest communication. I was facilitated by many staff members with information and excellent contacts and meetings with families were immediately set up. While this was going on in the back round, Bill arranged a press interview for me –live from his office and onto the radio station for a slot in the agricultural weekly news. One farming family from Coolamon were the Gooden family, where I met four generations. Maria and her husband Graham have nine adult children and Maria's mother is alive and well. In 1976 Maria and

Graham purchased 400h today they own over 3000h so far three of their sons have returned to farm within the family company. They had their first meeting with a succession facilitator 15 yrs ago and continue to use the service. This family are a wonderful example of succession planning. Maria said *'we treat the children like boomerangs-let them go and they will return when they are ready'*.

One condition which adds to their success is each family member must qualify in some trade or profession before returning to join the family business. Secondly a business meeting is held each Monday morning where the weeks work schedule is discussed as some of the family members work in independent units. Machinery is shared yet when time allowed, they each were encouraged to work as contractors/wielders/agronomists/accountants off the farm. This additional income was pooled back into the farm. A family allowance was in place and reviewed annually. They were a very special family, very generous and respectful of each other and it showed as the farm business continues to grow and expand.

**'Years wrinkle the skin, but lack of enthusiasm wrinkles the soul.'** *Norman Vincent Peale*



The Gooden family Marie, Gran, baby Isaac and David

## **Brazil.**

The history of land ownership has shaped the current Brazilian situation, where men have fought and died for landownership. Brazil a vast and beautiful country but personal safety was a concern at all times.

In a country with a population of 128 million and 80% living in cities the underworld of nocturnal activities can not be ignored. Some economic facts helped me gain a better understanding of the country.60% are earning the

minimum wage of €135 month.12%+ are unemployed and social security ceases after 6 months .The last census was taken 4 yrs ago so the figures maybe slightly inaccurate but these are currently the best available.

### **Rural scene**

Change is noticeable as the social fabric is shifting. In recent years some of the traditional farmers have sold out their small plots and are seen selling off their few assets at the roadside to clear debts, with the intention to relocate to the cities seeking employment .Their plots of land could no longer provide for a family nor could they survive economically as farmers .In contrast there are large scale family farms of 5,000ac up to 25,000 ac+ living very comfortably, largely off the land based subsidies system. While many of these farms are totally underutilised but a 'why bother' attitude was prevalent, they are rich landowners with minimum inputs with guaranteed state supports. On some of the larger and more remote farms, entire families supply their labour and work for food and shelter only, though officially illegal but this is still a widespread practise of slavery. These large farms have generally remained within the family line for generations, though productivity is not the focus, economies of scale are a fact and reality. Family succession and inheritance is of concern but money buys everything including the best education and education off the land is currently the preferred option.

In contrast, the offspring from the large ranch style farming families have a weekday life in the city while they visit their country estate at weekends. The farm hands/workers tend to remain in situ from generation to generation, currently with little possibility of an education or improving their social strata.

### **Urban scene**

In Sao Paulo the poverty of so many was obvious with people lying on the pavements dressed in rags just existing, occasionally with a hand out begging. Little bodies tucked closely to adults huddled under old coats became a nightly feature on the streets though they were moved on early in the morning as the street washing commenced at dawn.

From a meeting with Dr. Jose Lopes de Caires, he outlined the biggest health problem presenting to the medical services as respiratory problems from the lower social strata group. It becomes a vicious circle and getting bigger and deeper with no solution insight. Dietary problems are serious due to an imbalance of nutrients; the cheapest diet is carbohydrate food and the only affordable option for so many families.

In contrast supermarkets were clean, well stocked and freezers were temperature controlled. The wonderful supply of fresh fruit and vegetables was a feast to behold. The fresh meat counters were excellently stocked utilising all of the beef cuts and chicken was presented with many options and noticeably nothing was discarded. There were display charts explaining the cut from the animal and recommended cooking instructions. Each pre-pack also had the licence number of the abattoir and country of origin-Brazil. From a consumer perspective the external image was very satisfactory and impressive.

### **Argentina**

It is hard to grasp the sheer size and vastness of Argentina and over 1/3 of the population live in Buenos Aires Province.

Population of Argentina 40,482,000 (2008)

Population of Buenos Aires 13,356,715 (metropolitan area)

Meetings and transfer of information were forthcoming. The culture was open, warm and friendly. As a non national I felt safe, trusted and welcome. The economic background has shaped the economy and society.

The economic crises of 1989-2001 has left a society in mistrust and extremely cautious of Government policies. Through a series of political and economic policies which lead to hyperinflation, inflation and devaluation, the inward focus of the government supporting a nationalistic approach lead to isolation of markets and the rest of the world. This period was referred to and outlined at most of the meetings I attended, sighting examples of why they 'Keep a little money in a tin box and the rest abroad-nothing if possible in the bank'. Perhaps jokingly but it is the truth so I was told.

My research questions on succession and inheritance with regard to gender, family siblings and position in birth order brought questioning smiles to many faces. The Argentine Constitution expressly provides for fundamental human

rights such as equality before the law, freedom of speech, peaceful assembly, and the right to private property. This was explained as all family members have equal rights to the family property unless insanity is proven.

Equal division means exactly that, the estate is divided equally; the owner may only dispose of 20% outside of this 'fair law'. This 20% is usually inherited by the member who is fulltime farming the majority of the holding. Different arrangements exist within this system but typically annual rental incomes are paid from the farm to the siblings who own the land. During/post the economic crisis many farms were sold as the rental demands by family members was excessive beyond the earning capacity from the land.

Most property is transferred through succession as it is a cheaper option roughly 4% of estate value where as inheritance is approx 8% .The preference still is for large ranch/farm owners to retain ownership for the duration of their lives which leads to middle aged successors at best. Taxes are subject to frequent change and it was openly expressed that a succession tax will be reintroduced in 2008 or-post the election. Currently inflation is running well over 20% close to 30% some say, though the official line is much more conservative.

Other options which are adopted in Argentina are a compensation method, this prevents the actual division of the land and is compensation for work and yields a profit dividend. Create a company and issue of shares. This option



**Clare with Victoria O'Farrell at the O'Farrell Home.**

operates well of the first generation but with continuous creation of new shares the value reduces while share portfolio increase. A fellow Irish Nuffield scholar kindly introduced me to one of the oldest and finest legal firms in Buenos Aires. Michael O' Farrell of Marvel O' Farrell & Mairal, Michael shared his time, expertise, hospitality , arranged and facilitated meetings for me with his senior staff members ,all much appreciated.

An understanding of the economic policies was imperative as laws are shaped to influence economic stability. In such a large country which has some of the best soil in the world, my perception was succession law from a legal perspective was very restrictive to the potential successor (farmer). Under Argentine law all family farms must be equally divided between members; there is a 20% leeway, which allows one member to receive 20% of the land above all other family members.

An annual income is transferred to the non-farming family members from their portion of the farm though they have no involvement with the farm operations. This law has made it impossible financially for many farm families to continue operating a viable business. Some of the best and most efficient farmers have been forced to sell as they could not sustain and honour the economic agreement. From this experience, what is equal is not always fair and what is fair may not be always equal.

One such family case was that which Jose related to me. His father was a farmer and he had 3 siblings. He was obliged to pay his brothers and sister an annual income from the farm even though they were not working on the farm. He was a good and progressive farmer but he could not survive financially and eventually he had to sell his portion of the farm. Just his sister has kept her farm. This is an example if all must be treated equally, it does not allow for fairness, as Jose outlined. In Ireland we have the freedom to treat all family members fairly, a freedom which other nations does not allow its citizens.



Clare and Jose at El Descanso a crop, tillage and beef enterprise part of Agro Terra Ltd. The farm is located in the province of Buenos Aires, 405km from the city Buenos Aires.

### **International Farm Succession Conference.**

*'Where we've been. Where we're going'.*

### **Ottawa.**

The culmination of my travels was at the 2<sup>nd</sup> International Farm Succession Conference in the beautiful historical city of Ottawa. It was a meeting of minds with a bottoms up approach led by producers, professional advisors, and academics but with a hands on approach and focus to those working at grass roots- farming families and families who work in family businesses.

Mr. Donald Daigle, chair of Canadian Farm Business Management Council outlined 'there's not one simple process to plan a well made succession' though the conference will provide an opportunity to 'discuss with others our experiences and expectations'. Donald concluded with his ultimate dream that 'all ....could spend more time working on management and succession planning for the good of our industry and for our children.'

In his address Wendell Joyce, Executive Director, Canadian Farm Business Management Council said *'we recognise the urgent need to protect and nurture our abundant soil, water and native plant and animal species resources. All of these resources are essential to the sustainability of our agri-food system. There is another essential piece in the Agri-food sustainability puzzle that is the focus of this conference; the element is PEOPLE.'*

The tone of the conference was pitched exactly where I felt one of the most challenging largely unaddressed issues facing many family farms in Ireland rests. Through years of research and working in the agri-sector each of the speakers addressed 'the people' element. Though each presentation took a different aspect of succession yet a singular thread which highlighted the positive effects and evidence of open and honest communication and in contrast the statistics where poor planning prevailed showed a diminished return on profitability and income. This theme with empirical evidence was reinforced through out the conference.

***'The rewards of those who persevere far exceed the pain that must precede the victory'***  
**Ted Engstrom.**

Dr. David Kohl delivered a paper on 'The Evolution of Transition Management in Agriculture' highlighting the changes from the 1950's to the present day needs and wants. He outlined that in recent years people are living 4 times longer in retirement years. People have to live until they die and I add- not until they retire. I do appreciate this is stating the obvious but this requires planning for life post retirement with relative comfort and financial security.

Extracting some points and summarising from Dr. Kohl

**'Sweet 16 Golden Rules of Transition Management'**

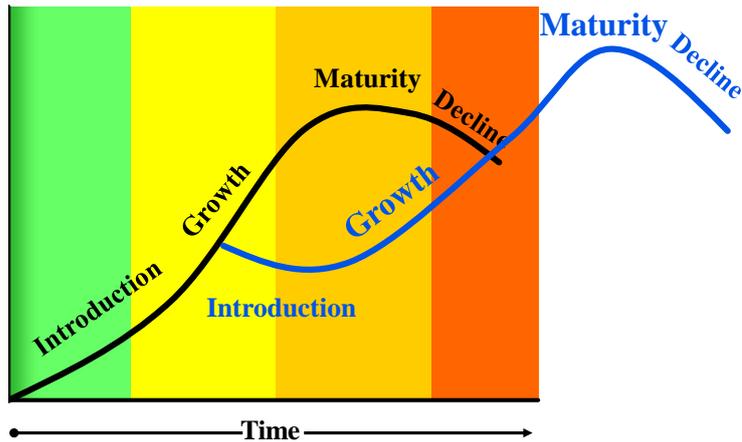
- Do you pass the net income needed rule, are you willing to accept less living with drawls or is there an additional source of outside revenue.?
- Will the annual business income equal inflation over the next 5 yrs?
- Has the younger generation/successor experienced 3-5yrs work experience away from the farm to develop emotional intelligence?

- Has the older generation committed to shared decision-making by the sixth year upon the successor entering the business? *Must be making management decisions within 5yrs of returning.*
- Financial security for older generation-do you have at least 50% of retirement income from outside the business investments.
- Is there a written job description-*hire in the opposite talents?*
- Is there a wage agreement or compensation package including all fringe benefits?
- Is your succession plan written including buy /sell agreement with retirees. Are all family members included and treated fairly (though maybe not equally).
- What plans are in place for living arrangements for retirees?
- Is adequate health care insurance in place and are their final wishes known to the family?
- Are there public/ farm and personal insurance in place?
- Are periodic family business meetings organised and scheduled, with an agenda, minutes and use of outside facilitator. *Can't afford not to have them.*
- Is there a written business plan in place, review annually including an exit strategy?

The new generation of farmers place more emphasis on a work –life balance where by their business must fit in around family and lifestyle .To facilitate this balance sourcing casual or part-time employees must be factored in to costs and the business must be at a scale which justifies this cost.

Some interesting side notes from Mr. Jean Philippe Perrier, Research Professor, Dept. of Agricultural Economics, Université Laval .The fact that in 2006 30% of loans were for debt consolidation and it is more difficult to transfer a farm in debt has this situation deteriorated further with the onset of a global downturn?. When an asset increases in value there is less change of ownership but as owners retire yet retains ownership this land is released for leasing. The practise of leasing will continue to increase as the active farmers must grow to survive through economy of scale but careful monitoring is required as this may not always be the most profitable option.

# The benefit impact of a timely succession

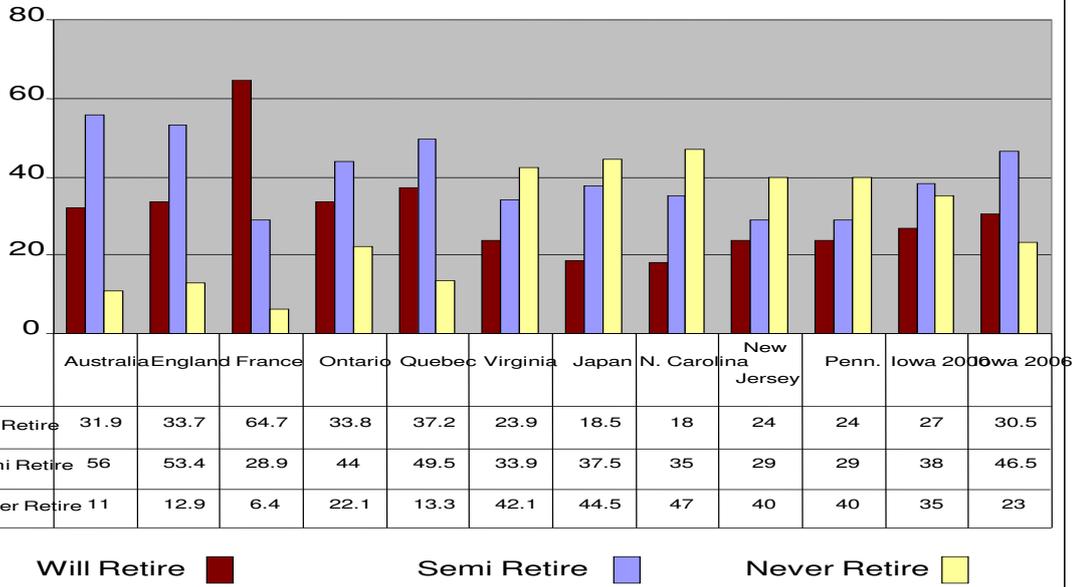


IOWA STATE UNIVERSITY  
University Extension

An interesting and insightful paper presented at the International Farm Succession Conference by Dr. Matt Lobley highlighted an industry led approach to looking outside the farm family for succession options and how to bring new blood into farming which are the corner stones of Fresh Start. The first Fresh Start Academies opened in June 2007, based in the Cornwall district of England it promotes farming as an attractive career and links potential new entrants with those wishing to wind down. It is a mentoring scheme by farmers. New entrepreneurs may be from a diverse range of back rounds without specific farming skills but they have a positive attitude to farming and bring other skills and attributes into the farming community.

In the words of G K Chesterton's Father Brown  
'It isn't that they can't see the solution. It is they can't see the problem'

## International Retirement Comparison



## **Recommendations.**

1. At a national level Teagasc who are the main body of agricultural teachers, advisors and instructors needs to embrace the human aspect of each client. Communication inside the farm gate is more important to the future viability of the business than the productivity or profit monitor. Look to the Canadian Advisors as a model.
2. Plan early and be open to change as time evolves.
3. At farm level, seek the assistance of an external facilitator, ideally before any a potential successor returns to the farm.
4. Hold weekly short work planning meetings. Keep minutes and report back.
5. Discuss major life changing events with those closest, those whose lives will be affected by your decision.
6. Plan early and be open to change as time evolves

## **Conclusions**

The family farm businesses which are a success have family harmony at the core. Keeping this as the focus necessitates honest and open communication. This is best achieved when a specific time is allocated for family meetings-15 minutes on Monday morning is all that is required but with commitment to the structured business agenda. Record the details e.g. what's to be done this week by whom does it require a budget allocation and time frame involved. Write it down and re-read at next weeks meeting.

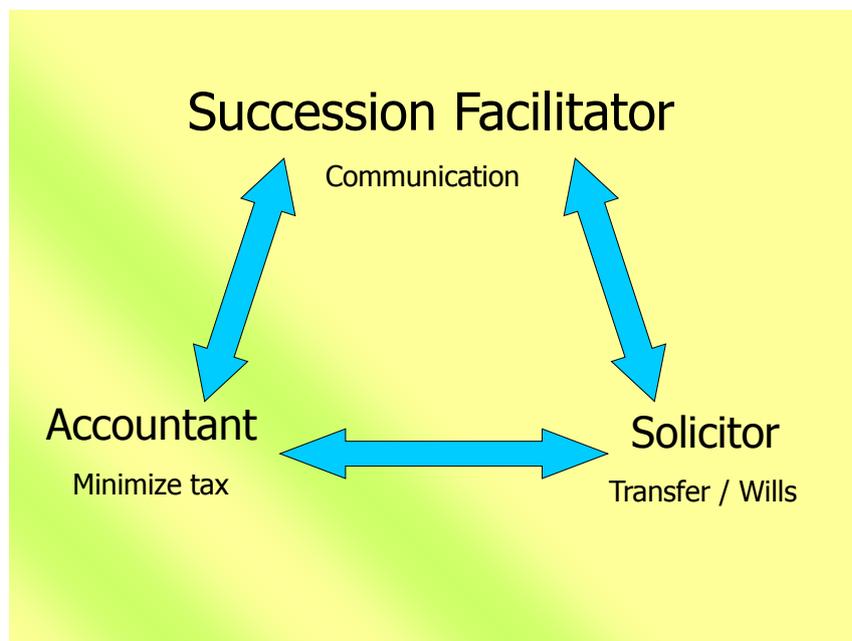
Succession is a process beginning with labour, management and finally ownership. Though no one model time frame suits all it is important that those involved should know the planned time frame for their own farm and family.

## **Where to from Here**

This Nuffield study has presented new opportunities. In 2008 the first training for Succession Facilitators was delivered in Ireland and 12 participants from the UK and Ireland attended. This was delivered by Lynn Sykes the renowned Australian expert and Sian Bushell who is an experienced facilitator in England.

Succession Ireland is the business name; we are the first succession facilitators trained specifically to facilitate families through succession. As a team member I'm delighted with the positive results and feed back to date. The service details can be viewed on [www.successionireland.ie](http://www.successionireland.ie)

**As the old Chinese proverb goes-  
*Harmony breeds fortunes***



Images from China



Natural Yogurt in glass bottles distributed to schools.



Fresh milk promotion in Carrefour -retailed at close to European prices quickly informed no photographs please.



A typical working ox, the only animal owned by most traditional farming families.



Fodder saved in the traditional method.



Beijing - meeting with the Chinese Meat Association



Government testing centre for meat - each company is tested twice yearly and given warning of impending test. Very rare to find any contamination in meat tested



**Non polluted pork-picture taken in a supermarket quickly informed NO photographs allowed**



**These piglets are ready for market. Pork is a very popular meat dish second overall to poultry in China. Weaners are choice consumption.**



**Wet market -scraping and preparing pigs crubeens. Once weighed this produce is sold fresh to hotels and restaurants**



**A Wet market where both fresh meat and vegetables are prepared and sold.**



**An elderly traditional farmer hand sowing vegetable seed.**



**Clare and Louise with local rural women stall holders.**



**The elderly are very fit though I did join in at 6.30am. Daily routine begins with exercise from the very young to the elderly.**



**Young boys playing bare foot in the rain.**



**Relaxing while waiting for his load to be filled for dispatching from wet market.**



**Clare with Millie who is studying tourism. Millie is determined to obtain a scholarship to study in an English Speaking Country, thus increasing her employability options in China.**